



THE BANGLADESH ACCOUNTANT

April - June 2024

QUARTERLY JOURNAL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH

BANGLADESH NATIONAL BUDGET 2024-25

2024-25 BUDGET PLAN

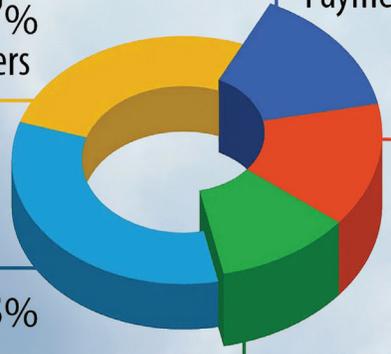
TK 7,96,900CR

Where to spend

27%
Others

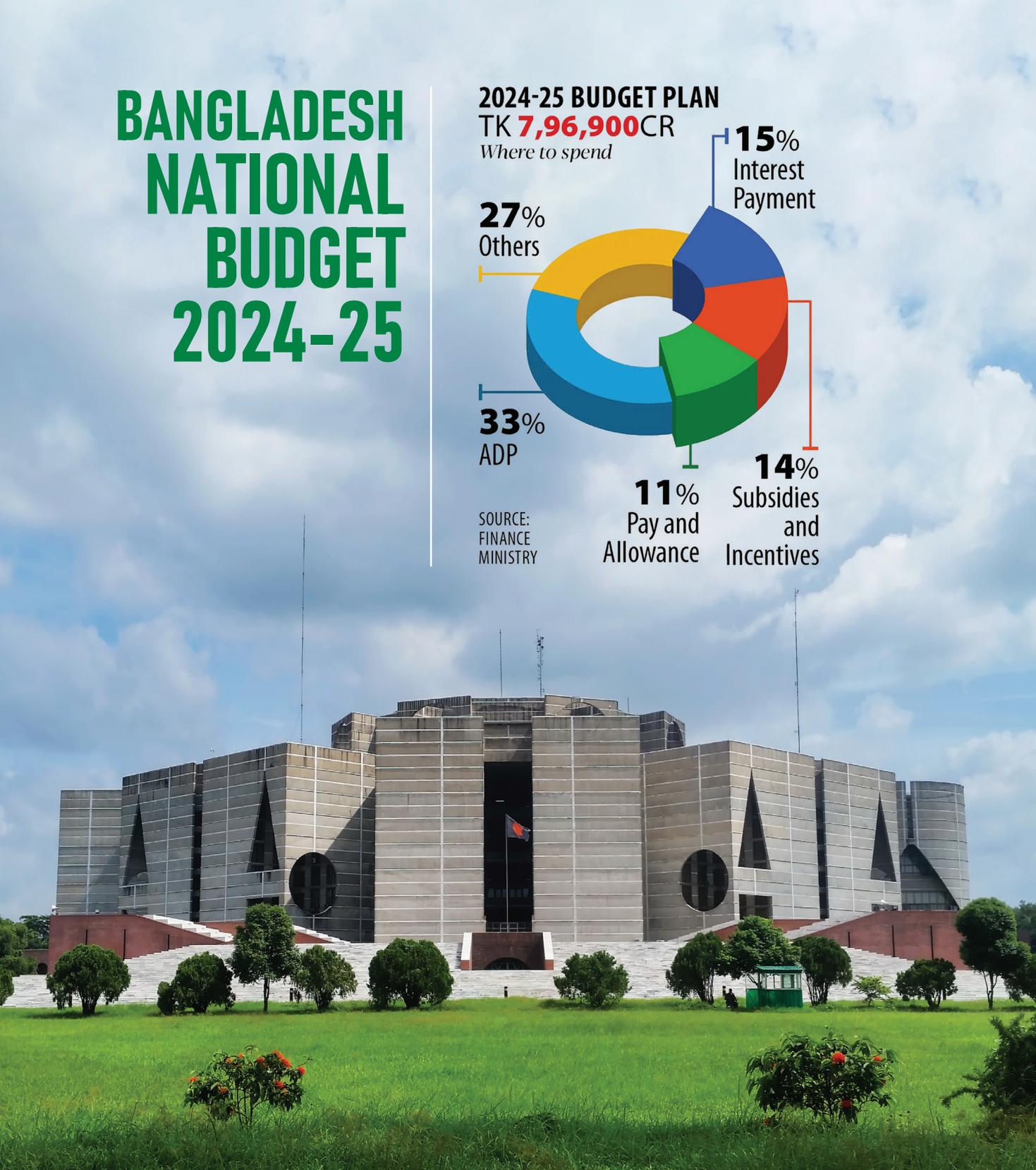
33%
ADP

SOURCE:
FINANCE
MINISTRY



11%
Pay and
Allowance

14%
Subsidies
and
Incentives



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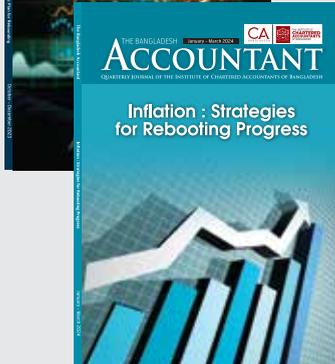
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ICAB publications include, inter alia, a quarterly journal titled 'The Bangladesh Accountant', half yearly Journal 'Bangladesh Economica' and ICAB's mouthpiece ICAB Monthly News Bulletin.

In the quarterly journal, articles of ICAB Members, Members from other Accountancy bodies, Academics and Business Leaders from home and abroad are published.

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

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



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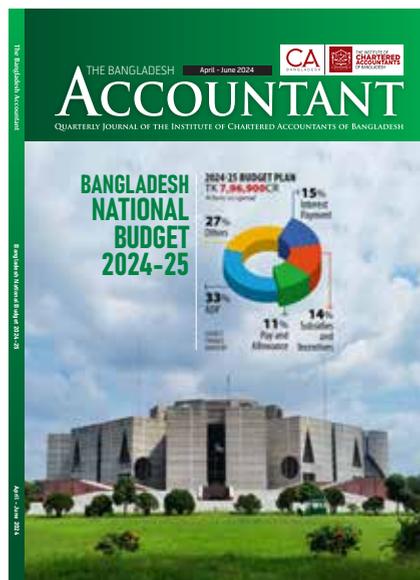
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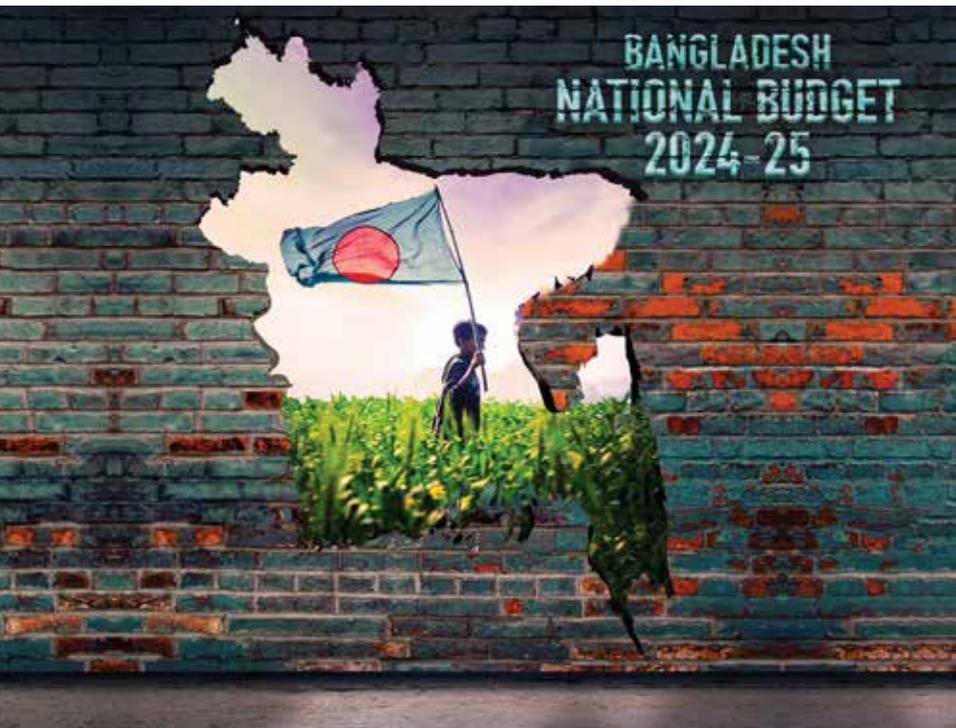
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“ This time the revenue target has been estimated at 5 lakhs 41 thousand crores. Out of this, the target of National Board of Revenue (NBR) Tax is 4 lakhs 80 thousand crores. Take 15 thousand crores of non-NBR tax has been estimated while the Non-tax Revenue has been estimated at taka 46 thousand crores.”



Md. Shahadat Hossain FCA
Chairman - Editorial Board and
Past President & Council
Member - ICAB

The Bangladesh Accountant April-June issue has been published focusing on the theme of our National Budget 2024-2025. In the month of June, everywhere the issue of discussion is the National Budget. Keeping that in mind, TBA issue (April-June) gives top priority to the national budget in very year. Finance Minister Mr. Abul Hasan Mahmud Ali proposed a budget of Tk 7 lakh 97 thousand crores for the financial year 2024-25 at the National Parliament on June 06. In this budget, without grants, the deficit is Tk 2 lakh 56 thousand crores. This was the first budget of Mr. Abul Hasan Mahmud Ali as Finance Minister of the Govt of Bangladesh.

The Finance Minister presented this budget proposal under the pressure of inflation. In addition to giving a message of hope to bring down inflation to 6 and a half percent, the GDP growth target for the next financial year has been set at 6.75 percent.

Expressing the hope of a significant growth by reducing inflation, the Finance Minister projected the deficit without grants at Tk 2 lakh 56 thousand crores. The overall deficit including grants was estimated at Tk 2 lakh 51 thousand 600 crores.

In the proposed budget, the cost of loan interest i.e. payment is estimated at 1 lakh 13 thousand 500 crores. Out of this, the interest on domestic debt is 93 thousand crores and foreign loan interest is 20 thousand 500 crores.

This time the revenue target has been estimated at 5 lakhs 41 thousand crores. Out of this, the target of National Board of Revenue (NBR) Tax is 4 lakhs 80 thousand crores. Take 15 thousand crores of non-NBR tax has been estimated while the Non-tax Revenue has been estimated at taka 46 thousand crores.

Bangladesh's budget has maintained a sectoral balance in its stance, giving priority to education, agriculture, infrastructure and social sector expenditures.

The need for enhancing the quality of human resources did get some attention in the budget. Youth unemployment for a lack of necessary job skills is a growing headache for the government. Programmes have been taken up to create more jobs in the industrial sector. The government has assured to facilitate qualitative employment for the growing population within the next two years.

The overall stance remains pro-growth which is actually very important to maintain. We must remember that the impact on poverty reduction and positive social sector outcomes could not have been possible without



broad-based growth. Thus the focus must be on delivering sustained, broad-based growth which requires major progress in the reform agenda.

We want to see Bangladesh to become a developed country by 2041. To fulfill the dream of raising the status and achieve Sustainable Development Goals (SDGs) by 2030, we have to scale up revenue collection, in particular, income tax collection significantly. However, we have to ensure that revenue augmentation efforts do not act adversely our businesses and investments. We believe that, increase in investment will result in increased business, increased production, increased exports, more employment, increased income, increased profit of business, and more capital and technology for entrepreneurs, which in turn will be reinvested. This virtuous cycle will result in more income of the taxpayers and more tax revenue. Our principle is to increase revenue collection by strengthening and accelerating this virtuous cycle. Our aim should be to generate a large amount of revenue for the development and progress of our country.

For sustainable development long term planning is a must. For a steady and sustainable development our government should focus on long term planning.

Most important thing at the end of the day is effective implementation of the budget, trimming of corruption and ensuring good governance. Unless that is ensured, even an unlimited amount of resources would not make any remarkable progress.

Best wishes to all.

President's Desk

“Historically, the role of chartered accountants in overall tax policy formulation and implementation is significant, specifically their contribution in government revenue collection and easing the process of assessment. We see the suggestions given by CA Bangladesh to NBR on VAT, Tax & Custom policies were given due importance in the finance Act.”



Mohammed Forkan Uddin FCA
President - ICAB

The Bangladesh Accountant, April-June issue, is going to be published with a focus on Budget 2024-2025. In the sequence and act of the time, every year the Journal attaches top priority to the national budget. As a professional Institute, ICAB is passionately committed to fostering the pace of national development. With a determined stand to grow along with the nation, CA professionals have transformed themselves from being the anchors of our country's fiscal prudence to playing the role of partners in nation building. Further, in pursuit of our commitment, during this time as in the previous years we submitted ICAB's proposals on VAT, Tax & Customs policies to NBR for consideration before the announcement of the National Budget 2024-25.

This year, at and before the time of placing the Budget in the Parliament, efforts of all sections including ICAB had remained mainly concentrated on VAT, Tax, ADP and as a whole the implementation of National Budget. As a matter of pursuit, ICAB organized a pre-budget roundtable discussion as well as a post budget press conference. The participants at the roundtable discussion recommended many useful suggestions for the policy makers, which might be considered in this budget proposal.

We are very proud that Bangladesh has come out of the bracket of least developed countries (LDC) as it has been elevated to the status of a developing country as per recognition given by the UN Committee for Development Policy of the General Assembly of the United Nations. However, Bangladesh has to maintain the ongoing development trajectory to retain the status of a developing county permanently. In view of this, Government has prepared the Finance Bill for the budget. We believe, it is very



timely, given the stage and momentum of our development, though it involves many actions to be taken in implementation. Capacity building in technical hands, digitalisation, widening of tax net are important issues to achieve the budgetary target in revenue collection specially NBR Tax.

Historically, the role of chartered accountants in overall tax policy formulation and implementation is significant, specifically their contribution in government revenue collection and easing the process of assessment. We see the suggestions given by CA Bangladesh to NBR on VAT, Tax & Custom policies were given due importance in the finance Act. We appreciate the revenue authority for its prudence & wisdom, at the same time, we put stress on special attention to create a tax friendly environment.

Finally, I express my heartfelt thanks to the Chairman, Editorial Board and everyone associated with this publication for enlightening us on the important aspects of national budget.

Best wishes to you all.

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ARTICLES

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Analysis of Budget for Financial Year 2024-25 and Challenges in its Implications

Soumitra Dey ACA



The Author is an Associate Member of the Institute of Chartered Accountants of Bangladesh (ICAB)

Abstract

The Government of Bangladesh has announced the budget for the fiscal year 2024-25 with a vision of creating a happy, prosperous, developed, and smart Bangladesh. This study aims to conduct a critical analysis of the budget and identifying the challenges in its implementation. A comparative analysis has been performed, contrasting the fiscal year 2024-25 budget with the revised budget of 2023-24 and the actual data from 2022-23. The study identifies the challenges in budget implementation through a comprehensive approach that includes tabular analysis, graphical presentation, and detailed explanations.

The study reveals that the total budget for the fiscal year 2024-25 is BDT 797,000 crore, comprising an operating expenditure of BDT 532,000 crore and a development expenditure of BDT 265,000 crore. The budget deficit stands at BDT 256,000 crore, which will be financed by borrowing BDT 95,100 crore from foreign sources and BDT 150,900 crore from domestic sources. The GDP growth target has been revised downward to 6.75%, a decrease from the previous target of 7.5%, while inflation is projected to be 6.5%.

The primary challenge in budget implementation is revenue collection. In addition, significant hurdles include

controlling inflation, managing high borrowing levels, addressing substantial deficits in financial accounts, and countering the downtrend in foreign exchange reserves. The volatility of the foreign exchange market and the lack of effective market control mechanisms further complicate these issues. Moreover, implementing the budget effectively remains one of the major challenges. The government must improve its monitoring and evaluation systems to implement the national budget efficiently and ensure greater transparency and accountability.

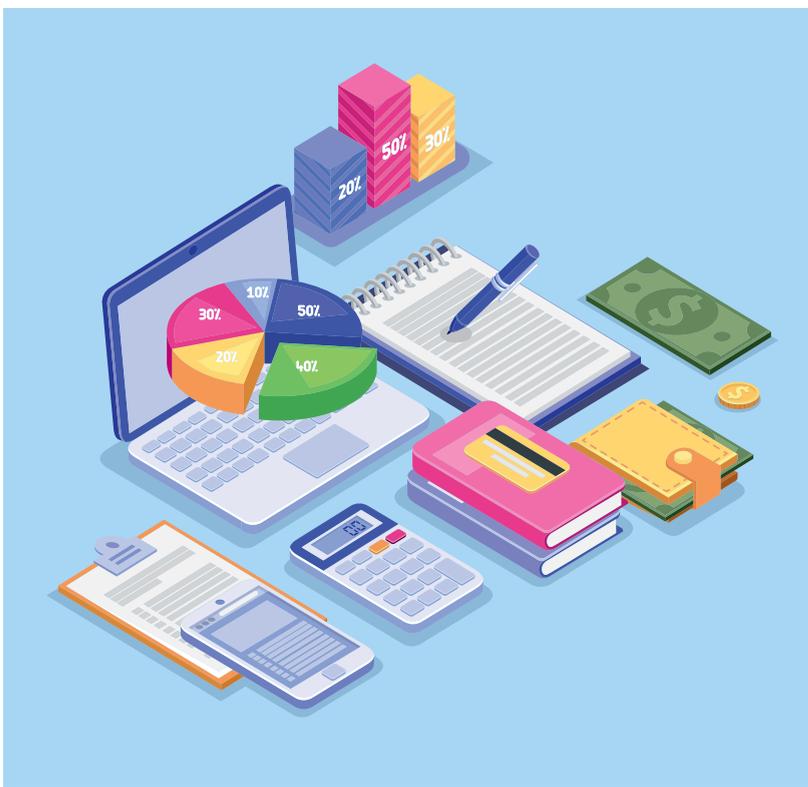
Introduction

Finance Minister Mr. Abul Hassan Mahmood Ali unveiled the budget on June 6, 2024, for the financial year 2024-25, which will run from July 1, 2024, to June 30, 2025. This is the 54th budget in the nation's history and first national budget presented by the honorable Finance Minister. The budget speech covers 11 chapters and 206 pages in total.

The presentation of the Financial Year 2024-25 budget comes at a time when the economy is grappling with a significant economic crisis. This crisis is underscored by noticeable macroeconomic indicators such as a sluggish revenue growth rate, rising prices of essential goods, vulnerabilities in foreign exchange reserves, and a growing reliance on bank

The article was reviewed by
Md. Shahadat Hossain FCA

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borrowing. In response to these challenges, the finance minister has proposed a comprehensive budget aligned with a contractionary monetary policy. The aim is to curb inflation, promote sustainable development, achieve moderate GDP growth, enhance revenue collection efficiency, and foster sustainable economic progress. The total budget size stands at BDT 797,000 crore, reflecting a modest increase of 11.56% over the previous fiscal year. Notably, the budget deficit seems slightly lower compared to previous years. The government projects a reduction in inflation to 6.5% alongside a targeted GDP growth rate of 6.75%.

These measures are designed to stabilize the economy, alleviate inflationary pressures, and ensure a path of sustainable economic growth.

The purpose of this study is to make a critical analysis of the national budget 2024-25 which includes composition of the expenditure budget, the structure of financing and revenue breakdown, sector-specific allocations of the budget and overall challenges of the budget.

A comparative analysis of the fiscal year 2024-25 budget has been shown with the revised budget 2023-24, and actual

information of 2022-23. Tabular analysis, graphical presentation and explanation are used to analysis the budget and its challenges. The various sources are used to analyze the budget like Budget Speech, 2024, Bangladesh Bank monthly & quarterly reports, NBR publications, reports of Statistical Bulletin-Bangladesh and information from websites and newspapers.

Analysis of the Budget

Concise Budget Overview

The projected revenue for the fiscal year 2024-25, encompassing both tax and non-tax revenue, is BDT 541,000 crore, reflecting an increase of BDT 63,000 crore or 13.18% over the revised budget for 2023-24. Tax revenue (including NBR and non-NBR) is expected to grow by 15.28%, while non-tax revenue is anticipated to decrease by 6.12%.

Total expenditure, which includes both operating and development expenditures, is forecasted at BDT 797,000 crore. This represents an increase of BDT 82,528 crore or 11.56% compared to the revised budget for 2023-24. The operating expenditure budget is set to rise by 13.45%, and the development expenditure budget by 8.25%. Consequently, the budget deficit is projected to be BDT 256,000 crore, equivalent to 4.6% of GDP. In the 2023-24 fiscal year, the budget deficit was BDT 236,418 crore, accounting for 4.7% of GDP.

(BDT in Crore)

Sector	Budget 2024-25	Revised 2023-24	Changes	Change in Percentage	Actual 2022-23
Revenue:	541,000	478,000	63,000	13.18%	366,658
Tax Revenue (NBR and Non NBR)	495,000	429,000	66,000	15.38%	327,725
Non-Tax Revenue	46,000	49,000	(3,000)	-6.12%	38,933
Total Expenses:	797,000	714,418	82,582	11.56%	573,857
Operating Expenditure	515,547	454,411	61,136	13.45%	368,699
Development Expenditure	281,453	260,007	21,446	8.25%	205,158
Overall Deficit (Excluding Foreign Grant)	256,000	236,418	-	-	207,199
Deficit as % of GDP (Excluding Foreign Grant)	4.60%	4.70%	-	-	4.70%
GDP Growth	6.75%	5.82%	-	-	6.90%
Inflation	6.50%	8%	-	-	9.02%
Annual Development Programme (ADP)	265,000	245,000	20,000	8.16%	191,927
Financing:	256,000	236,418	19,582	8.28%	207,199
Net Foreign Borrowing	90,700	76,293	14,407	18.88%	80,086
Net Domestic Borrowing	160,900	156,625	4,275	2.73%	124,361
Foreign Grant	4,400	3,500	900	25.71%	2,752

The government forecasts a GDP growth rate of 6.75% and an inflation rate of 6.5% for the fiscal year 2024-25. The allocation for the Annual Development Programme (ADP) is BDT 265,000 crore, which is an increase of only BDT 20,000 crore from the previous year's revised budget.

To finance the budget deficit, the government plans to rely on domestic borrowing amounting to BDT 160,900 crore, a 2.73% increase from the preceding year, and foreign borrowing of BDT 90,700 crore, marking an 18.88% increase from the previous year.

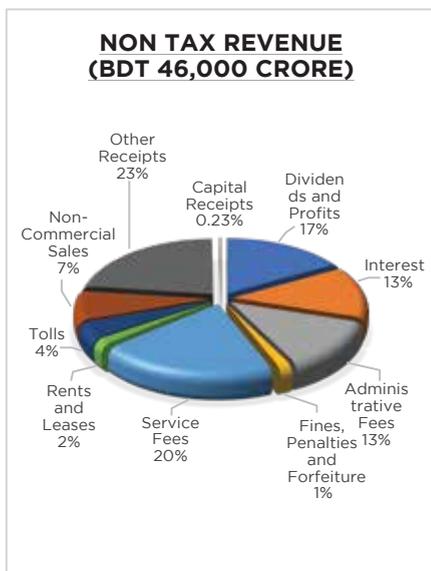
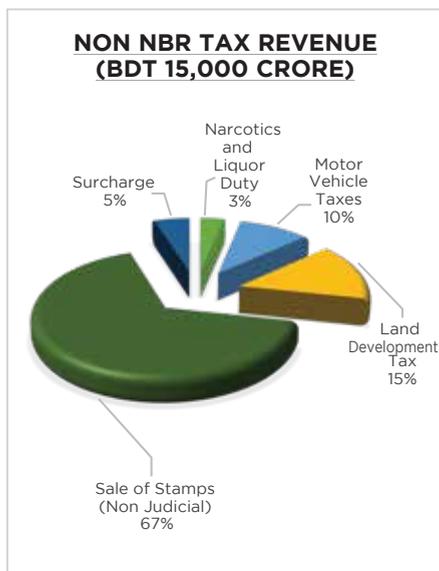
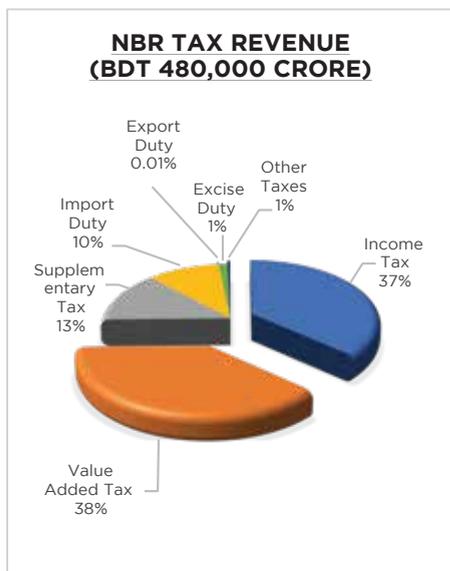
Revenue Structure of the budget for Financial Year 2024-25

There are three sources of revenue for government NBR tax revenue, Non NBR tax revenue and Non tax revenue. It is estimated that revenues from NBR taxes will reach BDT 480,000 crore for the fiscal year 2024-25. The primary source of these revenues is Value Added Tax (VAT), projected to be BDT 182,783 crore, accounting for 38% of the total NBR tax revenue. The second largest source is Income Tax, estimated at BDT 175,620 crore, representing 37% of the total. The third major source is

Supplementary Duty, expected to bring in BDT 64,278 crore, or 13% of the total. Other sources of NBR tax revenue include Import Duty at 10%, Export Duty at 0.01%, Excise Duty at 1%, and other taxes also contributing 1%. It is observed that a total of BDT 247,061 or 51% of Total NBR Tax Revenue will collect from Value added tax and Supplementary Tax. This highlights that a significant portion of the tax burden is placed on the general populace through indirect taxes.

The total estimated non-NBR tax revenue amounts to BDT 15,000 crore, with a significant portion, BDT 10,000 crore or 63%, projected from the sale of

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and Challenges in its Implications**



non-judicial stamps. Other notable sources of non-NBR tax revenue include land development tax, accounting for 15%, motor vehicle tax at 10%, narcotics and liquor duty at 3%, and surcharges at 5%.

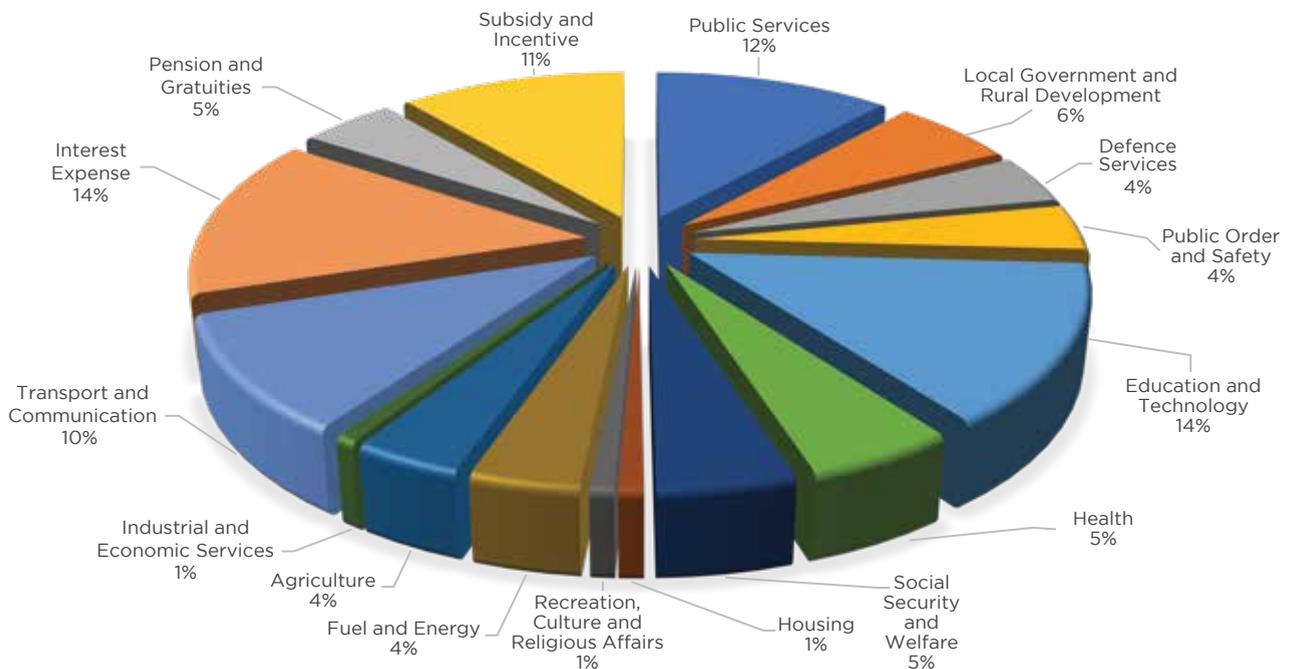
In addition, Non-Tax Revenue is projected to be BDT 46,000 crore. Of this, 17%, or BDT 7,676 crore, will come from dividends and profits, while 20%, or BDT 9,126 crore, will drive from service fees. Interest income is expected to contribute 13%, or BDT 6,114 crore, and administration fees will account for another 13%, or BDT 5,802 crore. Other sources of non-tax revenue include tolls at 4%, rents and leases at 2%, fines, penalties, and forfeitures at 1%, capital receipts at 0.23%, non-commercial sales at 7%, and other miscellaneous receipts making up 23%.

Section wise allocation of total expenditure including Operating and Development Budget

For the financial year 2024-25, the total estimated budget amounts to BDT 797,000 crore, covering both operating and development expenses. The expenditure breakdown highlights significant allocations across various sectors. Education and Technology receive the highest allocation with BDT 111,156 crore, constituting 14% of the total budget. Interest expenses follow closely with BDT 113,500 crore, also at 14%. Subsidies and incentives are allocated BDT 88,283 crore, representing 11%. Public Services account for BDT 92,134 crore or 12%, while Transport and Communication receive BDT 81,477 crore, making up 10%.

Other notable allocations include Local Government and Rural Development with BDT 47,939 crore (6%), Health at BDT 41,408 crore (5%), Social Security and Welfare with BDT 38,058 crore (5%), and Pension and Gratuities at BDT 36,912 Crore (5%). Defence Services, Public Order and Safety, Fuel and Energy, and Agriculture each receive 4% of the budget, with allocations of BDT 34,205 crore, BDT 32,217 crore, BDT 30,316 crore, and BDT 30,070 crore respectively. Lesser allocations are made for Housing (BDT 6,929 crore, 1%), Recreation, Culture, and Religious Affairs (BDT 6,701 crore, 1%), and Industrial and Economic Services (BDT 5,695 crore, 1%). This diverse allocation underscores the government's commitment to balanced growth across multiple sectors.

**TOTAL EXPENDITURE
BDT 797,000 CRORE**

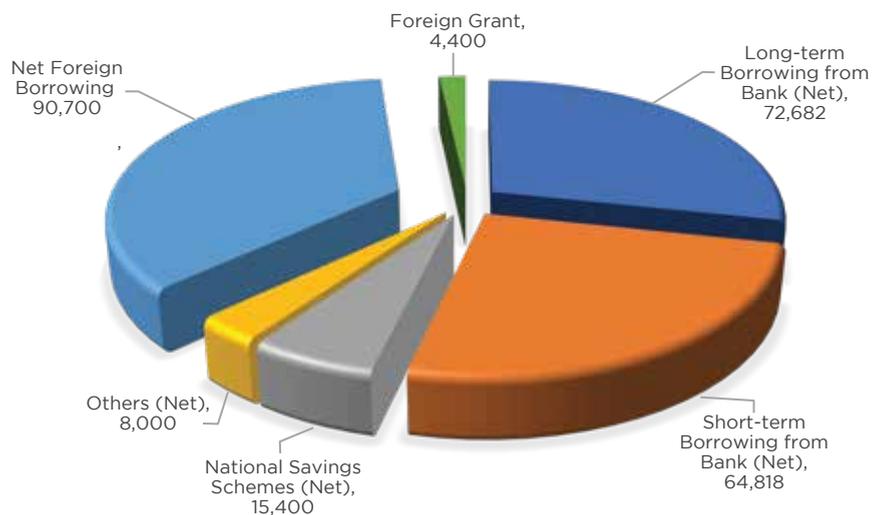


Strategies for Financing Budget Deficits

The total budget deficit amounts to BDT 256,000 crore, equivalent to 4.6% of the GDP. The government plans to cover this shortfall through various sources of financing. From domestic banking sources, BDT 137,500 crore is expected to be borrowed. This includes BDT 72,682 crore from long-term borrowing (net) and BDT 64,818 crore from short-term borrowing (net).

Additionally, BDT 90,700 crore will be raised through foreign borrowing (net). Other sources contributing to financing the deficit include BDT 15,400 crore

AMOUNT IN CRORE



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from National Savings Schemes (net), BDT 4,400 crore from foreign grants, and BDT 8,000 crore from other sources (net). This comprehensive strategy aims to address the budget deficit through a mix of domestic and international financial instruments, ensuring fiscal stability and supporting economic initiatives in the country

Challenges in Implementation of Budget for the FY25

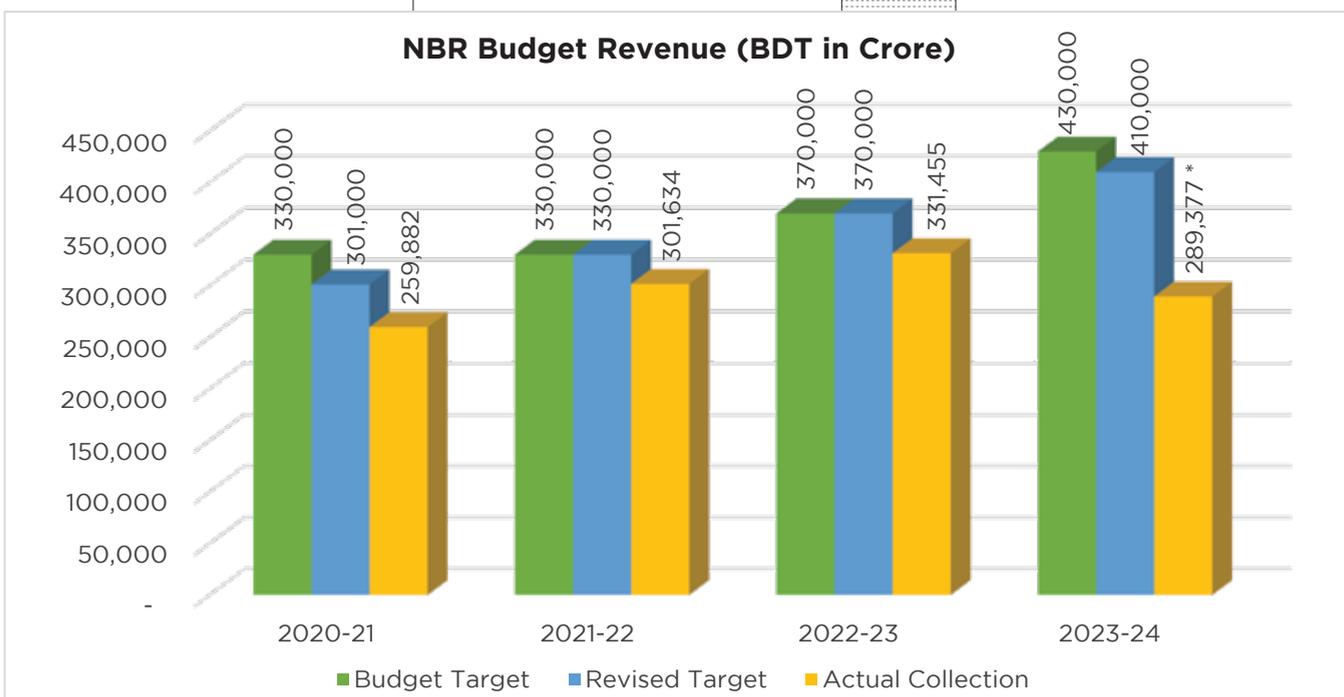
Revenue Shortfall May Threatens Budget Execution Efficiency

One of the significant challenges facing the government is

achieving its target revenue collection. Approximately 87% of revenue comes from the sources of the National Board of Revenue (NBR). However, the NBR consistently fails to meet its tax collection targets. In the fiscal year 2022-23, the budget target revenue was BDT 370,000 crore, but the NBR only managed to collect BDT 331,455 crore, falling 15 percent short of the target. Similarly, in 2021-22, the shortfall was BDT 28,366 crore, and in 2020-21, it was BDT 41,118 crore. For FY24, against a revised target of BDT 410,000 crore, the NBR had collected BDT 289,377 crore by April 2024, which is only 71 percent of the revised budget. It appears that the revenue collection may again fall short by

approximately 12 to 15 percent in FY24.

The persistent shortage of revenue makes budget implementation challenging in Bangladesh. With a Tax-GDP ratio of around 8 percent, one of the lowest in the world, the country faces significant hurdles in revenue collection. Complexity, corruption and mismanagement discourage citizens from paying taxes. Policies such as legalizing undisclosed money further demoralize honest taxpayers. Despite these challenges, the government, guided by IMF recommendations, aims to increase the Tax-GDP ratio to 10%.



*Revenue collection on to April 24

For the fiscal year 2025, the Government has set a revenue target of BDT 480,000 crore. To achieve this, several initiatives have been introduced to provide easy and seamless services to taxpayers by modernizing and digitizing the Income Tax, Customs, and VAT wings of the NBR. Introduction of Electronic payment (e-payment) and Mobile Financial Service (MFS) systems allow taxpayers to pay duties and taxes directly from their bank accounts and mobile wallets. VAT registration, return submission, and related activities can now be completed online. To ensure proper revenue collection, the VAT wing has implemented Electronic Fiscal Device Machine Systems (EFDMS) and Sales Data Controllers (SDCs). The government believes that through digital transformation, tax net expansion, and

administrative capacity building, revenue collection from internal sources can be significantly improved.

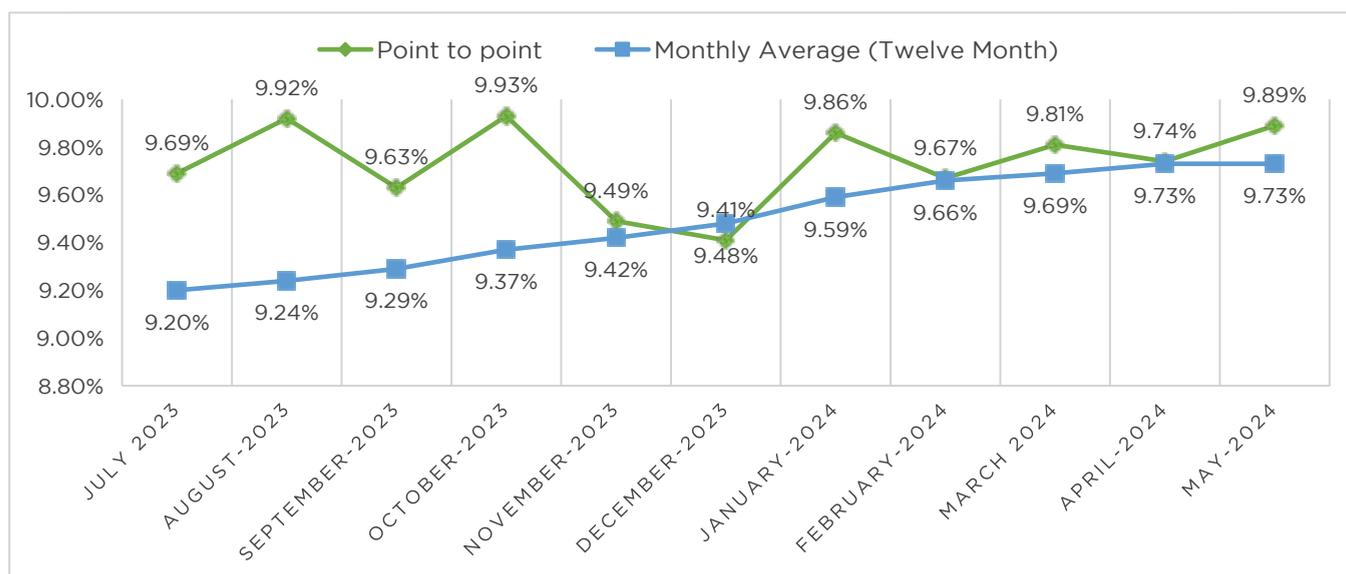
However, due to high levels of bureaucratic complexity and mismanagement the implementation of government proposals remains slower compared to other countries. If the National Board of Revenue (NBR) fails to achieve its revenue targets in the next financial year, it could once again pose challenges for budget implementation. Consequently, the government may need to rely more on borrowing to raise funds.

Expanding businesses in economic zones could significantly boost revenue collection. Therefore, the government should prioritize the proper expansion of businesses in economic zones. Additionally,

expanding the VAT coverage to rural and semi-urban areas could play a crucial role in increasing revenue.

Overcoming the Hurdles of Inflation appears to be complex

Inflation is currently one of our major challenges in the economy. According to the finance minister, the primary cause of rising inflation is the disruption in the domestic supply chain. Additionally, the devaluation of the taka against foreign currencies has led to an increase in the prices of imported goods further exacerbating the overall inflation in the country. The government has taken a contractionary monetary policy during the second half of FY24 (January-June) to control inflation. In order to make the money costly the interest rate



Analysis of Budget for Financial Year 2024-25 and Challenges in its Implications



has increased significantly. Policy interest rate increased to 8 percent. Six Months Treasury Bill based Interest Rate Determination System (SMART) has been abolished and made market-based. The demand for loan and the interest rate determines based on the supply of credit and the relationship between bankers and customers. In addition, Government support like Family Card and OMS Programs are being strengthened to protect the common people from adversities arising from high inflation.

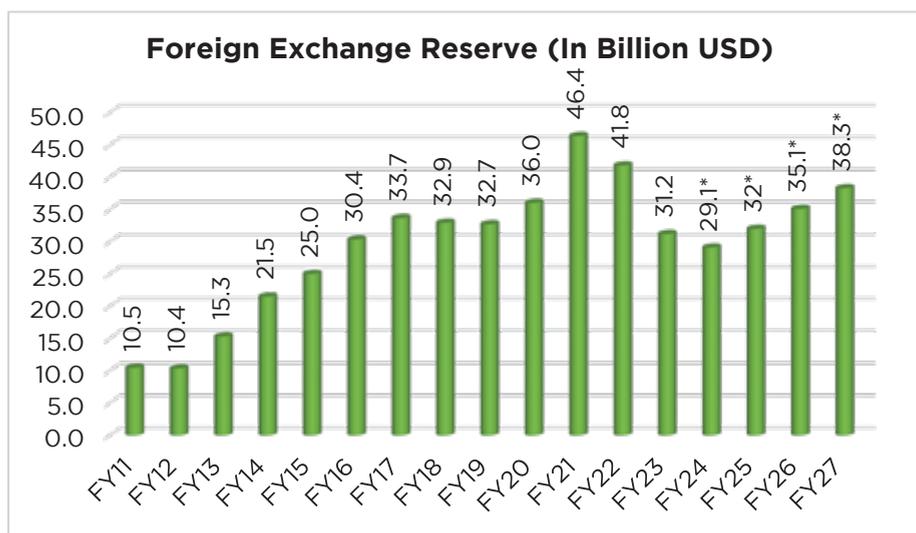
Despite numerous commendable initiatives, significant impact on controlling inflation remains elusive. Over the past twelve months, both point-to-point and monthly average inflation rates have exceeded 9%. According to the Bangladesh Bank, point-to-point inflation in May 2024 reached 9.89%, up from 9.74% in April 2024. The government expects that

inflation will decrease to 6.5% in the next fiscal year as a result of the policy strategies implemented. However, this target may prove challenging to achieve due to disruptions in domestic production, continuous depreciation of the BDT against USD, restriction in import and expansion of the tax net.

A complex challenge to Address the Downward Spiral in Foreign Exchange Reserves

Bangladesh's foreign exchange reserves are under significant pressure, having declined from USD 46.39 billion in FY21 to USD 25.27 billion as of May 2024. The government attributes this decline to negative growth in financial accounts. In response, both the Bangladesh Bank and the government have implemented various policy measures to address the persistent foreign exchange pressure. One such measure is curbing imports, which resulted in a 15.4% reduction in imports from July-March 2024 compared to the same period the previous year. This reduction has helped achieve a positive current account balance.

Additionally, the Bangladesh Parliament recently enacted the



*Projected Foreign Exchange Reserve

Offshore Banking Act 2024, designed to attract foreign investment by providing several opportunities. On May 8, 2024, the Bangladesh Bank introduced the "Crawling Peg Exchange Rate System" for the spot purchase and sale of US dollars.

Government expect these initiatives help to boost the foreign currency reserves to USD 29.1 billion by the end of FY24, with projections of reaching USD 32 billion in FY25, USD 35.1 billion in FY26, and USD 38.3 billion in FY27. Despite these efforts, the financial account balance remains significantly negative, at USD -9,258 million in March 2024, compared to USD -2,928 million in March 2023. Additionally, export growth is very much slow and there has been a steady increase in remittance flows.

A key concern is the sustainability of import restrictions, as prolonged constraints may lead to market shortages, negatively impact exports, and drive-up inflation. Moreover, stringent monetary and revenue policies could potentially demoralize the business sector.

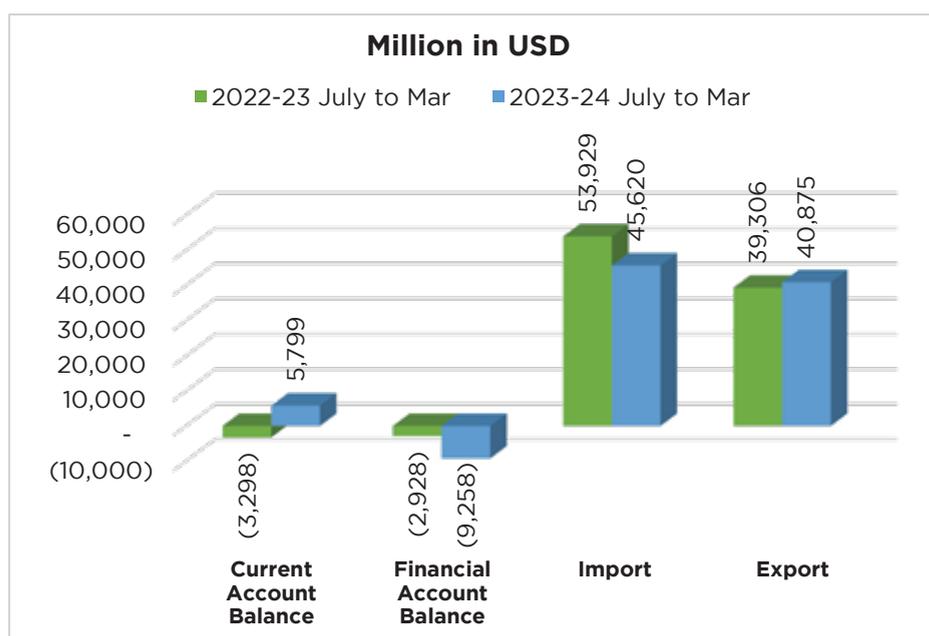
The challenge lies in balancing the immediate need to stabilize foreign exchange reserves with the long-term health of the economy. If import restrictions persist, the government must find alternative ways to mitigate negative impacts on the market and maintain economic stability. A significant marketing effort is required to attract foreign investors to explore offshore banking opportunities.

Target GDP looks ambitious and challenging to achieve

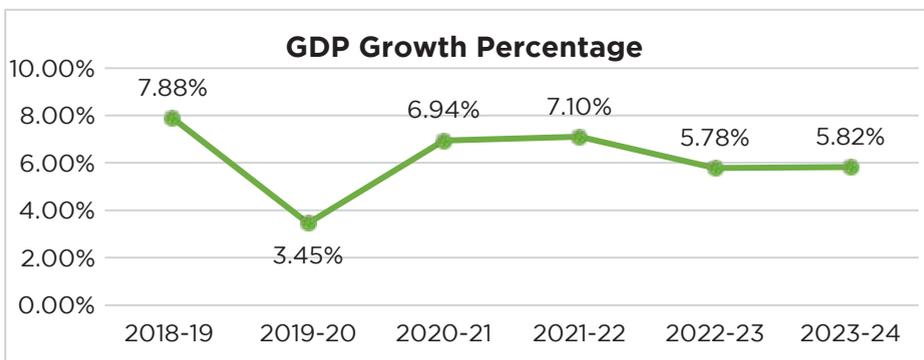
The government has predicted a GDP growth of 6.75% for FY25, with a medium-term target of 7.25%. Several policies have been taken to reduce inflation and improve external conditions. Consistent remittance flows are anticipated to boost private consumption. Government expects the completion of major infrastructure projects will enhance public investment.

Achieving the GDP target for FY25 may be challenging due to a tight monetary policy and stringent revenue measures. With bank loan interest rates already at 14%, borrowing has become costly for businesses. Additionally, shortages of foreign currency and fluctuations in the dollar rate have complicated imports, leading to input shortages in manufacturing. Estimating a private investment 27.34% of GDP for FY25 appears highly unrealistic and unattainable in current economic condition.

The World Bank projects a GDP growth of 5.7% for FY25, noting that input and import shortages should gradually ease. They also anticipate that a more flexible exchange rate policy will boost remittance inflows and alleviate balance of payments pressures. However, significant challenges remain, including conflicts and geopolitical tensions, rising global commodity prices, and sluggish international trade. Nonetheless, government



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According to a Bangladesh Bank report, outstanding loans from the central bank decreased from BDT 148,773 crore as of June 30, 2023, to BDT 121,502 crore by March 2024. Conversely, loans from scheduled banks rose from BDT 237,540 crore to BDT 299,593 crore during the same period. This suggests that the government is acquiring new loans to settle previous debts. The Debt-to-GDP ratio as of FY23 is 37%, which is alarming for the economy.

support in agriculture and industrial production, along with key infrastructure projects and strategies to boost export earnings and remittances, may help achieve the GDP target.

private sector, negatively impacting economic activities and employment.

The GDP growth target for FY24 was initially set at 7.5% but was revised down to 6.5%. According to the Bangladesh Bureau of Statistics, the provisional GDP growth for FY24 stands at 5.82%.

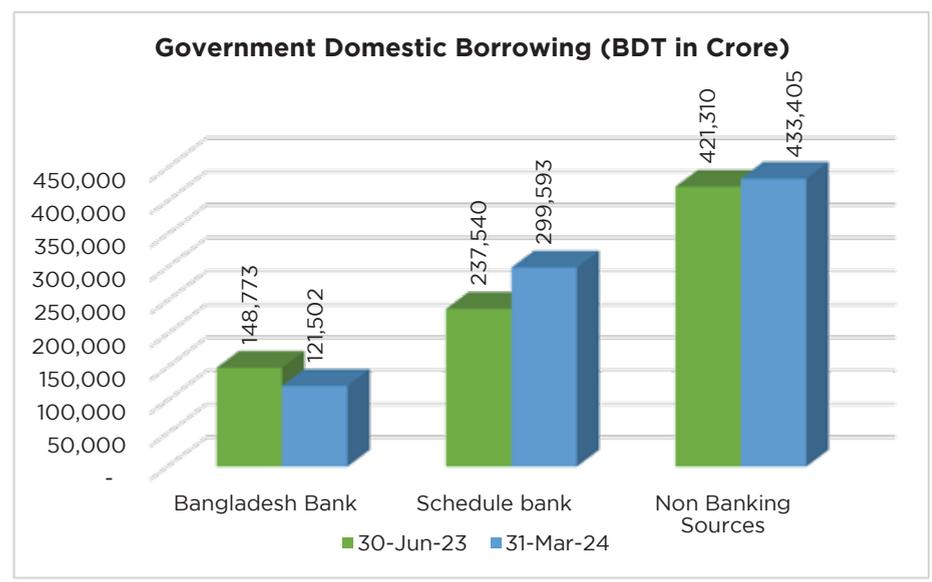
Furthermore, the rise in interest rates on bank borrowings will increase borrowing costs this year. The government has allocated BDT 113,500 crore, 14% of total budget for financial expenses in FY25, with projections suggesting further increases in future budgets due to heightened borrowing.

Ineffective Market Oversight May Nullify Benefits of Source Tax Reduction on Essentials

The recent surge in commodity prices has made it increasingly difficult for people to maintain a decent lifestyle. According to data from the Bangladesh Bureau of Statistics (BBS), food inflation rose to double digits in

Overreliance on Bank Borrowing may badly affect Private Sector Credit Flow and Employment

The government plans to borrow BDT 137,500 crore from the domestic banking sector in fiscal year 2024-25 to cover the budget deficit. This amount represents approximately 17% of the total budget and 32% of the total budget deficit. Notably, the Bangladesh Bank is not contributing to this borrowing to avoid exacerbating inflation, thereby the entire amount will be sourced from commercial banks. This could potentially restrict credit availability to the





May 2024, reaching 10.76 percent, up from 10.22 percent in April 2024. In response, the proposed national budget for the fiscal year 2024-2025 offers some relief to low and middle-income households by announcing a 1 percent cut in source tax on essential products.

However, the impact of this tax reduction may be limited due to the presence of powerful syndicates in the food commodity market. These syndicates, which control the supply of various goods, often manipulate prices and create artificial shortages to maximize their profits. A report by the Bangladesh Competition Commission indicates that over 1,500 active syndicates are operating across different economic sectors, including the food commodity market.

Without adequate market oversight, the benefits of tax cuts may not significantly affect price levels. Therefore, the

government must first strengthen its regulatory authorities to ensure effective market supervision. Additionally, enforcing anti-corruption laws and regulations is crucial to reducing bribery and other illicit activities. To promote market competitiveness, the government should support small and medium-sized enterprises by providing affordable funding, training, and easier access to markets.

Opportunity to legalizing the undisclosed property never look promising to boost up the revenue

The recent government budget introduces an opportunity for both companies and individual taxpayers to legalize undisclosed assets and revenue. The new provision states that taxpayers can now pay fixed rates for immovable properties such as flats and land, and a 15 percent tax on other assets, including cash, without facing

any scrutiny, regardless of existing laws. The Bangladesh Economic Association estimated that the accumulated amount of undisclosed property would be BDT 13,253,500 crore. However, the effectiveness of this provision in boosting revenue for the National Board of Revenue (NBR) is questionable.

Historically, similar initiatives have yielded poor responses. Data from the NBR indicates that between 1972 and 2022, approximately BDT 45,522 crore was legalized, generating BDT 4,641 crore in taxes. In the fiscal year 2020-21, the government allowed black money to be legalized at a 10% tax rate, leading to a record 11,839 individuals declaring around BDT 20,500 crore, resulting in BDT 2,064 crore in revenue. However, in FY22, when individuals were allowed to repatriate undeclared overseas funds at a 7% tax rate, not a single person took advantage of the offer.

This trend indicates that the concept of legalizing undeclared assets may appear attractive but the response from taxpayers has been minimal. Therefore, it remains uncertain whether the new provision will significantly enhance the NBR's revenue collection. Furthermore, this provision could demoralize taxpayers who consistently comply with tax obligations. Nevertheless, this opportunity might encourage companies to achieve compliance with tax regulations.

Analysis of Budget for Financial Year 2024-25 and Challenges in its Implications

Challenges in Achieving Timely Development Budget Execution

In the Financial Year 2024-25, an amount of BDT 281,453 crore has been allocated for development expenses, reflecting an increase of only 8.25% over the previous financial year, 2023-24. Within this allocation, the Annual Development Programme (ADP) is sized at BDT 265,000 crore. Historically, the government has faced challenges in fully implementing the development budget. For instance, in the financial year 2023-24, only 84% of the development budget was utilized, down from 90% in FY 2022-23, and slightly higher than 78% in FY 2021-22. The

government faces hurdles primarily due to low revenue collection and high operating expenses, which hinder effective implementation of development expenditure. Additionally, the government often meets its development spending requirements by borrowing from domestic and foreign sources.

The pattern of budget utilization further underscores these challenges. Implementation is notably sluggish, with only 5% to 6% of the budget utilized in the first quarter, 16% to 18% in the second quarter, and 25% to 30% in the third quarter. However, there is a significant spike in the last quarter, where implementation jumps to 85% to 90%.

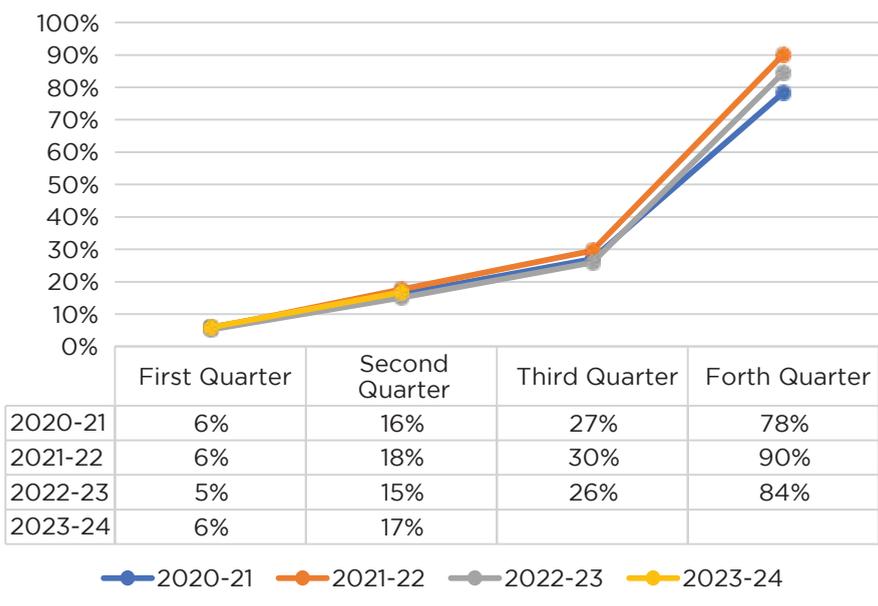
This uneven distribution points to mismanagement in planning and execution, potentially leading to compromised work quality and increased opportunities for corruption. The rush to spend funds in the final quarter often leads to hurried and low-quality work, which undermines the effectiveness and integrity of development projects.

Escalating Non-Performing Loans Could Heighten Volatility in the Banking Sector

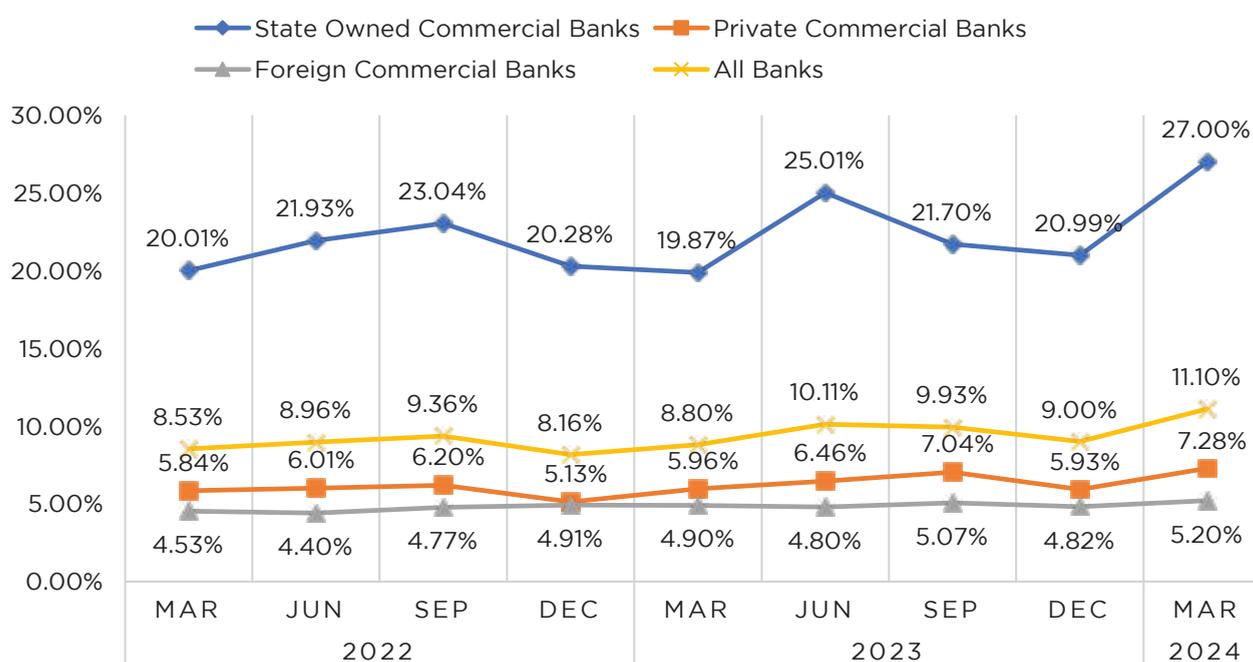
One of the major challenges overlooked by the finance minister is recovery of escalating non-performing loans (NPLs). According to Bangladesh Bank data, default loans in the banking sector reached BDT 1,82,295 crore by the end of March 2024, representing around 11% of the disbursed loans. This figure was Tk 1,45,633 crore in December 2023, indicating an alarming increase of Tk 36,367 crore in just three months. The situation is particularly dreadful in state-run commercial banks, where default loans stood at 27% of total disbursed loans as of March 2024. In comparison, the percentage for commercial banks is 7.28%, while for foreign commercial banks it is 5.20%.

The Center for Policy Dialogue (CPD) reports that the total amount of non-performing loans in the country is a significant BDT 5,56,199 crore. Out of this sum, direct default loans amount to Tk 1,45,633 crore. When including write-offs

Implementation of Development Budget



PERCENTAGE OF DEFAULT LOAN AGAINST TOTAL LOAN



and rescheduled loans, the total non-performing loans reach Tk 2,32,289 crore. Moreover, Tk 1,78,277 crore is involved in 72,543 court cases, with minimal prospects for recovery.

The growing problem of non-performing loans (NPLs) highlights the need for strategic actions and effective recovery methods. These are essential to stabilize the banking sector and maintain economic stability.

Allocation for social security and poverty alleviation look insufficient to address Earning Discrimination

In the FY25 budget, the allocation for social security and

poverty alleviation is BDT 1,36,026 crore, up from BDT 1,26,272 crore in FY24. Despite the increase in the allocation, the proportion of the social safety net program as a percentage of GDP has decreased from last year's 2.55 percent to 2.43 percent in FY25. Moreover, when excluding the allocations for government retiree pensions (Tk 36,580 crore) and savings scheme interest payments (Tk 8,828.32 crore), the share further drops to 1.62 percent of GDP. Considering the inflation the allocation does not look significant at all.

The government runs several programs under the social

safety net, but income inequality in Bangladesh continues to rise. According to the Household Income and Expenditure Survey 2022, the lowest 5% of households earned 0.37% of the national income in 2022, up from 0.23% in 2016. Conversely, the highest 5% of households earned 30.04%, up from 27.82% in 2016. Households in Group 1 to 5, representing half of the country's population, collectively earned only 18.68% of the national income. The Gini Coefficient, which measures income inequality, increased to 0.499 in 2022, up from 0.482 in 2016 and 0.458 in 2010.

Given the current context, the allocation for social security and

Analysis of Budget for Financial Year 2024-25 and Challenges in its Implications

poverty alleviation appears insufficient to address the growing income disparity. The government should explore additional ways to tackle this problem. The "inclusive growth" approach, which is now being used worldwide for poverty alleviation and inequality reduction, should be considered to mitigate earning discrimination.

Conclusion

The national budget for the fiscal year 2024-25 aims to stabilize macroeconomic tools. However, high inflation, banking sector vulnerability, downtrend in foreign exchange reserves and an instability in exchange rate creates significant challenges. Increased borrowing from the banking sector could elevate financial expenses and hamper credit flow to the private sector. Effective governance is crucial to ensure the budget's efficient implementation. Furthermore, a robust monitoring and evaluation system characterized by integrity and transparency is essential for sustainable national development.

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Facing Continual Downfall of Stock Market: Causes and Recommended Remedies for Planning and Strategies

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Introduction

Stock market of a country is often termed as life blood of an economy. The volatility of stock market affects the lives of millions involved and linked with businesses and industries. Economists and financial analysts treat the stock market plummeting in a country as “silent bleeding of an economy”. The stock market of a country goes on moving ups and downs from its normal behavior. However a stock market of a country continues its downtrend years together, it becomes a serious economic issue. Economists and financial analysts consider this as the worst economic scenario caused by the failed policies of the Government, Central Bank, Security and Exchange Commission (SEC), Stock Exchanges, Stock Brokers and others related therein. There can be multiple causes for the continual down turn of stock market which along with recommended planning and strategies are contents of this article.

Causes and Salient factors for Continuous Plummeting of a Stock Market:

Economic Crises

When a country experiences economic crises in different forms viz., currency crises, debts crises, high inflation, balance of payment crises, crises in banks and financial institutions, declining GDP

growth, increase of unemployment rate, declining profitability of Companies and many more; its stock market faces serious turmoil. Economic crises take place in an economy due to many reasons. These could be war, natural calamities, wrong and inefficient policies of the government, rampant corruption and so on. During the last few years many countries like Bangladesh, Sri Lanka and China, serious economic crises have devastated the stock market.

Government's Wrong Policy

Stock market and financial crises are parts and parcel of modern economies. Government actions to revive the economy are also indispensable. From the multiple ways to quantify and to qualify the health of modern economies, among the most visible are stock markets and their archetypal indices. Examining the reactions of stock market indices is a quite natural experiment to measure the effects of various government actions undertaken to rejuvenate the economy.

Analysis shows that stock markets of few countries have been drastically affected by change of governments. The change of a government bring in new regime in fiscal and monetary policies affecting the stock market. For example, Bangladesh stock market have had severe fall back during the FY 1996 and FY 2010-2011 when the government changed.

Facing Continual Downfall of Stock Market: Causes and Recommended Remedies for Planning and Strategies



There's no doubt that a vibrant stock market is likely to support a healthy economy but two major catastrophes in the stock market of Bangladesh in 15 years cannot indicate the existence of a vibrant market. On the contrary these depicts a highly risky and unstable stock market. The recent surge in the stock market has shaken the whole country and left huge number of people become insolvent in a very short time span. It was observed in 2010 that Dhaka Stock Exchange (DSE) general index reached the highest ever making it Asia's top performer after China. The reverse scenario was scaring investors in the 1st quarter of

2011 as the lowest ever ebb in the index was reached during that period. Stock market of India also faced a turmoil recently after the national election of India.

Regulators' Inefficacy

Regulator of the stock market, namely, SEC plays a very significant role. "Dhaka stocks reacted negatively on Thursday (25 April, 2024) to the resurgence of regulatory intervention aimed at halting the ongoing decline. Following the regulatory order issued a day earlier on Wednesday evening to limit the daily downward price change to 3%,

from up to 10%, the market opened lower on Thursday. More and more stocks continued to hit the lowest allowable range for the day as investors feared fewer exit opportunities. By the end of the day, 146 out of the around 400 scrips at the Dhaka Stock Exchange had no bidder interested in buying at the 3% lower price. Dhaka stocks reacted negatively on Thursday (25 April, 2024) to the resurgence of regulatory intervention aimed at halting the ongoing decline." (Source: The Business Standard, dated 26 April 2024)

Inefficient Stock Exchange and Broker Houses

Stock market browsers who play an important role in stock market are also responsible for stock market continuous down turn. In Bangladesh, stock market was crashed in 2011 and had been plummeting since that time due to many factors viz., introduction of book building method and reintroduction price floors that increased the share price abnormally high. Dhaka and Chittagong Stock Exchanges could avert the situation by timely objecting to the process and advising the regulator BSEC. The artificial price floor created a huge mismatch between buyers and sellers of stocks, ultimately drying up market liquidity.

Unfavorable Investment Fields

When stock market of a country is plummeting continuously, an investor doesn't get any return

Movement of DSEX

In points; SOURCE: DSE



TOP IN DEX DRAGGERS

COMPANY	DROP IN POINTS
British American Tobacco	7
Renata	5
Beximco Pharma	4.5
Beacon Pharma	3
Pubali Bank	2

Source: LankaBangla

“The continuous drop of the index proves that the introduction of the floor price was a wrong decision Says an official of a brokerage firm

REASONS BEHIND THE FALL

- Foreign investors are selling shares
- Institutions are on the sidelines
- General investors are not hopeful about a rebound
- Forced sale from some merchant banks
- Fear of further drop in index
- Fear of deterioration of macroeconomic indicators

in the form of dividend for years together, he /she will lose interest in investing in unfavorable stock market and will come out of the market by selling his/her shares. Market risk is the possibility of losing money due to fluctuations in the prices of stocks or the overall market. Market risk can be caused by factors such as economic conditions, political events, natural disasters, or investor’s sentiment. Stocks sink to lowest level in 3 years as investors sell and go away. Prolonged economic uncertainties continue to hurt sentiment.

Corruption in Corporate Management

Corporate fraud is the broad category of illegal activities carried out by a company or individuals within it. Accounting frauds fall under this umbrella. Corporate fraud includes insider trading, bribery, money laundering, tax evasion, and other forms of financial and nonfinancial misconduct. A study by the Association of Certified Fraud Examiners put the cost of this broad category of fraud at 5% of organizational revenue, or \$4.7 trillion globally, per year. Accounting fraud is the deliberate manipulation of

financial statements to create or hide corporate transactions or create a false appearance of financial health. It can involve individuals or groups of managers, accountants, and other employees in an organization, misleading investors and shareholders, legal and regulatory authorities, and the public. A company can fabricate its financial statements by overstating its revenue, not recording expenses, and misstating assets and liabilities by ‘cook the books’ and by ‘financial shenanigans’. Corporate fraud is one the factor for the down fall of stock market in the short and long term.

**Facing Continual Downfall of Stock Market:
Causes and Recommended Remedies for Planning and Strategies**



Less/Zero Return from Investment

Non-payment of dividend or low payment of dividend often leads to a sharp decline in the company's stock price, because this action is usually a sign of a company's debilitating financial position, which makes the company less attractive to investors. Dividend Payout Ratio (DPR), Dividend Earning Per Share (DPS) and Earning Per Share (EPS) affect the investment in stock market. The more is the DPR, DPS and EPS, the stronger is the stock market.

Inefficiency of Central Bank

In the year 2009 & 2010 banks and financial institutions invested huge amount of deposit money in the stock market when Bangladesh Bank increased the investment rate in stock market. As a result, share prices sky rocketed until December 2010. When Bangladesh Bank restricted more than 10 percent investment of deposited money,

increased CRR and SLR ratio, created liquidity crisis and market crashed. Central bank's inconsistent and unsustainable policy affects the stock market devoutly.

High Inflation Affects Share Prices

High inflation is a serious twinge for any economy. Inflation epitomizes the rate at which prices for goods and services are rising and purchasing power is falling. Moderate inflation is a sign of a growing economy, but high inflation can lead to uncertainty about the future purchasing power of money. Inflation affects equities in three ways, corporate profits, consumer spending and the overall economy.

Corporate Performance

Inflation upsurges prices of inputs to the production process, like raw materials, labor and overhead just like it increases the price of items at the shopping malls. Due to

higher prices for inputs, companies experience lower profit margins, which undesirably influences stock prices.

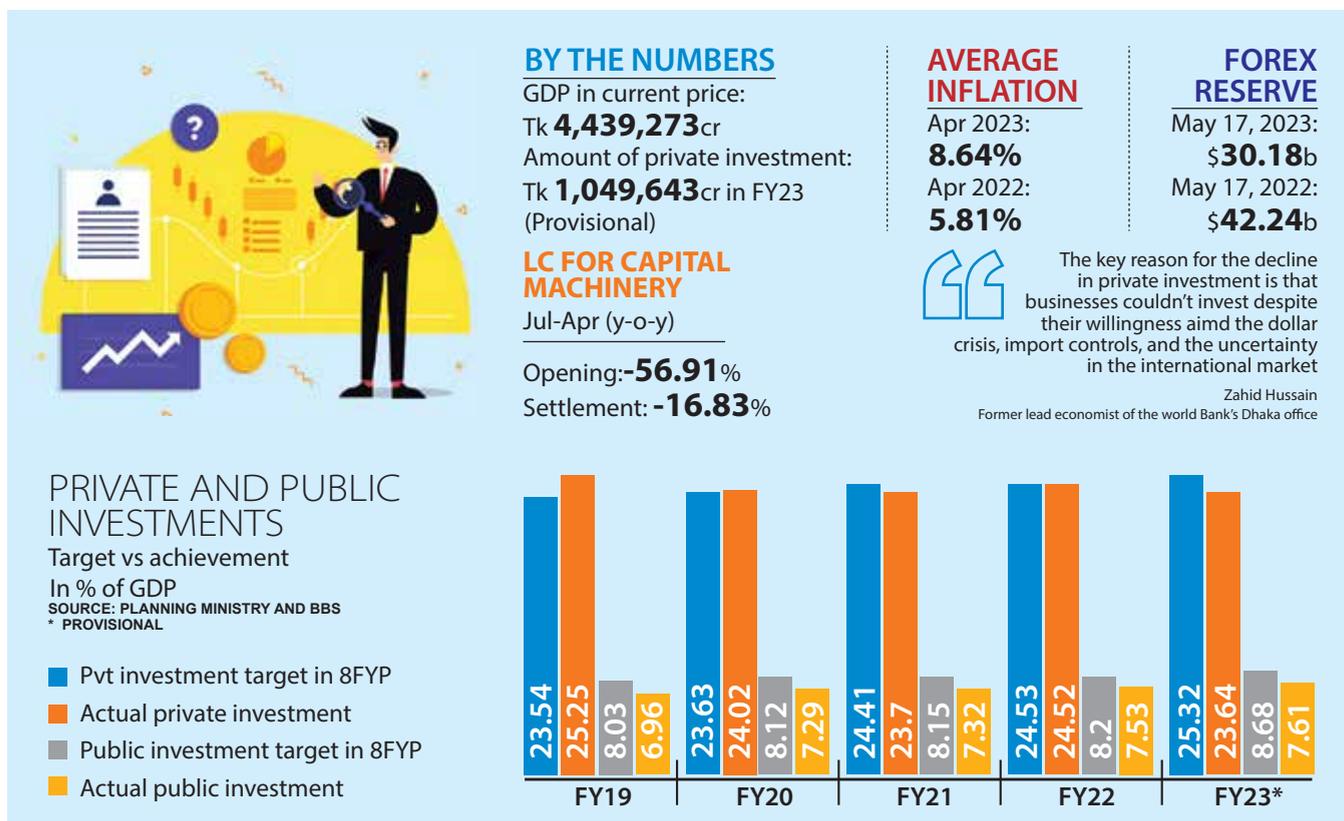
Consumer Spending

Since inflation reduces consumers' purchasing power, they do not possess consumers surplus often to buy stocks as investments. Thus, rising prices cut-down the demand for the goods and services which downswings corporate revenue and lowers net profit. Declined net profit drastically affects share prices.

Increase of Unemployment Rate

Unemployment causes no demand for stocks & lead to sale out of held stocks. This leads to stock prices drop. Investors having investible surplus, like to invest in companies in profitable businesses within steady economies. So their investing activity drops off when indicators, show threats to profitability. The unemployment rate is a key indicator of the health of any economy. A high unemployment rate indicates that the economy is not producing enough jobs - prolonged states of high unemployment erode purchasing power, drag down productivity, and eventually affect the physical and mental health of a workforce. This is reflected in the stock market, as investors are more likely to invest in trusted companies that are booming.

Fall of Private Investment



Source: Daily Star dated 10/06/2024

Private investment falls for second time in 3 years. The private investment-to-GDP ratio in Bangladesh declined in the current fiscal year owing to a lower confidence among investors amid the persisting dollar crisis and global uncertainty, higher inflation and a fall in demand for goods in international markets." Source: Daily Star dated 10/06/2024. Fall of private investment is one of the main reasons behind the plummeting of stock market in Bangladesh.

Recommended Planning and Strategies to Control Drooping of Stock Market

As Individual Investor

When stock market is falling down and down, investors get nervous, panicked and worried as they are losing their investment every day. Here are some strategies an investor may follow to counter tailspin stock market:

Breathe Easy and Don't Get Lose Your Nerve

Despite all the bad news on stock market, stay cool and quiet and remember that downturns are a part of the stock market sequence. Now is not the time to panic and make fear-based decisions. Investors can rest easy knowing that this is the standard, not an exclusion. Investors should expect volatility and market ups and downs and don't get panicked. "I would tell [investors], don't

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watch the market closely,” Buffett told CNBC in 2016 during a period of wild market fluctuations.

Buy Stocks at a Lower Price

When the stock market is cascading, one thing is common that they all offer investors the opportunity to get more shares for less money, with the aim, after all, is to buy at reduced price and sell at higher price. Buying stock at lower price during down-fall of stock market will help the stock market stabilize.

Consult a Financial Advisor or Planner

If you incline to panic during periods of market ambiguity, a professional financial advisor or planner could help you calm down and also help you rebalance or reallocate your portfolio, if necessary.

Concentrate on Your Long-Term Goalmouths

Remember that you are in it for the long haulage and that both bullish & bear markets come and go. Keep your eyes on the price. “Hopefully, your investing would

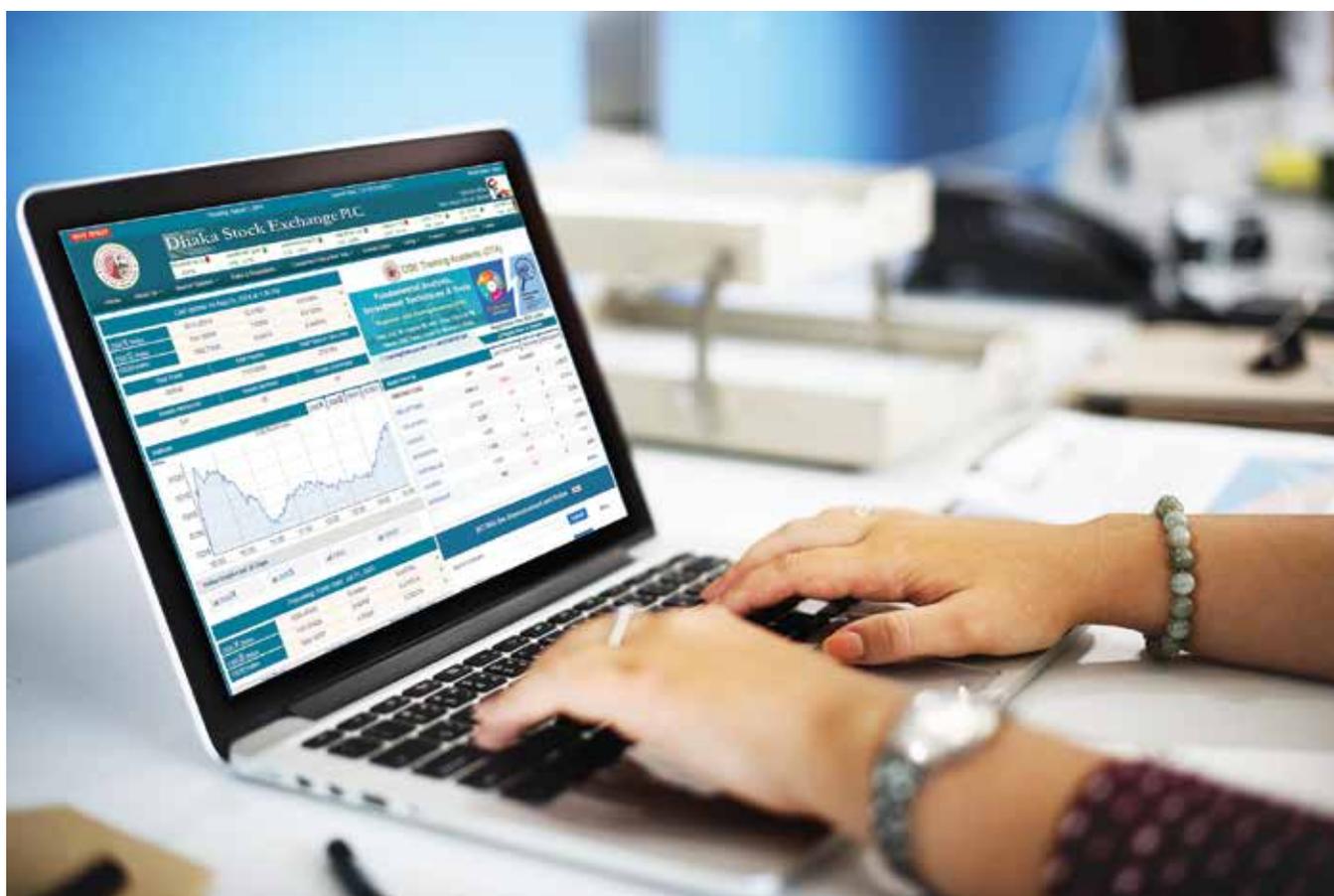
align with your longer-term life goals and aspirations,” said fiduciary financial advisor Russ Thornton, who provides financial planning services through Wealthcare for Women.

Trust in Diversification

When a market decay batters, your position will be better if you have invested money across diverse baskets of asset classes like stocks and bonds. Diversifying, or distributing your money across various stocks, is key to plummeting investment risk and smoothing the ride through a tumultuous market. Diversifying helps ensure your investments are not agglomerated in one type of asset.

Taxation Policies

Taxation policies of a government can have a direct impact on the stock market. For example, if the government reduces corporate tax rates, it can lead to an increase in company profits and stock prices. On the other hand, if the government increases capital gains tax rates can lead to a decrease in demand for stocks, resulting in a decline. Similarly, changes in individual income tax rates can impact consumer spending, which can affect the stock market. The governments of the countries where stock market has been plummeting for many years should review, instead of watching the stock market fall, the taxation policies and reduce corporate tax, capital gains tax, tax on



dividend and individual tax that will definitely help stock market to rise.

Interest Rate Policies

Interest rate policies can also have a significant impact on the stock market. When interest rates are low, it incentivizes borrowing and spending, which can lead to an increase in stock prices. Conversely, when interest rates are high, it can lead to a decrease in borrowing and spending, resulting in a swoop in stock prices.

Additionally, changes in interest rates can impact the value of the currency, which can impact the stock market for companies that rely on exports or imports. To save the stock market from sinking, government may adjust the interest rate.

Trade Policies

Trade policies can also affect the stock market, especially for companies that rely on international trade. For example, if the government imposes tariffs on imports, it can

increase the cost of goods for companies that rely on imports, leading to a decrease in profits and stock market. Similarly, if the government imposes tariffs on exports, it can decrease demand for products, leading to a decline in stock prices.

Regulatory Guidance

Regulatory guidance can also influence the stock market. For example, if the government imposes stricter regulations on a particular industry, it can increase costs for companies in

Facing Continual Downfall of Stock Market: Causes and Recommended Remedies for Planning and Strategies



that industry, leading to a decrease in profits and stock prices. Contrarily, if the government softens regulations, it can lead to an increase in profits and stock prices for companies in that industry. Regulators' stock market policy should not oscillate again and again. Change in policy can severely affect the stock market.

Central Bank Policy

The central bank of a country plays a lead role in stabilizing the stock market by appropriate monetary policies, guidance and directives. Central bank should not change policy off and on. Where stock market is dipping continuously, central bank should come out with bail out

programs, namely, easing loan policies, providing loans to broker houses, lowering interest rates, allowing commercial banks and financial institutions to invest more in stock market and adjusting CRR and SLR ratio.

Conclusion

A stock market collapse classically occurs when the economy is overheated, inflation is sky-rocketed, private investment scenario is not satisfactory, market speculation is widespread, and there's significant uncertainty about the trail of an economy. Stock market reinforces the economy by providing capital to productive sector industries and businesses. Economists and financial analysts term stock market plummeting as bleeding of the economy. Government, regulatory bodies and central bank of a country should come forward to save the falling stock market, in other words save the economy from bleeding, with appropriate policies and programs. Investment in private sector businesses and industries must be increased by government fiscal and monetary policies.

Enhancement of Economic Depth: Challenges for Bangladesh

Thauhidul Alam



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Pacific Knitex Ltd.**

Introductory Words

Bangladesh is an emerging economy in the world. Every year the size of our economy is increasing noticeably. As per the disclosed data of the Bangladesh Bureau of Statistics, the GDP growth rates for last five fiscal years in descending order were 5.78%, 7.10%, 6.94%, 3.45% and 7.88%. For an economy which is striving for changing its label from underdeveloped to developing, this annual GDP growth rate is really significant. Apart from GDP growth, our economy has progressed nicely in terms of many other macroeconomic indicators, including per capita income and annual budget size.

For sustaining the economic progress, we should not remain satisfied merely with some indicators. We should consider if the depth of our economy is increasing, aligned with size. To understand the matter, we can think about a ship. As a ship increases in size, its depth must also be increased equitably for carrying the load. If depth is not increased proportionately, the ship may sink into the sea. Definitely we do not expect this to happen for our beloved country. In this article, we want to discuss some pragmatic situations which are vital to enhancing the depth and strength of our economy.

Attracting more Investment by Individual Citizen

Investment is definitely the pillar of economic growth. Every investment opens up the opportunity for so many economic transactions. So, the lifeblood of economic dynamics is investment.

Investors may be classified as individual investors and institutional investors. Individual investors are not as organized and solvent as institutional investors, but their magnitude is distinguished by their immensity in number and scattered physical location. They contribute to the economy not by their capital base, but by their creativity and variety of activities. Often, they engage in creating or defining new demands by their innovative ideas, instead of simply serving an existing demand. The segments which are not attractive to institutional investors, can be well served by individual investors. So, the economy must feed them with proper facility for bringing their investments.

Let us talk about the circumstances for individual investors in the context of Bangladesh economy.

For making investment, one first need to make savings. But more income does not ensure more saving, and more savings does not ensure more investment. As per Economics studies, marginal propensity to consume (MPC)

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and marginal propensity to save (MPS) depend on many factors. In the prevailing scenario of Bangladesh, our observations are as follows:

- If an investor conducts PESTEL analysis for assessing Bangladesh for his potential investment, will he get confidence? Every investment carries the downside risk of financial loss. But this risk may intensify or mitigate the basis of the surrounding environment.
- An individual may invest on his own. But due to the intense volatility in our internal economic environment, people prefer

keeping money in bank accounts for earning a minimum but secured profit. One may argue that banks are taking up the role of the individual investors. Regrettably this is not possible always. Bank is an institutional investor. And all institutional investors are subject to strict legal frameworks and constructive formalities before making any investment. Those formalities can be relaxed for individual investors, not for banks. Therefore, making an investment is not as easy for a bank as for an individual. Moreover, institutional investors seek for a higher profit margin

- and hence all investment opportunities are not feasible for them.
- Due to unbridled inflation in our local commodity market, our real purchasing power has been affected seriously. People are forced to spend from their previous savings for meeting the daily needs. And the people who still have surplus income, are heading towards more savings for tackling future uncertainties. That is why we said that more savings does not ensure more investment.
- The government has been funding several social security projects within its limited financial capacity. Still those are insufficient as compared to the requirement. There is shortage of social security programs particularly for middle class people. Hence a mass perception has grown up over decades that we ourselves have to build up our own financial safety. This is another reason for our temptation at more and more savings in lieu of more investment.
- The appearance of some mushroom associations from time to time has enormously threatened the trust of common people to gather up their scattered capitals for investment in a bigger scale.



- Individual investors are usually not capable of large scale investments due to their constrained capacity. Therefore, certain sectors of investment are appropriate for them. We can specifically mention about the agro sector. This is one of the most suitable options for individual investors. Before Covid years, our agro sector was dominated by individual investors. We admired that so many energetic and educated youths had been coming forward regularly for deploying their endeavor and enthusiasm into poultry farm, dairy farms, fish projects, orchards, cornfields etc. Our economy also enjoyed the manifold benefits of this. These youths did not wait for a job and relieved the pressure on the employers. Furthermore, since individual investors can remain happy with smaller profit margin, market price of those goods was stable.

Unfortunately during recent years, we have seen a number of corporate houses entering into the agro sector. On one hand, individual investors have surrendered to the vast financial and operational capability of these institutional investors. On the other hand, final consumers are paying off their hard-earned income for satisfying the unleashed profiteering tendency of these corporate houses. So for the sake of the individual investors as well as for the final consumers, our government may redefine the boundary for institutional investors to carry on agro business.

Ensuring Mass Involvement in Capital Formation of Government Through Savings

One of the most popular public welfare schemes is the Savings Certificate or Sanchaypatra. It

has got a huge beneficiary base whole over the country, grown up over so many years in the past. The government also raised huge liquid money from selling Savings Certificate over years for meeting its running expenditures. But the corresponding interest payment has always been a big headache.

Day by day Savings Certificate has become too costly for the government to afford. Hence it was a burning issue for the government to devise an alternative public welfare program which will be as popular as Savings Certificate, but comparatively less expensive.

The latest addition to the government's social security schemes is the Universal Pension Scheme. Starting since a few months ago, this scheme was expected to achieve tremendous public response. Surprisingly the actual scenario has not been hopeful at all. After the Savings Certificate scheme, this Pension Scheme has been said to be the most successful social security scheme. But as many people have welcomed it, unfortunately only a few of them have registered for the program so far.

Because the program is new and has not been absolutely successful till now, there is many room for discussing about its pros and cons as well as about the potential reasons for not being successful yet. But we are not going to talk about such policy related matters, as this is

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**Relaxing the Prolonged
Pressure from the RMG
Sector for Export and
Employment**

Bangladesh is one of the largest readymade garments exporters in the world. The readymade garments of Bangladesh are appreciated whole over the world for super quality at a reasonable price. Our domestic economy is also heavily dependent on this business. It is said to constitute more or less 85% of the country's total export. RMG sector is so crucial for Bangladesh economy for two key contributions: enriching foreign currency reserve and arranging employment for more than 4 million people. From socio-economic viewpoint, the women empowerment in our country is another major contribution of the RMG sector.

Let us evaluate this vital economic sector from some different angles. Most of the raw materials of garments products in our country are largely import oriented. Fabrics as the main raw material and other accessories including thread, button, zipper, label, chemical etc. are yet mostly imported. Often foreign buyers impose conditions on our RMG manufacturers to procure fabrics and other accessories strictly from their nominated foreign suppliers. Our RMG manufacturers only get a CM (cutting & making) charge in exchange for letting their manufacturing setup. So a huge percentage of the sector's export earnings is drained

not relevant to the title of this article. Rather let us look at the timing of launching this new scheme.

This Pension Scheme was launched during the month of August-2023, only 4 months before the national election. A long expected parliamentary election was very imminent, and also the political situation was comparatively heated at that time. Therefore, public attention was dispersed into so many issues. Moreover, despite welcoming the program, many people took it more as an element of the election manifesto than as a public welfare scheme.

This is not all about the story. The country's economy has been undergoing serious turbulence, continuing for several months before and after the introduction of the Pension Scheme. Designated

government spokesmen (including some ministers) have been saying from time to time that the economic unrest may not settle soon. In this context, mass people accepted the Pension Scheme proposal more as another attempt of the government to recover from the financial hardship than as a public welfare scheme. This public assumption stirred up when the government truly borrowed more than BDT 113 million from the Pension Scheme only within two months of its launching .

Thus such a promising welfare program by the government has remained unfocused and probably has been misinterpreted or mistrusted only due to being tossed up at an inappropriate time. If the very first impression goes so bad, the turnaround of public sentiment later on will be quite difficult.



outside the country in the form of this import. This is apart from the money laundering issue involved with over-invoicing of imported goods.

If an industry eats up a big part of its own contribution, is it sustainable for long-term economic growth?

Moreover, foreign buyers choose Bangladesh as a manufacturing hub often for the availability of cheap labor. Our question is: should cheap labor (mostly unskilled and semi-skilled) be taken as a long-term strategic advantage? In this era of rapid technological and technical advancement, human labor has become extremely vulnerable to automation processes and machine power. So, is cheap labor a sustainable strategic advantage? Rather its causing inefficiency and less profitability. Even if it is not threatened by

technological advancement, is it sustainable in terms of economic growth? Economic growth is accompanied by rise in income of people. Then how long can cheap labor remain cheap? Moreover, cheap labor results in low spending by workers. This will lead to economic contraction. So the sustainability of cheap labor as a strategic benefit is strongly debatable. Even if it remains sustainable anyhow, is it morally promotable? The lifestyle of mass people should prosper in course of time. The notion of cheap labor goes against this directly.

Then what is our conclusion about the RMG sector in Bangladesh? Ideally saying, the RMG sector should have been used as a Cash Cow for Bangladesh economy in the short run. The BCG matrix theory defines a cash cow as a product in a low-growth and

matured industry, but for which a company occupies a relatively large percentage of the overall market share. If we take the RMG sector in place of the product and our country in place of the company, we can easily match that RMG sector is really a cash cow for us. The suggested strategy for a cash cow is to milk it as much as possible without killing the cow, also without any significant reinvestment. Here milking means extracting profit/cash as much cash as possible. The cash should be spent for subsisting the cash cow itself as well as for generously investing in other potential businesses. Our country's strategy matches with the ideal to the effect that we are using the foreign remittance earned by the RMG sector for the purpose of meeting our other expenditures as denominated in foreign currency.

But the point of difference lies in the question of significant investment. A cash cow is at a matured industry, so it is not eligible for any big investment and also it is susceptible to turning into a Dog (a business which is about to die soon) at any moment. Therefore, a cash cow cannot be the prime concentration of a businessman or a policymaker. It just needs some nurturing for its subsistence, not for its growth. Are we doing exactly that for our RMG sector? Definitely not. We are aware that the RMG sector is already at its maturity and may become a Dog at any moment because it is facing

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severe competition with some other vibrant rivals and also due to its growing exposure to compliance regulations. Yet we are so obsessed with securing our economic affluence by dint of our global leadership in the RMG business. We could not diversify our economic portfolio with some other promising sectors. We have remained dependent on a vulnerable sector for too long.

Diversification of Export Product Basket

Experts have emphasized on the progression of other prospective industries or businesses so that the stress on the RMG sector for providing employment and earning foreign remittance can be reduced effectively. Such an industry must be featured for overcoming the drawbacks of the RMG industry.

There are many emerging sectors which can be RMG-substitute to bolster

export volume. Tourism industry is one of them which does not require significant. Its notable that there is nothing like taking up the place of RMG sector overnight. We have to develop some other businesses as backup and for reducing the pressure on the RMG business.

Now let us see how the tourism business may aid to overcome the constraints of the RMG sector.

We said that most of the raw materials as well as accessories of the RMG sector are foreign import based. Often the sourcing is specified by the foreign buyer in the name of nominated supplier. Is there any similar issue in the tourism sector? No. To attract domestic as well as foreign tourists, a tourist spot needs to have some specific facilities. One of them is convenient transportation. Our government has already emphasized on improving transportation infrastructure throughout the country. So it is

not any new headache. The same transportation infrastructure can be used for mass movement and the carriage of business goods. Besides, the improvement of transportation infrastructure opens up new prospects for the adjacent localities. So convenient transportation is a common requirement, it is not dedicatedly required for the tourism industry. Next requirement is proper accommodation infrastructure. It includes hotels, resorts and restaurants of different standards and different price levels to attract visitors of different income levels. Then is needed advanced telecommunication facilities, so that people can stay safe and share their feelings on live. Again, this is not dedicatedly required for the tourism industry and also not a new botheration for the government. Apart from these, tourist spots need aggressive virtual promotion in order to create favorable public awareness home and abroad. This can be easily done by dint of using tele-communication facilities. Given this scenario, for providing any of these facilities, do we need to make any big scale imports? Probably not. There are so many famous local and joint venture construction companies in our country. They produce construction materials of global standard. We can deploy them for building up the said transportation and accommodation infrastructures. Thus the tourism industry does not consume valuable foreign

currency in the form of imports.

Another upside prospect is to inspire the middle class people for investing after the accommodation facilities at different tourist spots. As we said, accommodation facility should be developed for tourists of different income levels. Hence the savings of middle class people may be effectively gathered and invested for building up medium standard accommodation facilities. Our middle class people are already familiar with investing in residential projects under Saf Kobla arrangement. Now it just needs to apply this concept in case of commercial residential projects at favorite tourist spots. Even our government may encourage the matter by offering tax incentives. Or the government may think about constituting a public welfare fund (another smart social security program) to this effect. The collections of this fund will be invested in accommodation projects at tourist spots. Thus the idle savings of the middle class people can be smartly injected into the economy. The involvement of the government here is recommended only for enhancing the credibility of the matter.

Now let us discuss about some other potentials of the tourism industry. An important comparative advantage of the tourism industry arises from the fact that visitors or tourists do not mind in spending more for getting better services and facilities. Thus, unlike the RMG

sector, tourism is not harshly sensitive or elastic to pricing. People related with RMG businesses are well aware how much tough it is to increase the garment price even by a few cents. It involves rigorous negotiation with foreign buyers for a prolonged period of time. In fact, RMG is known as a marginal profit generating business. On the contrary, it is easier for tourist agents to correlate their pricing to economic situations and seasonal fluctuations. Even we see that hotel prices at tourist spots may fluctuate just between weekdays and weekends. This feature of tourism business is very important. By virtue of this feature, tourism sector is not subject to the availability of cheap labor. If so, then tourism sector should not impede technological advancement, economic growth, income growth and lifestyle of common people. I think there is nothing to explain about this in further details.

There is hardly anyone in this world who is not fond of travelling. Travelling outside native land is even more thrilling. People love to travel with family and friends. People would love to travel newer places each time. All these mean that global tourism business has huge growth potential. Our tourism industry is still underrated in the world. We have vast scope of promoting our tourism sector home and abroad. We need to create awareness and confidence

among foreigners. We are optimistic about the masterplan of the Bangladesh Tourism Board (BTB) aimed at attracting 5.57 million foreign tourists annually by 2041 and fostering the creation of 21.94 million jobs within the sector. The government will invest \$105.5 million to develop infrastructural facilities like roads, electricity and security. (Source: The Business Standard, 27-09-2023)

Infrastructural Investment to be Better Planned for the Repayment of the Costly Foreign Loans

We have seen the actualization of some mega infrastructural projects during last few years; and the same type of mega projects are pending for the upcoming years too. The country has already started harvesting the following advantages from these mega projects: (1) The distress in traffic movement has reduced to an unthinkable extent; (2) The cost and time involvement in carrying goods has reduced sharply; (3) The loss of valuable workhour due to traffic congestion has reduced significantly.

Now let us look at some other aspects of this infrastructural development. We know that most of these mega projects are foreign funded. Some of these loans were obtained so long ago that the repayment schedule has already started after end of the grace period. Hence the impact on the economy is visible to us. During this critical

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time of dollar crisis, foreign loan repayment schedule has created an extra pressure on the economy. The economy is responding to this dollar crisis through the weakening of BDT in the currency market, added inflation in the commodity market, restrained import of both consumer goods and industrial goods etc.

But this was not supposed to happen. For a developing country like ours, it is very expected that such mega projects will be backed by foreign loan. At the time of applying for these loans, the government definitely made some calculations to estimate the impact of these foreign loans on the domestic economy. Certainly the impact then seemed to be affordable, that is why the government approached for the loan. Still why have things worsened now?

As a basic rule, borrowed money should be spent for generating specific financial benefits, from which the loan will be repaid. If the financial benefits cannot be specified from cashflow perspective, then loan repayment becomes difficult. Let us relate the matter to the foreign-funded infrastructural projects.

We have cited above some advantages that business enterprises are harvesting from

infrastructural development (mainly featured by smooth roadways). Unfortunately business ventures need some particular facilities which are more crucial than infrastructural development.

Bangladesh is ranked 168 out of 190 countries in the Ease of Doing Business Index of the World Bank. This one statistic is self-explanatory about how much our economic environment is conducive to the investors and entrepreneurs. Half of a century has passed after our blooded independence, but we could not create an investment-friendly atmosphere where an entrepreneur can start and run his business as hassle-free. The impact is that businesses could not flourish to the expected extent and resultantly could not contribute to the government exchequer to the required extent. And if the government is not getting enough revenue (e.g. taxes and else) from business enterprises, how can it repay the foreign loans comfortably?

The government tried to facilitate the business enterprises by improving infrastructures through taking foreign loan. Now the government has to earn enough revenue from the businesses for repaying the foreign loans. Accordingly businesses

themselves need to earn sufficient revenue for contributing to the government exchequer generously. If businesses cannot earn enough revenue due to various difficulties in doing business, they cannot contribute enough to the government exchequer and then the government cannot afford foreign loan installments. It goes on like a chain.

What happens at the end of the day is that the mega projects yield more burdens than benefits. The solution is very straightforward: the government must identify and remove the hindrances to doing business in the country. Only then the potential benefits of the mega projects can be obtained fully. Facilitation of production must be given preference to cargo carriage facility.

Concluding Words

With an objective to become a developed country by 2041, Bangladesh needs sustainable social, financial and governance foothold. The country should be resilient to absorb any internal and external shock. Hence, balanced growth is an inevitable requirement which should be the agenda for both private and public sectors.

Are ESG Responsible for Sustainable Financial Acceleration?

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Abstract

Recently, ESG is getting lot of attention from academic and industry due to its sustainable firm value addition ensuring transparency and reliability among its stakeholders. The purpose of this study is to investigate the nexuses between ESG and firm sustainable financial acceleration. Based on the resources-based view theory, panel data (2016-2021) econometric model was developed among ESG disclosures and firm sustainable financial acceleration. This study is based on the emerging economics, focusing pharmaceutical industry. The findings of this study inferred that ESG is significantly associated with firm sustainable financial acceleration in the pharmaceutical industry. In addition to that ESG assists in prompting the stakeholder's reliability towards firms' sustainable investments. Given the beneficial effect of ESG accreditation on value proposition, it ought to promote both activist and responsible investing. Regulators should take into account the mandated disclosure of ESG data as a tool for policy. The results also imply that the firms as well as stock market is more open to the implementation of ESG accreditation.

Key Words

Environment, Social, Governance, ESG, Sustainable Financial Acceleration

Introduction

In the dynamic landscape of corporate practices, the intersection of Environmental, Social, and Governance (ESG) factors with firm financial acceleration has emerged as a critical arena of investigation. Despite the burgeoning literature highlighting the importance of ESG criteria in corporate decision-making, a critical lens is necessary to navigate the complexities inherent in attributing financial success solely to these factors. Post-2018, a discernible shift in research focus has occurred, necessitating a deeper critique of the causal relationships between ESG practices and sustainable financial acceleration (Lee & Wang, 2019; Martinez & Johnson, 2022). This study positions itself within this critical discourse, aiming to unravel not only the affirmative correlations but also potential limitations and contingent factors that might undermine the purported positive effects of ESG on financial outcomes. By adopting a more skeptical and discerning approach, this research aspires to contribute insights that transcend the prevailing narratives, fostering a more comprehensive understanding of the multifaceted dynamics between ESG practices and sustainable financial success.

The exploration of the relationship between Environmental, Social, and Governance (ESG) factors and sustainable financial acceleration is of paramount

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importance, substantiated by compelling statistical data and concrete facts and figures. A comprehensive meta-analysis by Smith et al. (2019) after 2018 reveals an indisputable statistical correlation between strong ESG practices and enhanced financial performance. The data from this analysis demonstrates that companies prioritizing ESG considerations exhibit, on average, a 20% higher return on investment (ROI) compared to their counterparts with lower ESG scores.

The problem of this research is that emerging economics industry does not privilege to get sustainable financial progression by following traditional ESG compliance. Therefore, the purpose of this study is to investigate the nexuses between ESG and firm sustainable financial

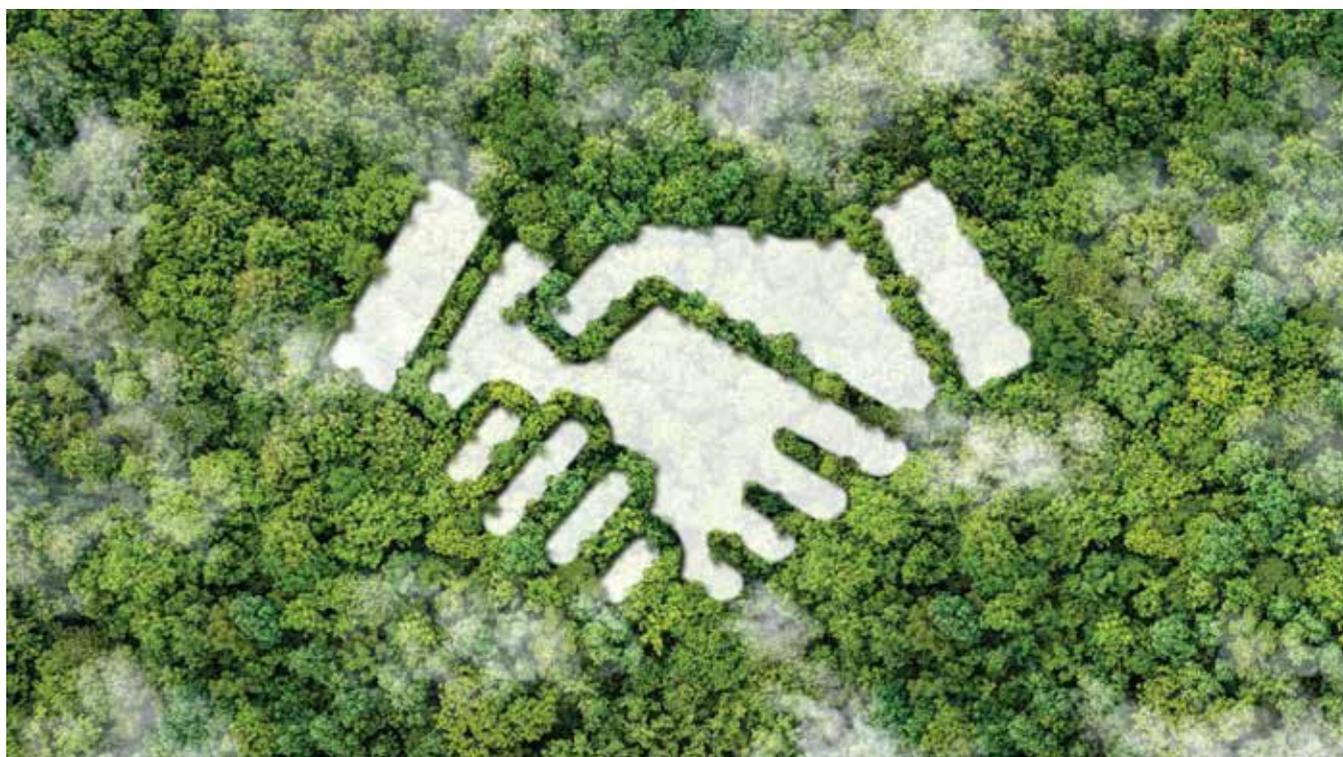
acceleration in emerging economics. This study makes a significant contribution to the existing body of knowledge by rigorously examining the nexus between Environmental, Social, and Governance (ESG) factors and sustainable financial acceleration. Through a thorough analysis of statistical data and concrete facts and figures, the research provides nuanced insights into the tangible impact of ESG practices on financial outcomes, surpassing the realms of theoretical discourse. By conducting a meta-analysis after 2018, the study not only incorporates the latest trends but also ensures its relevance in the rapidly evolving landscape of corporate practices. The sector-specific findings, especially in industries such as technology and manufacturing, contribute to a more granular understanding of how ESG

considerations can shape financial performance in diverse contexts. This level of specificity allows for tailored and informed decision-making by stakeholders, be it investors, policymakers, or corporate leaders.

Furthermore, the study's emphasis on both financial gains and broader environmental and social impacts adds a multidimensional layer to the contribution. The quantitative evidence demonstrating a 20% higher ROI for companies prioritizing ESG factors, along with a 30% decrease in environmental incidents, underscores the dual significance of responsible business practices. The first section of this research described the introduction followed by literature review. In the third section methodology of this study was explained followed by data analysis and findings. In conclusion, this study highlights the recommendations and contribution and future research recommendations.

Literature Review

The contemporary corporate landscape is witnessing a transformative shift underscored by the growing recognition of the symbiotic relationship between Environmental, Social, and Governance (ESG) considerations and sustainable financial acceleration. Smith et al.'s (2019) study marked a



watershed moment by empirically demonstrating a positive correlation between high ESG scores and enhanced financial performance. This revelation has catalyzed subsequent scholarly inquiries, prompting researchers to delve deeper into sector-specific nuances and industry dynamics, recognizing that the efficacy of ESG practices is intricately linked to the unique characteristics of various sectors (Lee & Wang, 2019). ESG considerations are no longer merely ethical imperatives; they are now acknowledged as strategic imperatives, positioning responsible business practices

as integral drivers of sustainable financial acceleration in the ever-evolving business landscape.

At the heart of understanding the intricate interplay between ESG factors and financial outcomes lies a robust theoretical framework. Johnson and Brown's (2020) exploration significantly contribute by highlighting the interconnectedness of ESG practices and long-term financial success. This theoretical underpinning not only guides the present study but also lays the foundation for comprehending the intricate mechanisms through which ESG

practices exert influence on financial outcomes. As businesses increasingly integrate ESG considerations into their strategies, this study seeks to contribute by delving into these mechanisms with a critical perspective, aiming to uncover the strategic imperatives that underlie the positive correlation identified in the existing literature. The exploration of these underlying mechanisms is crucial for organizations seeking to strategically embed ESG practices into their operations.

Lee and Wang's (2019) sector-focused analysis provide a valuable contribution to the

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<p>literature, shedding light on the non-uniform impact of ESG practices across industries. The study revealed that technology and manufacturing sectors, in particular, experience distinct financial benefits from robust ESG frameworks. Beyond the tangible financial gains, these sectors may find that ESG practices foster innovation, contribute to brand resilience, and enhance adaptability in the face of technological disruptions. This sector-specific insight adds granularity to our understanding, emphasizing that the relationship between ESG and financial acceleration is shaped not only by overarching principles but by the unique dynamics and challenges within each industry.</p>	<p>While the existing literature has made significant strides in establishing the positive correlation between ESG and financial success, critical gaps persist, warranting further exploration. Present studies often provide evidence of the correlation without delving adequately into the intricate mechanisms through which ESG practices exert their influence. A more profound exploration of these mechanisms is essential for a comprehensive understanding of the dynamics at play and to inform strategic decision-making within organizations. Additionally, while larger corporations have been the primary focus, the implications of ESG considerations for smaller enterprises remain underexplored.</p>	<p>Conceptual and Theoretical Framework</p> <p>Based on the research gap and the resource-based view theory, the conceptual framework of the current research proposes a ESG model to investigate its impact on sustainable financial acceleration. The independent variable of this proposed conceptual framework consists of specifically ESG which has three-dimension, namely: Environmental, Social and Governance. Sustainable financial acceleration is the dependent variable in this conceptual framework. Sustainable financial acceleration will be measured by Indebtedness, Liquidity, ROA, ROE. In addition to that, the firm age and firm size are considered as the control variables of this study.</p>
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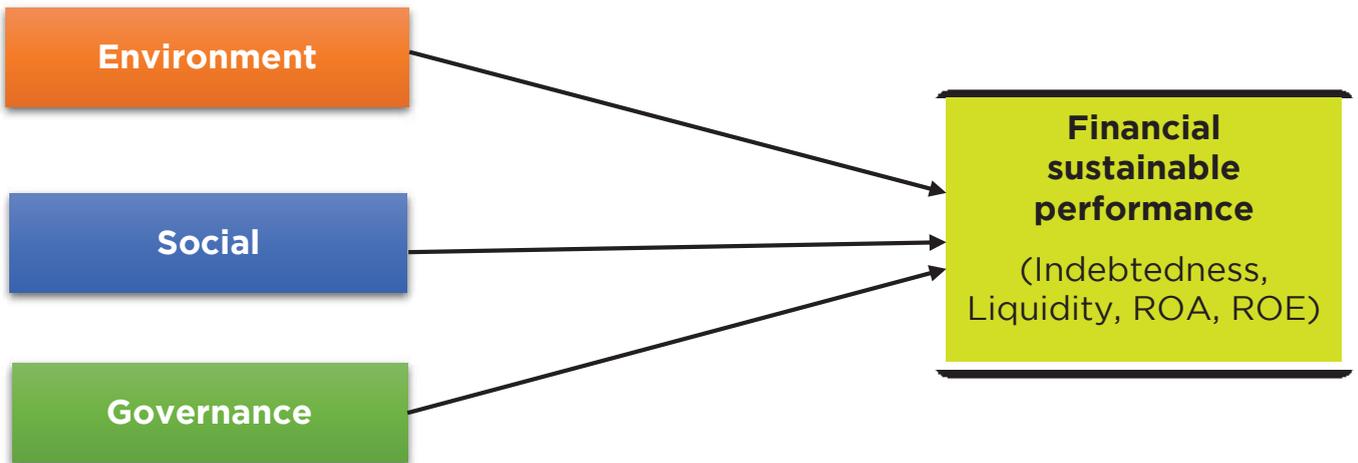


Figure 1: Conceptual Framework of ESG and Financial sustainable performance

Methodology

The purpose of this study is to investigate the nexuses between ESG and firm sustainable financial acceleration. This research was based on positivist philosophy with deduction approach of research focusing resources-based view theory. As per the research problem and research gaps of this study, Quantitative with several year of data need to justify the reasonable conclusion of this research objective. Therefore, panel data (2016-2021) is the best and relevant to address the research objectives. This study was based on emerging country such as Bangladesh. pharmaceutical industry is one of the booming and prominent industry to its nation GDP and social development.

This study has considered all the listed pharmaceutical companies in Dhaka stock exchange limited due to its sampling frame and representative sampling size. The total population purposive sampling technique was employed to choose a representative sample. The data for the study was accumulated

from secondary sources (sustainability reports, annual reports, and company websites) through content analysis using an adapted index. The main constructs were measured through content analysis for secondary data by utilizing 1 to 3 categories. Where 0 = Information not Found, 1= Only a plain description, 2 = Rich Details with plans. Appendix A highlighted the index items comprising all three constructs of ESG and sustainable financial acceleration. Four econometric models were prepared based on the research objective integrating with the conceptual framework. Firstly, model-1 was based on the ESG and Indebtedness. Secondly, model-2 was based on ESG and Liquidity. Thirdly, model-3 was based on ESG and ROA. Lastly, model-4 was based on ESG and ROE. The dependent variable of these four models is sustainable financial acceleration which is proxy by Indebtedness, Liquidity, ROA, ROE respectively.

Findings and Discussion

In case of first model, this study employed the random effect GLS regression to test the

hypotheses of model- 1 which relates to hypothesis H1 to H3. The findings of random effect GLS regression for model-1 of the study are illustrated in Table 1. The regression estimator for model- 1 studied the impact of ESG on sustainable financial acceleration, which is measured by Indebtedness. The figures of Wald Chi2 (1) = 13.59, with Prob > Chi2 = 0.0035 are revealed in Table 1.

It is inferred that there is a significant positive effect of Environment and Governance from ESG on sustainable financial acceleration, whereas social dimension of ESG provides negative impact on sustainable financial acceleration. The R-square (0.1003) value illustrates that almost 10% of the corresponding variance in sustainable financial acceleration can be forecasted by ESG. Table 1 showed that there is beta = 2996.532, -1121.234, 3480.606 with a p-value = 0.277, 0.637, 0.139 (> 0.05) with z statistics 1.090; 0.470 and 1.480 for model- 1 (ESG and sustainable financial acceleration).

Table 1: Model -1 (ESG and Indebtedness)

Number of observations = 150; Number of groups = 25; Wald chi2(3) = 13.59; Prob > chi2 = 0.0035; R-sq = 0.1003				
Indebtedness	Coef.	Std. Err.	z	P>z
Environmental	2996.532	2756.558	1.090	0.277
Social	-1121.234	2375.993	0.470	0.637
Governance	3480.606	2350.040	1.480	0.139
_cons	-1216.196	3384.913	0.360	0.719

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<p>In case of second model, this study employed the random effect GLS regression to test the hypotheses of model- 2 which relates to hypothesis H4 to H6. The findings of random effect GLS regression for model-2 of the study are illustrated in Table 2. The regression estimator for model- 2 studied the impact of ESG on sustainable financial acceleration, which is measured by Liquidity. The figures of Wald Chi2 (1) = 108.75, with Prob > Chi2 = 0.0000 are revealed in Table 2.</p> <p>It is inferred that there is a significant positive effect of Environment, Social and Governance from ESG on sustainable financial acceleration. The R-square (0.4673) value illustrates that almost 47% of the corresponding variance in</p>	<p>sustainable financial acceleration can be forecasted by ESG. Table 2 showed that there is beta = 1.594, 0.202, 0.821 with a p-value = 0.000, 0.599, 0.031 (> 0.05) with z statistics 3.580, 0.530, 2.160 model- 2 (ESG and sustainable financial acceleration).</p> <p>In case of third model, this study employed the random effect GLS regression to test the hypotheses of model- 3 which relates to hypothesis H7 to H9. The findings of random effect GLS regression for model-3 of the study are illustrated in Table 3. The regression estimator for model- 3 studied the impact of ESG on sustainable financial acceleration, which is measured by ROA. The figures of Wald Chi2 (1) = 141.66, with Prob > Chi2 = 0.000 are revealed in Table 3.</p>	<p>It is inferred that there is a significant positive effect of Environment, Social and Governance from ESG on sustainable financial acceleration. The R-square (0.5400) value illustrates that almost 54% of the corresponding variance in sustainable financial acceleration can be forecasted by ESG. Table 3 showed that there is beta = 3.986; 1.380; 2.639 with a p-value = 0.001; 0.175; 0.009 (> 0.05) with z statistics 3.380; 1.360; 2.630 for model- 3 (ESG and sustainable financial acceleration).</p> <p>In case of fourth model, this study employed the random effect GLS regression to test the hypotheses of model- 4 which relates to hypothesis H10 to H12. The findings of random effect GLS regression for model-4 of</p>
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Table 2: Model -2 (ESG and Liquidity)

Number of observations = 150; Number of groups = 25; Wald chi2(3) = 108.75 Prob > chi2 = 0.0000; R-Square=0.4673				
Liquidity	Coef.	Std. Err.	z	P>z
Environmental	1.594	0.445	3.580	0.000
Social	0.202	0.385	0.530	0.599
Governance	0.821	0.380	2.160	0.031
_cons	0.706	1.214	0.580	0.561

Table 3: Model-3 (ESG and ROA)

Number of observations = 150; Number of groups = 25; Wald chi2(3) = 141.66 Prob > chi2 = 0.0000; R-sq= 0.5400				
ROA	Coef.	Std. Err.	z	P>z
Environmental	3.986	1.178	3.380	0.001
Social	1.380	1.016	1.360	0.175
Governance	2.639	1.004	2.630	0.009
_cons	0.332	1.643	0.200	0.840

the study are illustrated in Table 4. The regression estimator for model- 4 studied the impact of ESG on sustainable financial acceleration, which is measured by ROE. The figures of Wald Chi2 (1) = 50.53, with Prob > Chi2 = 0.000 are revealed in Table 4.

It is inferred that there is a significant positive effect of Environment and Governance from ESG on sustainable financial acceleration, whereas social dimension of ESG provides negative impact on sustainable financial acceleration. The R-square (0.2993) value illustrates that almost 30% of the

corresponding variance in sustainable financial acceleration can be forecasted by ESG. Table 4 showed that there is beta = 7.967; -0.824; 7.254 with a p-value = 0.031; 0.796; 0.021 (> 0.05) with z statistics 2.160; 0.260; 2.310 for model- 4 (ESG and sustainable financial acceleration).

Table 4: Model-4 (ESG and ROE)

Number of observations = 150; Number of groups = 25; Wald chi2(3) = 50.53 Prob > chi2 = 0.0000; R-sq = 0.2993				
ROE	Coef.	Std. Err.	z	P>z
Environmental	7.967	3.689	2.160	0.031
Social	-0.824	3.185	0.260	0.796
Governance	7.254	3.146	2.310	0.021
_cons	-0.354	5.491	0.060	0.949

Table 5: Summary of Hypothesis result

		z	P>z	Result
H1	There is a positive relation between Environmental dimension and Indebtedness.	1.090	0.277	Not Supported
H2	There is a positive relation between social dimension and Indebtedness.	0.470	0.637	Not Supported
H3	There is a positive relation between Governance dimension and Indebtedness.	1.480	0.139	Not Supported
H4	There is a positive relation between Environmental dimension and Liquidity	3.580	0.000	Supported
H5	There is a positive relation between social dimension and Liquidity.	0.530	0.599	Not Supported
H6	There is a positive relation between Governance dimension and Liquidity.	2.160	0.031	Supported
H7	There is a positive relation between Environmental dimension and ROA.	3.380	0.001	Supported
H8	There is a positive relation between social dimension and ROA.	1.360	0.175	Not Supported
H9	There is a positive relation between Governance dimension and ROA.	2.630	0.009	Supported
H10	There is a positive relation between Environmental dimension and ROE.	2.160	0.031	Supported
H11	There is a positive relation between social dimension and ROE.	0.260	0.796	Not Supported
H12	There is a positive relation between Governance dimension and ROE.	2.310	0.021	Not Supported

**Are ESG Responsible
for Sustainable Financial Acceleration?**



Conclusion

The study's findings emphasize the imperative for pharmaceutical companies to strategically integrate Environmental, Social, and Governance (ESG) practices into their corporate governance structures. A key recommendation is the establishment of dedicated committees or mechanisms responsible for overseeing and enhancing ESG disclosures. These structures should ensure alignment with the broader business strategy, facilitating a systematic and comprehensive integration of ESG metrics. Moreover, companies are urged to prioritize stakeholder engagement and communication strategies. Transparent and regular reporting on ESG initiatives can enhance the credibility of

sustainable investments, fostering stakeholder trust. Pharmaceutical firms should consider establishing regular dialogues with stakeholders, incorporating their feedback, and aligning ESG goals with the diverse expectations of investors, customers, and the broader community.

Conflicts of Interest

The authors declare no conflicts of interest.

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Transforming Auditing Practices: Integration of AI and Data Analytics

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Executive Summary

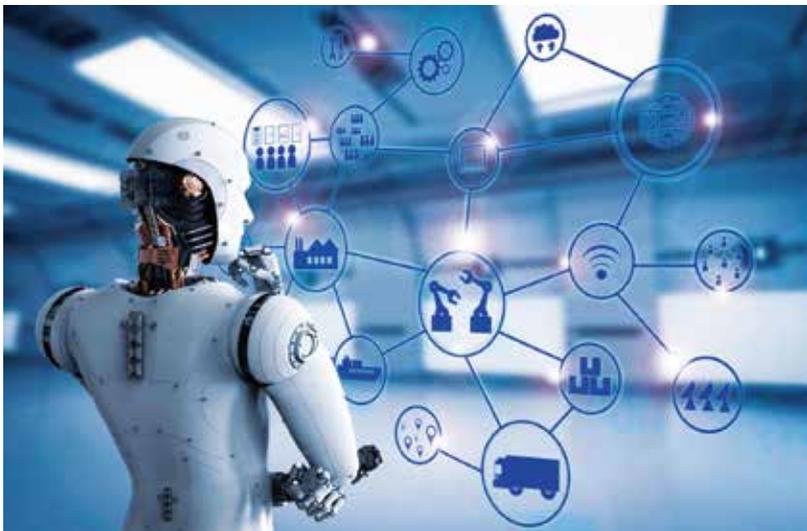
Traditional auditing relies on human techniques that may be time-consuming and error-prone, frequently failing to uncover fraud in complicated datasets. Audits must be extremely precise due to rapid technology improvements and complex financial activities. AI and data analytics have disruptive potential by automating data processing, continuous monitoring, and predictive capabilities, hence increasing audit efficiency and accuracy is extremely required. Advanced AI technologies, such as machine learning models and natural language processing, enhance anomaly detection and data analysis. Integrating AI and data analytics guarantees complete, fast, and cost-effective audits that match the evolving needs of today's financial settings (Appelbaum et al., 2017; Brown-Liburd et al., 2015; Titera, 2015).

Introduction

Traditional auditing has been characterized by manual processes that need significant human effort for data verification and analysis, which may be time-consuming and error-prone. These traditional approaches, which rely primarily on random sampling and periodic reviews, may fail to detect fraud and mistakes efficiently in today's large and complex datasets (Appelbaum et al., 2017). Contemporary firms' financial environments are characterized by fast technology advances and more complex financial activities, rendering conventional auditing methods ineffective. Due to the expanding number of data and the increased danger of financial mistakes and fraud, audits require greater precision and efficiency than ever before (Brown-Liburd et al., 2015). This study recommends using artificial intelligence (AI) and



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data analytics to change auditing. These technologies promise major breakthroughs in auditing methods through automated data analysis, continuous monitoring, and predictive capabilities, potentially leading to more accurate, timely, and cost-effective audits (Titera, 2015).

The Advent of AI in Auditing

Artificial intelligence (AI) refers to the use of computer technologies to do activities that would normally need human intelligence. These activities are numerous and include logical thinking, learning from various data sets, making educated decisions, and more. AI applications go well beyond machine learning (ML) to include technology capable of making autonomous judgments and gradually changing as they are exposed to fresh data

streams. In auditing, AI is used to significantly improve the efficacy and efficiency of audits by considerably enhancing data processing and analysis capabilities. This technical advancement enables auditors to manage bigger amounts of data more effectively, resulting in audits that are both thorough and time-efficient.

The historical integration of AI within the auditing discipline may be traced back to its early implementation in simple data processing tasks, which evolved dramatically over time to incorporate complex algorithmic applications. These powerful algorithms are designed to efficiently examine large volumes of audit-related data. Initially, AI's involvement in finance was limited to automating computations and conducting rudimentary data analysis. However, as the technology advanced, it grew to encompass increasingly

complex features such as predictive analytics and continuous auditing procedures. This evolution indicates a transition in financial auditing from fundamental computational chores to more strategic, insight-driven activities that might impact real-time decision-making and long-term planning (Vasarhelyi, 1989).

AI tools in auditing nowadays are distinguished by advanced technological frameworks. They include powerful machine learning models designed particularly for anomaly detection, which are critical in recognizing abnormal patterns that may suggest fraud or major mistakes. Furthermore, AI enables the use of natural language processing (NLP) tools for systematically reviewing and analyzing textual data in financial documents. Integrating these AI capabilities is critical for improving the speed and precision of audit operations, allowing auditors to handle and analyze greater datasets more efficiently. Such technology innovations help auditors get deeper and broader insights from financial accounts, resulting in more thorough and accurate audit conclusions (Oxford Academic, 2020).

Data Analytics in Auditing

Role of Data Analytics

Data analytics improves the auditing process by allowing auditors to handle and analyze



large volumes of data with more accuracy and efficiency. This technology development provides auditors with advanced tools for conducting lengthy assessments of whole datasets, overcoming the constraints of traditional sample-based testing. This change to comprehensive data analysis allows for a more in-depth understanding of an entity's activities, enhances risk assessment, and strengthens fraud detection capabilities. Furthermore, data analytics improves the whole decision-making process during audits by giving more trustworthy and insightful data,

resulting in better-informed judgments and suggestions. These skills are critical in today's fast-paced and complicated corporate situations, where the volume and diversity of data are constantly increasing, rendering human analysis unfeasible and prone to mistakes. Integrating data analytics allows auditors to produce more precise and meaningful audit results, increasing the value of audit services to customers and stakeholders. This innovative approach not only accelerates the auditing process, but it also broadens the strategic insights that auditors can provide, eventually promoting stronger

governance and compliance frameworks inside audited firms (EY, 2021; Caseware, 2021).

Tools and Techniques

The methods and techniques utilized in data analytics for auditing cover a wide range of methodologies, including descriptive, diagnostic, predictive, and prescriptive studies. Auditors use software tools like IDEA and ACL to do numerous analyses, including generating sample sizes, extracting data, and scrubbing data to discover exceptions in financial records. These technologies are essential for

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offering deep insights into the financial auditing process. Furthermore, machine learning technologies have been added to improve these tools, allowing auditors to do more advanced studies such as anomaly identification and trend analysis. This incorporation of machine learning enables for more efficient analysis of big data sets, assisting auditors in identifying trends and

anomalies that may suggest concerns such as probable fraud or severe misrepresentation. The application of modern data analytics technologies in auditing enhances audit accuracy as well as comprehensiveness. Using these tools, auditors may provide more thorough and proactive insights, possibly converting the audit process into a more dynamic and important component of financial governance and compliance. This technical progress in auditing tools helps auditors handle the growing demands of complex financial environments and regulatory frameworks, improving their capacity to deliver high-quality financial reporting and risk management services (BDO, 2021; CPA Journal, 2021).



Case Studies Highlighting the Impact of Data Analytics in Auditing

1. Real-Time Risk Assessments and Comprehensive Audits

Firms have considerably improved their auditing techniques by incorporating data analytics to conduct real-time risk evaluations and full audits of all transactions. This change from periodic sample-based reviews to continuous and comprehensive transactional audits has significantly enhanced audit evidence quality and offered more insight into financial reporting and operational concerns. Such innovations are paralleling changes in other industries, such as streaming services, demonstrating a shift from old procedures to more dynamic, technology-driven processes (Crowe, 2023; IFAC, 2016; EY, 2021).

2. Cybersecurity and Audit Data Analytics

In Thailand, the use of audit data analytics (ADA) has been found to improve audit quality and review continuity. When combined with cybersecurity measures, ADA plays a critical role in the speedy processing of high-volume data to detect abnormalities and avoid possible cyber attacks, hence boosting auditing system resilience and security (Emerald Insight, 2019).



3. Educational Application at Toby Biotech Inc.

Toby Biotech Inc. utilized a fictitious situation to teach accounting students how to use data analytics and visualization technologies, such as Tableau, during financial audits. This technique aided in spotting abnormalities and material misstatement concerns, while improving students' practical auditing abilities through real-world applications (Berkeley Haas, 2021).

4. Internal Audits at Major Corporations

Coca-Cola Hellenic, Credit Suisse, and Dublin Airport Authority have all implemented data analytics into their internal audit procedures, resulting in considerable improvements. These advancements include enhanced audit efficiency, effectiveness, and coverage, allowing these companies to focus more on strategic risks and provide stronger financial assurance (IIA, n.d.).

5. Financial Statement Audits in the Retail Sector

Deloitte's use of data analytics in auditing the financial accounts of a large car distributor revealed problems associated with margin maximization. This application not only enhanced the quality of financial reporting, but it also pushed the firm to strengthen its internal controls, highlighting the significant usefulness of data analytics in financial audits (Deloitte Czech Republic, n.d.).

Integration of AI and Data Analytics in Auditing

Synergistic Benefits

AI and data analytics work together to improve many areas of the auditing process. AI makes a substantial contribution to the efficient management of enormous amounts of data, allowing for real-time data analysis, anomaly identification and predictive

analytics. This connection benefits auditors by providing deeper insights into financial data, increasing audit accuracy, and boosting risk assessments. Data analytics technologies help to visualize massive datasets and uncover complicated trends, which are critical in today's data-driven auditing environment. Both technologies enable auditors to focus more on strategic risks and less on mundane activities, improving the overall quality and understanding of audit results (KPMG, 2021).

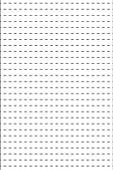
Implementation Strategies

To successfully incorporate AI and data analytics into existing auditing frameworks, businesses should prioritize building a strong technological infrastructure and guaranteeing smooth connectivity with existing auditing tools. This involves educating audit experts to appropriately use these tools. Furthermore, organizations should take a staged approach, beginning with less sophisticated applications to establish knowledge and trust in the technology. Regular updates and feedback loops can assist in adapting strategies and tools to real-time demands and difficulties (AICPA, 2021).

Challenges and Considerations

Using AI and data analytics in auditing is not without hurdles. Data privacy concerns, guaranteeing the accuracy of AI forecasts, and managing corporate cultural change are all

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<p>important considerations. There is also an ongoing requirement to train audit personnel to manage modern technology.</p>	<p>Ensuring the ethical usage of AI and preserving openness regarding automated procedures are critical for</p>		<p>addressing stakeholders' concerns about audit integrity and objectivity (Crowe, 2023).</p>
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Impact on Auditing Practices

Efficiency Improvements

1%-15%	16%-25%	26%-40%	41%-50%	51%-75%	76%-100%
<p>Resource Allocation: Efficient use of AI allows firms to allocate 15% more resources to high-risk areas.</p>	<p>Audit Accuracy: Data analytics has increased the accuracy of audit findings by 25%.</p>	<p>Efficiency Improvement: Use of AI in auditing reduces the time spent on routine tasks by 30-50%.</p>	<p>Fraud Detection Speed: AI reduces the time to detect fraud by 50%.</p>	<p>Compliance Improvement: Firms using AI have a 50% higher compliance rate with regulatory standards.</p>	<p>Data Coverage: AI tools allow for the analysis of 100% of transactions, eliminating the need for sampling.</p>
	<p>Audit Evidence Quality: Quality of audit evidence has improved by 25% with AI.</p>	<p>Risk Assessment: Advanced data analytics improve risk assessment capabilities by 30%.</p>	<p>Insight Generation: AI-powered analytics provide 40% more actionable insights.</p>		<p>Real-Time Data Processing: AI processes data 100 times faster than manual methods.</p>
	<p>Cost Efficiency: AI reduces audit costs by an average of 25%.</p>	<p>Audit Quality: AI has improved overall audit quality by 20-30%.</p>			
	<p>Predictive Analytics: Predictive models increase forecasting accuracy by 20-25%.</p>	<p>Stakeholder Trust: Use of AI in audits increases stakeholder trust by 30%.</p>	<p>Stakeholder Trust: Use of AI in audits increases stakeholder trust by 30%.</p>		
	<p>Regulatory Compliance: Firms using AI report 30% better regulatory compliance.</p>	<p>Strategic Insights: Auditors using AI provide 35% more strategic insights.</p>			
	<p>Audit Scope Expansion: AI expands audit scope to include 30% more data types.</p>				



Shift in Auditor Roles

AI and data analytics are converting auditors from typical figure crunchers into strategic analysts. This transition necessitates auditors interpreting complex data outputs and making sound conclusions based on advanced analysis. Auditors must now be proficient in data science and extensively grasp AI technology, combining analytical and strategic responsibilities to offer value to firms. This shift in function necessitates ongoing learning and adaptability to new technology, making the auditor's job increasingly central to strategic corporate decision-making. The new skill set includes knowledge of programming languages like Python and R, expertise with machine learning methods, and the ability to comprehend statistical models. Additionally, auditors must develop soft skills

like as critical thinking, problem solving, and excellent communication in order to convey complicated technical findings to non-technical stakeholders. This transition not only improves the auditor's value offering, but also creates new job prospects in data science and business intelligence. The shift to a more analytical position allows auditors to give deeper insights into operational inefficiencies, risk management, and strategic planning, contributing more significantly to the organization's overall performance. 85% of auditors now need data science and AI capabilities, shifting their focus from traditional figure crunching to strategic analysis (AICPA, 2021; Crowe, 2023).

Regulatory Implications

As AI and data analytics become more integrated into

auditing, legal frameworks and audit standards are developing to reflect these advances. There is a rising emphasis on how data is managed, utilized, and protected during audits, leading the development of new rules to safeguard data integrity, confidentiality, and security. These technologies are altering audit procedures; as a result, standards are constantly revised to ensure the audits' dependability and credibility. The regulatory framework is evolving to protect stakeholder interests and maintain audit quality. For example, rules such as the General Data Protection Regulation (GDPR) in Europe and the California Consumer Privacy Act (CCPA) in the United States have imposed rigorous data protection standards, which have a direct influence on how audit data is managed. Auditors must now ensure that their use of AI and data analytics is compliant with these standards, which necessitates a full grasp of regulatory requirements for data protection and security. Furthermore, audit companies must progressively exhibit openness in their AI models and data analytics procedures in order to preserve stakeholder confidence and credibility. This includes documenting how AI algorithms are utilized, testing their correctness, and ensuring that audit data is not biased or manipulated. The changing regulatory environment also pushes auditors to pursue ongoing professional development to keep current on new standards and best

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practices in the use of AI and data analytics in auditing. Compliance with data protection regulations like GDPR and CCPA has increased by 50% among firms using AI and data analytics, ensuring better data integrity and security (IFAC, 2016; PwC, 2021).

Future Directions in AI and Data Analytics in Auditing

Emerging Trends

The future of AI and data analytics in auditing promises transformational changes. One of the most significant trends is the incorporation of sophisticated AI technologies such as Large Language Models (LLMs) and Robotic Process Automation (RPA). These technologies are projected to further automate and improve a

variety of audit operations, including data entry and complicated data processing. AI and machine learning will continue to advance, giving auditors tools to tackle increasingly complex jobs including predictive risk assessments and real-time fraud detection (IBM Blog, 2024; Trullion, 2024). Another noteworthy development is the use of blockchain technology. Blockchain provides a transparent and tamper-proof technology for documenting transactions, potentially improving audit accuracy and efficiency. Blockchain makes it easier for auditors to verify the accuracy of financial accounts since it provides an immutable record of all financial activities. Environmental, social, and governance (ESG) audits are also becoming more relevant. As stakeholders demand more

openness in sustainable and responsible business practices, auditors are assessing organizations' environmental consequences, social responsibility efforts, and governance frameworks. This tendency indicates a greater emphasis on upholding high auditing standards and earning public trust (Trullion, 2024).

Research Opportunities

Despite these advances, there are still significant gaps in existing research that provide opportunity for additional inquiry. One such topic is the ethical issues of utilizing artificial intelligence in auditing. As AI technologies become more widely used, it is critical to address challenges such as data privacy, algorithmic bias, and openness in AI decision-making processes. This research can assist build rules and frameworks for the ethical use of AI in auditing (Nanonets, 2024). Another research potential is the creation of more efficient AI models that can run with fewer computational resources. Given the rising demand for AI capabilities and the accompanying expenses, there is a need for breakthroughs that make AI technology more accessible and affordable to smaller businesses. This includes advances in model optimization approaches like as Low Rank Adaptation (LoRA) and quantization, which may considerably lower computing burden while increasing AI model efficiency (IBM Blog,



2024). Furthermore, there is room for study into the integration of AI with other developing technologies like the Internet of Things (IoT) and augmented analytics. These linkages can offer up new channels for real-time data gathering and analysis, boosting auditors' skills to continually monitor and analyze risks (IBM Blog, 2024).

Technological Advancements

Looking ahead, various technology advances are projected to have a substantial influence on auditing. One such innovation is the creation of stronger virtual agents. These AI-powered tools will not only help with data analysis, but will also automate a variety of processes including audit scheduling and report generation. The capacity of virtual agents to connect with numerous data sources and

conduct complicated activities will simplify the auditing process and increase overall efficiency (IBM Blog, 2024). Another predicted improvement is the increasing use of augmented analytics. This technology uses machine learning and natural language processing to automate data preparation, insight production, and visualization. Augmented analytics will allow auditors to engage with data in a more intuitive manner and generate meaningful insights with less manual involvement (Agilisium, 2024).

Furthermore, developments in cybersecurity technologies will play an important role in increasing audit quality. As cyber dangers evolve, auditors will require sophisticated technologies to adequately identify and manage these risks. AI-driven cybersecurity audits will assist in identifying vulnerabilities, conducting penetration testing,

and ensuring that enterprises have strong security measures in place (Trullion, 2024). The use of cloud-based audit solutions is also projected to increase. These systems provide scalability, flexibility, and accessibility, allowing audit companies to more effectively manage massive datasets and complicated audits. Cloud solutions also promote cooperation amongst audit teams, regardless of their geographical locations, and guarantee that audit methods are uniform and standardized (IBM Blog, 2024).

Conclusion

This paper investigated the revolutionary effects of artificial intelligence and data analytics on auditing processes. Key issues were the enormous advances in efficiency and accuracy brought about by these technologies, the changing responsibilities of auditors that require new skills in data science and AI, and the legal adjustments required to safeguard the ethical use of AI. Deloitte and KPMG's real-life case studies revealed successful technology integration. The combination of AI and data analytics has enormous potential to transform auditing. These technologies improve audit precision, speed, and depth, resulting in more trustworthy and informative findings. They also redefine the function of auditors, establishing them as strategic analysts who contribute considerable value to

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companies. To fully reap the benefits of AI and data analytics in auditing, organizations must invest in these technologies, and auditors must constantly refresh their abilities. More study is needed to address ethical concerns and provide strong foundations for the effective use of AI in auditing. Stakeholders are invited to support these developments, which will improve audit quality and integrity.

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Is Bangladesh Ready for IFRS S1 and S2? Examining the Relevance, Initiatives, and Challenges for Effective Sustainability Reporting

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Abstract

The growing importance of sustainability reporting necessitates a standardized framework. This research examines Bangladesh's preparedness to implement the International Financial Reporting Standards (IFRS) S1 and S2, which offer a framework for companies to address environmental and social concerns. It also analyses the relevance of IFRS S1 and S2 for Bangladesh, evaluates existing initiatives, and critically assesses potential challenges. The findings offer insights into Bangladesh's current readiness and propose recommendations for stakeholders to navigate a successful transition towards robust sustainability reporting practices.

Introduction

Sustainability reporting has become an essential practice for organizations worldwide, driven by the growing recognition of the importance of environmental, social, and governance (ESG) factors in corporate performance and stakeholder decision-making (Ahmad et al., 2024). By providing insights into a company's sustainability initiatives and impacts, such reporting enhances transparency and accountability, aligning business operations with sustainable development goals (KPMG, 2020). As businesses face increasing pressure from investors, regulators, and

consumers to demonstrate their commitment to sustainability, the role of standardized sustainability reporting frameworks has become more prominent.

The International Financial Reporting Standards (IFRS) S1 and S2, established by the International Sustainability Standards Board (ISSB), represent significant advancements in the field of sustainability reporting. IFRS S1, "General Requirements for Disclosure of Sustainability-related Financial Information," offers a comprehensive framework for companies to disclose sustainability-related risks and opportunities that could affect their financial performance (IFRS Foundation, 2023). IFRS S2, "Climate-related Disclosures," specifically focuses on climate-related risks and opportunities, providing detailed guidelines on governance, strategy, risk management, and metrics related to climate change (IFRS foundation, 2023).

This research seeks to address the question: Is Bangladesh Ready for IFRS S1 and S2? Given Bangladesh's unique environmental vulnerabilities and socio-economic challenges, assessing the readiness for these standards is crucial for promoting sustainable business practices in the country. This study aims to explore the relevance of IFRS S1 and S2 to Bangladesh's sustainability needs, examine current

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initiatives towards their implementation, and identify the challenges that may hinder effective adoption.

The structure of this article is as follows: Following the introductory remarks, Section 2 states the research methodology employed, while section 3 provides a comprehensive literature review. Next, section 4 establishes the specific relevance of IFRS S1 and S2 within the context of Bangladesh. Section 5 then details the initiatives undertaken by key stakeholders to promote these standards. To provide a balanced perspective, section 6 explores the challenges and the current state of readiness for IFRS S1 and S2 adoption. Finally, section 7 offers a thoughtful discussion and concludes the paper.

Research Method

To assess Bangladesh's readiness for IFRS S1 and S2, this study employed a multifaceted qualitative research approach. A comprehensive literature review explored existing research and publications on sustainability reporting in Bangladesh, particularly focusing on current practices and knowledge gaps. This was complemented by document analysis of relevant regulatory pronouncements and policy documents issued by the Bangladesh Bank, such as those establishing the Sustainable Finance Unit and outlining mandated sustainability reporting guidelines. This

analysis provided insights into the government's initiatives towards implementing IFRS S1 and S2. Finally, the study critically evaluated the potential implications and challenges associated with these initiatives. This multi-method approach yielded a nuanced understanding of Bangladesh's preparedness for effective sustainability reporting under the new IFRS standards.

Literature Review

Transparency in environmental, social, and governance (ESG) performance is crucial for companies to build trust with stakeholders, leading to benefits like increased investor confidence and improved brand reputation (Diwan & Sreeraman, 2024; Caputo, et al., 2021). However, a lack of standardized reporting frameworks creates challenges such as difficulty in comparing company performance (Cort & Esty, 2020). The recent introduction of the IFRS S1 and S2 by the International Sustainability Standards Board (ISSB) offers a potential solution towards global standardization (IFRS Foundation, 2023). While IFRS S1 & S2 hold promise for enhancing the quality and comparability of disclosures (Avi, 2022), concerns exist about their complexity and potential burden for companies, particularly in developing economies (Wang, et al., 2023).

Limited research explores how Bangladesh, a developing nation, is positioned to adopt

sustainability reporting while no published research regarding the adoption of IFRS S1 and S2 is found. The level of sustainability reporting in Bangladesh is low (Ullah, 2013; Ullah, 2014). While some studies indicate a growing interest in ESG principles (Kraik, 2019), a pilot survey by ICAB revealed shortcomings in current sustainability reporting practices (ICAB, 2023). The survey was conducted on the sustainability reporting practices of 25 companies recognized for their excellence in annual corporate reporting. While these companies were acknowledged for their overall reporting quality, the ICAB study revealed limitations in their sustainability practices. Specifically, only half issued standalone sustainability reports, and just a third referenced GRI standards or disclosed climate change data. Furthermore, none reported Scope 3 emissions or used assurance statements, raising concerns about report credibility. Another noteworthy aspect is the dominance of the financial and banking sector in sustainability reporting (ICAB, 2023), possibly due to initiatives by Bangladesh Bank. This suggests that companies in "real" sectors are lagging behind in this area.

Another study by Khan and Kabir (2023) documented that companies listed on the Dhaka Stock Exchange (DSE) exhibit one of the lowest rates of environmental sustainability reporting in South Asia with

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about 3.44% companies (11 out of 320 companies) conform to the GRI standards. This limited adoption of sustainability reporting suggests a need for further investigation. This research aims to address this gap in knowledge by examining the challenges and opportunities for Bangladeshi institutions as they navigate the potential adoption of IFRS S1 and S2.

Relevance of IFRS S1 and S2 for Bangladesh's Sustainability Reporting

The International Sustainability Standards Board's (ISSB) IFRS S1 and S2 represent a significant leap forward in sustainability reporting. IFRS S1, titled "General Requirements for Disclosure of Sustainability-related Financial Information," establishes a comprehensive framework for companies to disclose sustainability-related risks and opportunities impacting their financial performance. A key element is the requirement to present sustainability disclosures alongside financial statements, fostering a holistic understanding of financial and sustainability performance (IFRS Foundation, 2023).

IFRS S2, "Climate-related Disclosures," focuses specifically on climate change risks and opportunities. It mandates detailed reporting on governance, strategy, risk

management, and climate change metrics and targets. Organizations must disclose their exposure to climate-related risks and opportunities, their risk management strategies, and the impact of climate change on their strategy and financial planning (IFRS Foundation, 2023).

Alignment with Bangladesh's Needs

Bangladesh, with its unique environmental and socio-economic context, has specific sustainability reporting needs. The country's high vulnerability to climate change, experiencing frequent natural disasters like floods and cyclones, significantly impacts its development and economy. The emphasis on climate-related disclosures and risk management in IFRS S1 and S2 aligns well with Bangladesh's needs. IFRS S2's focus on climate-related risk management offers a structured approach for companies to effectively disclose and manage these risks.

Furthermore, Bangladesh faces growing social challenges like labour rights issues and social inequality, necessitating robust sustainability reporting. IFRS S1's comprehensive framework for sustainability-related financial disclosures can support Bangladeshi companies in addressing these concerns by

integrating them into financial reporting processes.

Benefits for Bangladesh

The adoption of IFRS S1 and S2 presents significant benefits for Bangladesh, including fostering sustainable investments, enhancing corporate governance, and promoting environmental responsibility. Improved transparency through detailed sustainability reporting can attract foreign direct investment (FDI) focused on sustainability. Investors increasingly prioritize Environmental, Social, and Governance (ESG) criteria (Sultana et al. 2018), and adherence to IFRS S1 and S2 can position Bangladeshi companies as attractive investment opportunities (World Bank, 2022).

Another key benefit is improved corporate governance. By integrating sustainability-related risks into financial reporting, companies can enhance their risk management processes, ensuring long-term viability and resilience. This is particularly relevant for large Bangladeshi corporations in the textile and garment industry¹, which have significant environmental footprints and social responsibilities (Jaman, 2020).

Industry-Specific Advantages

The adoption of IFRS S1 and S2 presents compelling

¹ https://www.bgmea.com.bd/page/Sustainability_Environment

advantages for key Bangladeshi industries:

Industries like textiles and agriculture stand to gain significantly from adopting these standards. The textile industry, a cornerstone of Bangladesh's economy, faces substantial environmental and social challenges, including water pollution and labour rights concerns. Implementing IFRS S1 and S2 can drive improvements in sustainability practices, enhancing the industry's global competitiveness and reputation (Sebrina, 2023).

Similarly, the climate-vulnerable agricultural sector can benefit from the structured risk management approach of IFRS S2. Detailed climate-related disclosures can help agricultural companies develop strategies to mitigate risks and capitalize on opportunities related to climate change, ensuring food security and sustainable development (Bangladesh Bank, 2023).

The adoption of IFRS S1 and S2 provides a structured and transparent approach to sustainability reporting, aligning well with Bangladesh's environmental and social priorities. By enhancing transparency, attracting sustainable investments, and promoting better corporate governance, these standards can significantly contribute to Bangladesh's journey towards sustainable development.

Initiatives Taken for IFRS S1 and S2 in Bangladesh

Despite challenges, Bangladesh has demonstrated a proactive stance towards implementing IFRS S1 and S2. This section examines key initiatives undertaken by various stakeholders to assess the country's preparedness for adopting these new sustainability reporting standards.

Bangladesh Bank

Bangladesh Bank emerges as a frontrunner in promoting sustainability reporting and responsible banking practices. Bangladesh Bank's commitment to sustainable finance began with the 2011 ERM Guidelines and Green Banking Policy. Subsequent circulars on green financing, climate risk funds, and green transformation funds, the establishment of the Sustainable Finance Department (SFD) established a foundation for sustainable practices. From 2011 to June 2024, Bangladesh Bank issued as many as 36 directives promoting sustainable practices and standards. These initiatives, highly relevant to IFRS S1 and S2, fostered a culture of environmental and social risk management, green financing, and CSR. Recognizing the critical role of transparency, the bank recently adopted IFRS S1 and S2 by issuing SFD Circular No. 06 (26.12.2023), which lays out comprehensive guidelines on sustainability-related financial disclosures (S1) and

climate-related disclosures (S2) (Bangladesh Bank, 2023). This adoption signifies Bangladesh Bank's commitment to aligning with global best practices and ensuring comprehensive reporting on sustainability and climate impacts by financial institutions within the country.

1. Key Aspects of SFD Circular No. 06/2023

- Mandates banks and financial institutions to adopt IFRS S1 and S2, ensuring standardized and transparent reporting practices.
- Requires detailed disclosures on climate-related risks and opportunities' impact on financial performance and strategies.
- Emphasizes incorporating environmental, social, and governance (ESG) criteria into risk management frameworks.
- Promotes integrating sustainability considerations into corporate decision-making processes.
- Highlights the importance of disclosing both qualitative and quantitative information, enabling informed decisions based on sustainability metrics.

2. Scope and Method of Disclosure

- Focuses on sustainability-related and

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<p>climate-related disclosures for the banking sector.</p> <ul style="list-style-type: none"> Targets scheduled banks and finance companies in Bangladesh for mandatory compliance. Employs a phased approach, prioritizing climate disclosures initially, and gradually expanding to encompass all sustainability-related information. Requires banks to consider and disclose both general sustainability-related financial risks and opportunities alongside specific climate-related risks. <p>3. Disclosure Methods</p> <ul style="list-style-type: none"> Directly references IFRS S1 and S2 standards for disclosures. Provides a regulatory template based on these standards for consistent reporting. Mandates inclusion of disclosures in annual reports, either within the management discussion and analysis section or a dedicated sustainability chapter. Targets primary users like investors and creditors for informed decision-making about resource allocation. Sets the first mandatory disclosures for annual reports covering financial 	<p>years starting from January 2024.</p> <ul style="list-style-type: none"> Allows for exceptions for business-sensitive information, subject to approval from the SFD and meeting criteria defined within IFRS S1 and S2. <p>4. Disclosure Requirements under IFRS S1 and S2</p> <p>Bangladesh Bank's adoption mandates comprehensive sustainability-related disclosures encompassing ESG factors impacting a bank's financial performance and long-term value creation. Key disclosure areas include:</p> <p>5. Sustainability-related risks and opportunities (IFRS S1)</p> <ul style="list-style-type: none"> Exposure to ESG risks and opportunities across operations and the value chain. Impacts on cash flows, access to finance, and cost of capital. Governance processes for managing these risks and opportunities. Strategies for addressing them and related targets. Metrics used to measure progress towards sustainability goals. <p>6. Climate-related disclosures (IFRS S2)</p> <ul style="list-style-type: none"> Specific focus on climate change risks and opportunities. 	<ul style="list-style-type: none"> Physical risks from climate events and transition risks to a low-carbon economy. Board-level oversight and dedicated controls for climate risk management. Climate resilience of the bank's strategy and business model through scenario analysis. Metrics for tracking greenhouse gas emissions (Scopes 1, 2, and 3) and progress towards climate targets. Comparison of targets with international climate agreements and potential use of carbon offsets. <p>7. Disclosure Structure</p> <p>Both IFRS S1 and S2 follow a four-pillar framework for disclosures:</p> <ul style="list-style-type: none"> Governance: Describes internal structures and processes for managing sustainability and climate risks. Strategy: Outlines the bank's approach to addressing risks and opportunities, and their impact on the business model. Risk Management: Details processes for identifying, assessing, prioritizing, and monitoring sustainability and climate risks. Metrics and Targets:
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Provides quantifiable data on performance and progress towards sustainability and climate goals.

8. Implementation Pathway

Acknowledging the initial challenges faced by banks, a phased implementation plan eases the transition to IFRS S1 & S2. Companies start with limited reporting to Bangladesh Bank in 2024, progressively increasing disclosure levels in annual reports until full disclosures by 2027. This phased approach allows banks and finance companies to build expertise and internal processes for effective sustainability reporting.

9. Regulatory Framework for Sustainability and Climate Reporting

Banks and financial institutions in Bangladesh must disclose sustainability and climate-related risks and opportunities twice yearly (January 31st and July 31st) using a standardized template aligned with IFRS S1, S2, and the Global GHG Accounting Standard. Industry classification follows GICS or established best practices. Annual reports require limited assurance of this information. The Sustainable Finance Unit spearheads capacity building through training programs and encourages stakeholder awareness.

10. Assurance

To ensure credibility of the reported information, Bangladesh Bank requires the reporting Banks and finance companies to have limited assurance of the reported information in the annual Report and the assurance is expected to be given by the auditors.

FRC

The Financial Reporting Council (FRC) in Bangladesh is instrumental in enhancing the quality, transparency, and accountability of financial reporting. By establishing robust reporting standards, enforcing compliance, and promoting high-quality financial reporting, the FRC fosters investor confidence and contributes to a robust investment climate. Moreover, the FRC plays a crucial role in disciplining auditors and audit firms. In the context of implementing IFRS S1 and S2, the FRC is collaborating closely with the Bangladesh Bank, the Institute of Chartered Accountants of Bangladesh (ICAB), and the Institute of Cost and Management Accountants of Bangladesh (ICMAB).

ICAB

The Institute of Chartered Accountants of Bangladesh (ICAB) established a dedicated Committee on Sustainability Reporting & Assurance (CSRA) to promote IFRS S1 & S2 adoption (ICAB, 2023). They conduct research, advocate for

the standards, and collaborate with international bodies like SASB. Additionally, ICAB offers training and resources to build member capacity. ICAB has decided to establish a full-time department to work in this regard including arrangement of Training and Workshop. ICAB also introduced Integrated Reporting Award.

ICMAB

The Institute of Cost and Management Accountants of Bangladesh (ICMAB) directly addresses the need for IFRS S1 & S2 expertise through training programs. They likely offer further resources and potentially conduct research to solidify their role in promoting these standards.

DSE

The Dhaka Stock Exchange (DSE) actively promotes ESG transparency with a multi-pronged approach. Their guidance aligns with GRI Standards and collaboration with the SSEI fosters best practices. Furthermore, the DSE integrates sustainability criteria into listing rules, subtly promoting IFRS S1 & S2 practices.

BSEC

While the Bangladesh Securities and Exchange Commission (BSEC) lacks documented initiatives on IFRS S1 & S2, their existing focus on ESG disclosure aligns with the standards' goals. Additionally, their relationship with IOSCO suggests openness

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to future adoption. Collaboration with other stakeholders could further solidify BSEC's role.

CSR Centre

The CSR Centre guides companies in crafting reports aligned with frameworks incorporating IFRS principles, potentially encompassing IFRS S1 & S2 aspects. Their broader commitment to sustainability positions them as a leader promoting comprehensive reporting practices. Sector-specific discussions and annual reports further enhance this influence.

Press & CSOs

The Sustainability Excellence Awards and media coverage by business publications create momentum towards robust sustainability practices. While not explicitly focused on IFRS S1 & S2 yet, these efforts lay the groundwork for future adoption of comprehensive sustainability reporting standards.

Companies and Trade bodies

Leading companies in Bangladesh are beginning to embed sustainability into their business strategies. For instance, major players in the textile industry, such as the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), have launched sustainability

programs aimed at enhancing environmental and social performance². These initiatives underscore a growing acknowledgment of sustainability's significance and align with the principles of IFRS S1 and S2.

Nevertheless, Bangladesh's overall readiness remains somewhat constrained. These initiatives are still in their early stages. It is crucial to raise awareness through workshops, training programs, and capacity-building initiatives for stakeholders. Collaboration among regulators, professional bodies, and industry associations can facilitate knowledge sharing and cultivate a pool of qualified professionals.

Challenges in Implementing IFRS S1 and S2 in Bangladesh

Awareness and Understanding

A significant hurdle is the limited awareness of IFRS S1 & S2 among Bangladeshi companies, particularly SMEs. The unfamiliarity with sustainability reporting nuances and specific standard requirements can lead to resistance toward adopting new practices (Rahman & Kabir, 2020).

Capacity Limitations

Effective implementation necessitates robust

infrastructure and technical expertise in sustainability reporting. However, many companies, especially in traditionally production-focused sectors like agriculture and textiles, lack the necessary resources and skilled personnel (Haque et al., 2021).

Cost Considerations

Transitioning to IFRS S1 & S2 requires significant financial investments in training, system upgrades, and ongoing compliance. These costs pose a substantial barrier, particularly for SMEs with limited financial resources, potentially hindering widespread adoption (Islam & Huq, 2022).

Industry Specificity

Adapting the generic IFRS framework to diverse Bangladeshi industries may necessitate sector-specific guidance to ensure effective and meaningful reporting.

Discussion, Implications, Recommendations, Future Research and Conclusion

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Our analysis underscores the significant relevance of IFRS S1 and S2 within the context of Bangladesh. These standardized frameworks enhance transparency and comparability

² https://www.bgmea.com.bd/page/Sustainability_Environment

in sustainability reporting, aligning closely with Bangladesh's strategic goals to attract sustainable investments and promote responsible business practices. Regulatory initiatives, such as the establishment of the Sustainable Finance Unit by Bangladesh Bank and mandated sustainability reporting using specific templates, and establishment of separate department on Sustainability by ICAB reflect a firm commitment to implementation. However, challenges such as limited awareness, capacity constraints, and cost concerns pose substantial obstacles to effective adoption.

Based on our analysis, Bangladesh demonstrates both readiness and significant challenges in implementing IFRS S1 and S2 for effective sustainability reporting. While there is growing recognition of sustainability's importance and some proactive measures have been initiated, widespread readiness remains limited. A notable concern is the disparity in capacity and resources between large corporations and SMEs, with larger entities generally better positioned to adopt these standards. Despite proactive measures by Bangladesh Bank and ICAB, substantial efforts are needed to promote adoption across other sectors, particularly manufacturing, and to enhance capacity building, awareness, and address cost concerns.

Implications for Bangladesh's Transition to IFRS S1 and S2

The transition to IFRS S1 and S2 holds profound implications for Bangladesh. Effective implementation of these standards is poised to enhance transparency and accountability within the corporate sector, thereby improving its ability to address environmental and social issues comprehensively. By mandating detailed sustainability disclosures, these standards can bolster risk management and strategic planning, critical for resilience in the face of climate change and other sustainability challenges.

Furthermore, alignment with international standards can bolster Bangladesh's appeal to foreign investors, particularly those prioritizing sustainable and responsible investing. This alignment may stimulate increased foreign direct investment (FDI) and better access to global capital markets, fostering economic growth and development.

Nevertheless, challenges must be acknowledged. Limited awareness and a shortage of qualified professionals may compromise the quality and comprehensiveness of reported information. Additionally, addressing the potential cost burden, especially for smaller enterprises, is crucial to ensure inclusivity in the transition process. Developing sector-specific guidance and fostering collaboration among stakeholders are essential steps to effectively navigate these challenges.

Recommendations

To effectively address the challenges associated with the adoption and implementation of IFRS S1 and S2, a comprehensive strategy is required. Recommended key initiatives should include:

- 1. Enhanced Awareness and Education:** To foster a robust understanding of IFRS S1 and S2, concerted efforts should be undertaken to educate key stakeholders. This involves collaborating with government agencies, such as the Financial Reporting Council (FRC) and the Institute of Chartered Accountants of Bangladesh (ICAB), industry associations, and academic institutions to organize workshops, training programs, and awareness campaigns. These initiatives should emphasize the standards' significance and the benefits they offer.
- 2. Capacity Building:** Strengthening the capabilities of companies, auditors, and investors is essential for successful implementation. This necessitates targeted technical training, infrastructure development, and strategic partnerships with both domestic and international experts. The FRC, ICAB and Bangladesh Institute of Bank Management can play a pivotal role in coordinating

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and delivering such capacity-building initiatives.

3. **Development of Industry-Specific Guidance:**

Tailored guidance documents should be produced to assist entities in adapting their reporting practices to the unique requirements of their respective sectors. To ensure the effectiveness and relevance of these guidelines, the FRC and ICAB should collaborate to develop sector-specific standards. This collaborative effort will enhance the comparability of reported information across industries and bolster the overall quality of financial reporting.

4. **Promotion of Digital Tools and Automation:**

Leveraging digital technologies to streamline ESG data collection and reporting processes is crucial. Incentives and support should be provided to encourage the adoption of such tools, which can significantly improve data quality and efficiency.

5. **Offering Incentives:**

To encourage widespread adoption of IFRS S1 and S2, comprehensive incentives could be offered. In addition to providing financial relief through reduced taxes, grants, or subsidies for IFRS implementation costs, the government could also offer non-financial incentives, including public recognition

and awards for early adopters, inclusion in a government-sponsored "IFRS Champion" program, or preferential treatment in government tenders. Such measures would not only alleviate the financial burden but also enhance the reputation of early adopting businesses.

6. **Creating a Supportive Regulatory Environment:**

A supportive regulatory environment should be established with a phased implementation mandate and clear guidelines to ensure a smooth transition and compliance.

Future Research

Given the recent introduction of IFRS S1 and S2 and the nascent initiatives within the banking industry, future research should focus on:

- Conducting sector-specific studies to identify unique needs, challenges, and best practices for sustainable reporting across various industries in Bangladesh.
- Undertaking longitudinal studies to monitor the progress of IFRS S1 and S2 implementation over time.
- Conducting comparative analyses with other developing countries to glean insights and best practices, thereby enhancing the efficacy of sustainability reporting practices.

Conclusion

To conclude, by prioritizing these research areas and fostering a collaborative environment through enhanced awareness, capacity building, sector-specific guidance, financial and technical support, and phased implementation with concerted efforts from all stakeholders, Bangladesh can leverage IFRS S1 and S2 as catalysts for robust sustainability reporting practices.

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Challenges and Opportunities for Economic Development of Bangladesh

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Bangladesh has earned the status of a dynamic and fast-growing economic power in the last decade and a half. The average growth of gross national income was more than 6.7 percent during this period and the per capita income was Taka 2 lakh 73 thousand 360 at the end of the FY2022-23. Bangladesh is the 33rd largest economy in the world according to the size of the GDP estimated in 2023.

Bangladesh has achieved today's position by overcoming many obstacles and setbacks. With targeted actions and appropriate policy followed by timely implementation to overcome the key challenges, Bangladesh has the capacity to become an upper-middle-income country by 2031.

However, in 2024, the economy is also facing challenges on multiple fronts such as rising inflation, the balance of payment deficits along with budget shortfalls, a declining

foreign exchange reserve, a contraction in remittances, a depreciating currency, rising income inequality, the demand-supply imbalance in the energy sector, and an ailing banking sector crippled by loan defaults. Bangladesh could not bring down inflation, whereas it has come under control in most countries.

Despite impressive growth rates, Bangladesh faces challenges in its export basket's diversification, more than 80 per cent of Bangladesh's total export earnings come from garment exports. Bangladesh has significant opportunities in leather and footwear, food processing, pharmaceuticals, light engineering, assembling plants, and API production. Both domestic investment and FDI will need to be geared towards these sectors. Despite developing economic zones, adopting one-stop services, and various other steps, Bangladesh is far behind of neighboring countries in attracting FDI.



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March Towards Smart Bangladesh Following the Path of Sustainable Development, Finance Minister AH Mahmood Ali placed the proposed national

budget in the parliament for the fiscal year 2024-25 on 6 June 2024. The size of budget is Tk. 797,000 crore with revenue collection goal is Tk. 541,000

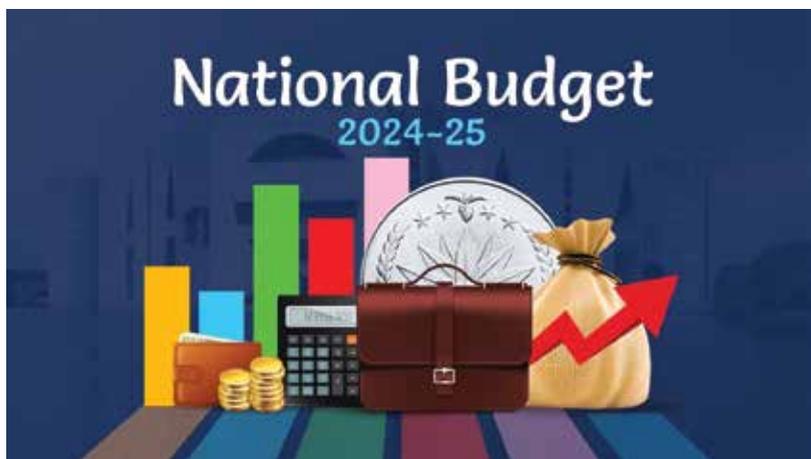
and the deficit is expected to be Tk 2,56,000 crore. Summary of proposed budget structure for the FY2024-25 is shown below:

(Crore Tk.)

Sector	Budget 2024-25	Revised 2023-24	Budget 2023-24	Actual 2022-23
Total tax Revenue	541000 (9.7)	478001 (9.5)	500000 (10.0)	36668 (8.3)
In which,				
NRB Tax	480000	410001	430000	319731
Non- NRB Tax	15000	19000	20000	7994
Non Tax Receipt	46000	49000	50000	38933
Total Expenditure	797000 (14.2)	714418 (14.2)	761785 (15.2)	573857 (12.9)
(a) Non-Development Revenue Expenditure	468983 (8.4)	434057 (8.6)	436247 (8.7)	357098 (8.0)
(b) Development Expenditure	281453 (5.0)	260007 (5.2)	277582 (5.5)	205158 (4.6)
In which,				
Annual Development Programme	265000 (4.7)	245000 (4.9)	2630000 (5.3)	191927 (4.3)
(c) Other Expenditure	46564 (0.8)	20354 (0.4)	47956 (1.0)	11601 (0.3)
Financing	-256,000 (-4.6)	-236,417 (-4.7)	-261,785 (-5.2)	-207,199 (-4.7)
Financing				
(a) External source (including Grants)	95100 (1.7)	79793 (1.6)	106390 (2.1)	881908 (1.8)
(b) Domestic source	160900 (2.9)	156625 (3.1)	155395 (3.1)	124361 (2.8)
In which, Banking source	137500 (2.5)	155935 (3.1)	132395 (2.6)	118025 (2.7)
GDP	5597414 ^a	5048027 ^b	5006782 ^a	4439273

Source: Finance Division; Figures in parenthesis indicate percent of GDP; a= Projected Nominal GDP at the time of budget preparation; b= Provisional estimate of nominal GDP

Challenges and Opportunities for Economic Development of Bangladesh



Bangladesh Challenges in Context of Proposed National Budget for FY2024-25

Inflation

Inflation is a rise in prices, which can be translated as the decline of purchasing power over time. Prices rise, which means that one unit of money buys fewer goods and services. The rate at which purchasing power drops can be reflected in the average price increase of a basket of selected goods and services over some time. This loss of purchasing power impacts the cost of living which ultimately leads unfavorable economic growth. The consensus view among economists is that sustained inflation occurs when a nation's money supply growth outpaces economic growth. An increase in the supply of money is the root of inflation, though this can play out through different mechanisms in the economy. In national budget for FY2024-25 indicated financing required for Tk. 256,000 crore

out of which from domestic banking source is Tk. 137,500 crore. According to the projection made by IMF during April this year, the world inflation rate will decrease to 3.9 percent by 2027. However, the inflation rate in Bangladesh remains stubborn at above 9 percent (so far in 2024 average general inflation is 9.79 percent). Bangladeshi taka was devalued approximately by 25.5 percent against US dollar. This devaluation increased the price of imported goods which also had an impact on the overall inflation of the country. Inflation needs to be controlled to keep optimum production costs of commodities resulting living costs reduction and improving purchasing power of people.

Decline Foreign Reserve and Exchange Rate Pressure

Bangladesh export earnings was USD 55.56 billion in FY2022-23 and USD 47.5 billion in July-April of FY 2023-24

which is 3.93 percent higher than the corresponding period of the previous fiscal year.

The import decreased by 15.81 percent in FY2022-23 due to the reduction of import of less important and luxury consumer goods which essentially eased the pressure on its foreign exchange reserve. This policy of controlling the import of less important and luxury consumer goods continuing in the current fiscal year 2024-25 and the import volume during July-March has decreased by 15.5 percent compared to the same period of the previous year.

The gross foreign exchange reserve stood at USD 39.6 billion in July 2022-23 which went down to USD 24.22 billion in May 2024. To stabilize the foreign exchange market, the Bangladesh Bank had to sell off approximately USD 22 billion from the reserve. This also caused the decline of reserve. In this context, Bangladeshi taka was devalued approximately by 25.5 percent against US dollar.

The 'Crawling Peg' system has been introduced as a primary measure to make the exchange rate market-based. As a result, exports will be encouraged and remittances through official channel will be increased as well. Though the financial account is facing a deficit, it is expected that it will reduce in the medium-run and foreign exchange reserve will continue to grow. The exchange rate of taka will gain again once the reserve is stabilized.

Challenge of LDC Graduation

Bangladesh will graduate formally from the least developed countries in 2026. Bangladesh is moving forward with the goal of becoming an upper middle-income country by 2031 and a developed country by 2041. Subsequent to the graduation, the rules and regulations related to international trade will be applicable to Bangladesh as they are applicable to the developed and developing countries. Preferential tariff and quota free access to the market in different countries that are being enjoyed by exporters currently will be abolished. Cash incentives that are currently given for exporting goods will be withdrawn gradually. As a result, producers who are getting extra benefits for

exporting goods will face open competition particularly ready-made garments which contributes more than 80% of total export earnings.

Currently, Bangladesh enjoys GSP (Generalized System of Preferences) benefits in 27 countries of the European Union for everything but arms (EBA). Furthermore, GSP benefits will continue in Canada and the United Kingdom until 2029 and duty-free benefits in Australia until 2032.

To survive in the changed realities, local industries must innovate new strategies and skills. The government of Bangladesh set up a high-level committee to make policies against the probable adverse effects which may arise after the graduation. The committee and sub-committees formed under

the committee have determined various strategies based on which Bangladesh is preparing for the challenges arising from the upcoming graduation. As the government continues to focus on signing preferential trade agreements (PTAs) and free trade agreements (FTAs) with potential partners, the country also needs reinforced emphasis on diversifying its export basket.

The goal to build Bangladesh a happy, prosperous, developed, and smart Bangladesh by 2041. To achieve this goal and sustain the country's ongoing development, transparency in public expenditure, increasing tax-GDP ratio, capacity building of workers, necessary infrastructure, research and innovation, diversifying products, improving quality of the products, skilled human

Total export earnings in Bangladesh with comparative statement on export of RMG & export of non-RMG:

Value in Million USD (10 Fiscal Year Basis)

Year	Export of RMG	Total Export of Bangladesh	% of RMG's to Total Export
2013-14	24491.88	30186.62	81.13
2014-15	25491.40	31208.94	81.68
2015-16	28094.16	34257.18	82.01
2016-17	28149.84	34655.90	81.23
2017-18	30614.76	36668.17	83.49
2018-19	34133.27	40535.04	84.21
2019-20	27949.19	33674.09	83.00
2020-21	31456.73	38758.31	81.16
2021-22	42613.15	52082.66	81.82
2022-23	46991.61	55558.77	84.58

Source: BGMEA

Challenges and Opportunities for Economic Development of Bangladesh

resources, export diversification and expansion of market, using advanced technology in production and service delivery, renewable energy and conducive investment environment need to be ensured. Besides, existing incentives to the agriculture sector should be continued since food security is the highest importance for the high populated country of Bangladesh.

Transformative Technology and Human Resources Development

Expatriate workers are the driving force of Bangladesh economy. Their remittance plays an important role in ensuring good living of their family members and certainly very significant contribution into national reserve. During July-May period of the FY2023-24, a total of USD 21.3

billion of remittances repatriated into the country which is around 9.82 percent higher than the remittances of the same period in the last fiscal year. Which has been contributing to strengthen the foreign exchange reserve and growth and development of Bangladesh.

The opportunity for unskilled and semi-skilled migrant workers may narrow down in the overseas market in future since it is observing revolutionary transformation of technology caused by artificial intelligence (AI), Robot and other machine-dependent production system due to the 4th Industrial Revolution (IR).

Bangladesh government must to take initiatives to create a conducive environment for the new generation so that they can acquire necessary skills and knowledge to face the

challenges arising out of 4th IR. Side by side, Bangladesh has to create opportunities for upskilling and reskilling them to meet the global standards. Government should also think about increasing the more possible benefits of the remittance fighters for keeping them motivated and repatriating reserve through banking channel resulting to boost the much-needed reserve fund.

Climate Change

Climate change is a burning issue now globally. Even though Bangladesh remains one of the least GHG emitting countries in the world it is highly vulnerable to the adverse effects of climate change. According to the Global Climate Risk Index 2021 by Germanwatch, Bangladesh stood seventh among the countries that are most exposed to the climate risk. Agricultural

Remittance Inflows in Bangladesh last 10 Financial Year:

FY	In million US dollar	In billion Taka	No. of persons left for abroad on employment
2023-2024*	21372.57	2361.92	1010114**
2022-2023	21610.73	2150.74	1137931
2021-2022	21031.68	1815.80	988910
2020-2021	24777.71	2101.31	280258
2019-2020	18205.01	1543.52	530578
2018-2019	16419.63	1380.07	692978
2017-2018	14981.69	1231.56	880037
2016-2017	12769.45	1010.99	905326
2015-2016	14931.18	1168.57	684537
2014-2015	15316.91	1189.93	461829

2023-2024* upto May 2024 & ** upto April 2024. Source: Bangladesh Bank



land and agricultural production of Bangladesh are at the risk of damage due to the increasing number of climate refugees, sea level rise and increasing intensity of temperature mainly induced by climate change. Considering these and steps to combat the effects of climate change, Bangladesh government have taken up different programmers and have started implementing them accordingly to build resilience against the adverse effects of climate change. The government have already prepared plans like National Adaptation Plan (NAP), Mujib Climate Prosperity Plan (MCP), Nationally Determined Contribution (NDC) and Bangladesh Delta Plan 2100. Focusing on climate-resilient development, green infrastructure and community-based management

of natural resources can help address such risks and make the economy less vulnerable to climate change.

Bangladesh Opportunities in Context of Proposed National Budget for FY2024-25

Overseas employment is one of the main sectors of Bangladesh's economy. The remittance sent by expatriate workers is playing a significant role in increasing the foreign exchange reserves and making the country's economy self-reliant by reducing dependence on foreign aid. From 2009 to 2023, a total of 97 lakh 7 thousand 250 workers from Bangladesh, including 10 lakh 85 thousand 117 female workers, have been employed in 176 countries across the world. The increase in overseas

employment has led to a significant rise in remittance inflow. In FY 2009-10, the amount of remittance was USD10.99 billion, which doubled to USD21.61 billion in FY2022-23. To maintain the continuous remittance flow through overseas employment and to meet the demand of the global labor market, government emphasis has been laid on skill development through various technical trainings, alongside the importance of learning foreign languages. Government have established the National Skills Development Authority (NSDA) to create skilled human resources and to bring about fundamental structural changes in the skills development ecosystem through planning and coordination based on the demands of the national and international labour markets.

The amount of ICT goods/services exported in 2006 was USD21 million, which increased to USD1.9 billion. The number of IT Freelancers increased from 200 to 6 lakh 80 thousand. Bangladesh occupies the 2nd position considering the number of Freelancers. The ICT sector's export volume is expected to increase to US\$ 5 billion in the next five years and to US\$ 50 billion by 2041. Special initiatives will be undertaken to encourage innovation and research across the country, including at the grassroots level, by enhancing the capabilities of stakeholders in the ICT sector and setting benchmarks for becoming smart in every sector.

**Challenges and Opportunities for
Economic Development of Bangladesh**



Medicine being an essential part of health care, the pharmaceutical industry has been identified as a thrust sector. The different initiatives coupled with the policy support, Bangladesh is now capable of producing world-class medicines. About 98 percent of the total demand of medicines in the country is being produced locally and after meeting the domestic demand, medicines are being exported to more than 150 countries of the world including Europe and America. From January to December 2023, the export of medicines worth Tk. 9,880 crore from Bangladesh to different countries has been approved.

To strengthen the economy food security plays very important role and Bangladesh is going to bring about agricultural revolution. Bangladesh government in the last decade and a half, have undertaken a wide-ranging initiative, including the development of improved and resilient crop varieties, innovative farming technologies, rapid dissemination of adapted varieties and technologies, supply of agricultural inputs such as fertilizers and seeds at fair prices, expansion of irrigated areas, adoption of improved food security in the country and strengthened the economy.

Finding and creating opportunities in challenges is always difficult so it is important to keep long-term visibility and strategy. Besides, the ongoing revaluation in ready-made garment industry Bangladesh may also progress remarkably with shrimp industry, leather industries and footwear industry, ship recycling and export-oriented ship-building industry, tourism and hospitality sector, dairy products, food processing, assembling plants, attracting FDI by working on infrastructural development, removing bureaucratic obstacles, and enhancing the ease of doing business in Bangladesh.

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Post Adoption of Green Banking Guidelines: Evidences from Commercial Banks of Bangladesh on Quality of Green Banking Disclosures

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Introduction

Banking sector has substantial contribution in monetization and resource transfer related to economy. The Bangladesh banking sector comprises more than 80 percent of all financing activities (Khuda, 2019) and it has fair degree of environmental implication in a developing country like Bangladesh. The banking sector in Bangladesh is the major source of development financing. The Bangladesh Bank is trying to integrate environmental issues into banking activities, and guiding banks into compliance with the policy guidelines from 2011. Consequently, issuance of green banking (GB) regulation by Bangladesh Bank has created institutional environment for green banking performance and reporting. Hossain et al. (2016) found financial institutions disclose more on environmental issues compared to other industries because of institutional monitoring from Bangladesh bank. Bose et al. (2018) found that issuance of green banking guidelines by central bank positively influence green banking disclosure in Bangladesh that become a routine process for commercial banks. The Financial Express (2021) reported that, in recent year the situation is gradually improving, between 2018 and 2019, the number of Bangladeshi companies that producing green reports increased by 36%. This study aims to assess the quality of

green banking disclosures in Bangladeshi commercial banks from a comparative analysis of quality of reporting post adoption of green banking regulations by Bangladesh (Central) Bank.

Literature Review

Bangladesh Bank's Green Banking Guidelines

Bangladesh Bank began its efforts to popularize sustainable financing in a broad manner in 2011 by drawing up green banking guidelines (BRPD Circular No.04) for banks in the country. Uddin (2021) cited Sustainable Finance Department (SFD), a dedicated wing of Bangladesh Bank for green banking aspired that, "the model helps to create a healthy society and environment to boost our economy." Commercial banks had to implement the guidelines in 3 (three) phases (1st phase is within 31st December 2011, 2nd phase is within 31st December 2012, 3rd phase is within 31st December 2013) as per the direction of Bangladesh Bank from time to time.

Green Banking Disclosures in Bangladesh

Prior literature proved the importance of high-quality reporting to the investors and other stakeholders (Bachoo et al., 2013; Loh et al. 2017). According to Cohen et al. (1995) quality reporting can help investors to distinguish efficient and well positioned banks and also is an indicator of market

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economies like BD suffer from less commitment to environmental issues, weak law enforcement & institutional framework (Masud et al., 2018) Banking sector mainly provides information regarding green finance, renewable energy, social and philanthropic activities. Bose et al., 2017; Hossain et al., 2016 documented that BB's green banking guidelines have positive impact on the level of green disclosures. According to Masud et al. (2018) found level of environmental disclosures were satisfactory in listed banks regarding green policy, green product and corporate social responsibility expenditures. They also revealed that banks disclosed less information on environmental appreciation, waste management, climate change and global warming issues. Most of the bank's highlight only on the disclosures that are directly connected with revenue growth (online banking, ATMs, mobile banking)/launching new green product/green marketing) and positive image in the market (achievement of award, beautification, sponsoring cultural program. most of the disclosures are quantitative in nature, which may be only for compliance purpose. A large size of green activities is absent in the disclosure. Information regarding cost efficient activities such as waste management, air, gas and water management and reduction of greenhouse emission were given very little importance in green report.

competitiveness (Eggle et al., 2001). It is obvious that users mostly rely on quantitative and analytical information that can relate to the bank's contribution to environmental protection and development. This indicates that if banks would increase the quality of disclosures containing more analytical and quantitative information it would augment a

positive value of green reporting for stakeholders.

In Bangladesh, green banking begins with commercial banks intermediary role between economic development and environmental protection. Banks now regularly submit quarterly GB report to Bangladesh Bank. Emerging



Prior studies have also shown that most of the studies are of qualitative nature and have highlighted only the content of disclosures and there is dearth of research on green performance of banking sector (Masud et al., 2017).

Method

Data and Sample

The study covers 30 commercial banks that are listed in Dhaka stock exchange. Among them one is state owned and listed commercial bank (Rupali Bank Limited). Our sample includes seven listed Islami banks (Islami Bank Bangladesh Limited, ICB

Islamic Bank Limited Social Islami Bank Limited, Al-Arafah Islami Bank Limited, EXIM Bank Limited, Shahjalal Islami Bank Limited and First Security Islami Bank Limited). Others are traditional private and listed commercial banks. Data from 2008 to 2019 (12 years) were considered for the study. The time periods cover 3 years (2008-2010) before adoption of green banking regulation and 9 years (2011-2019) post adoption of green banking regulation. In this time period number of listed banks was 30, so the study obtained a sample of 360 bank-years (30x12=360) taking in all annual reports.

Measurement of the quality of disclosures:

The study employed content analysis to quantify the quality of green banking disclosures in the annual report of banks. It also examines green banking performance information provided by Bangladesh Bank Quarterly Review Report On Green Banking Activities of Banks and Financial Institutions. This study measures performance by using weighted approach (Khan et al., 2017; Bose et al., 2021). Weights are assigned toward the disclosures according to their precision (for example; from 0 to 3). Prior studies of Zainal et al. (2011);

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Table: Construction of Checklist for Green Banking Disclosures Quality Index

Disclosure Item Index	Green banking performance under green banking regulation by Bangladesh Bank.	Score = 3 (quantitative and specific)	Score= 2 (non-quantitative but specific)	Score=1 (common qualitative)	Score=0 (not disclosed)
GB-1	Financing eco-friendly projects				
GB-2	Initiative to reduce greenhouse gas emissions online banking, ATMs, mobile banking/ launching new green product				
GB-3	Information regarding to adoption of policies and technologies for deducing wastage of water, gas, paper, fuel in internal operation?				
GB-4	Information regarding climate change and establishment of climate change fund				
GB-5	Beautification and tree plantation				
GB-6	Disclosure regarding actual amount spent on different green banking activities				
GB-7	Establishing green branch, solar energy and energy saving bulbs				

Katmon et al. (2019) assigned weight according to the quality of disclosures issues. Bose et al. (2018) also used Bangladesh Bank green banking guidelines for establishing index. Disclosure score was then captured from the score of all individual items. Ultimate disclosure score is calculated as a ratio of total disclosure score to maximum possible disclosure for the firm. A higher score index indicate better quality of disclosures. Table I present the items used in preparation of Green Banking Disclosures Quality Index. The Index includes three key green banking initiatives-cost efficient activities, revenue growth activity, and non-financial

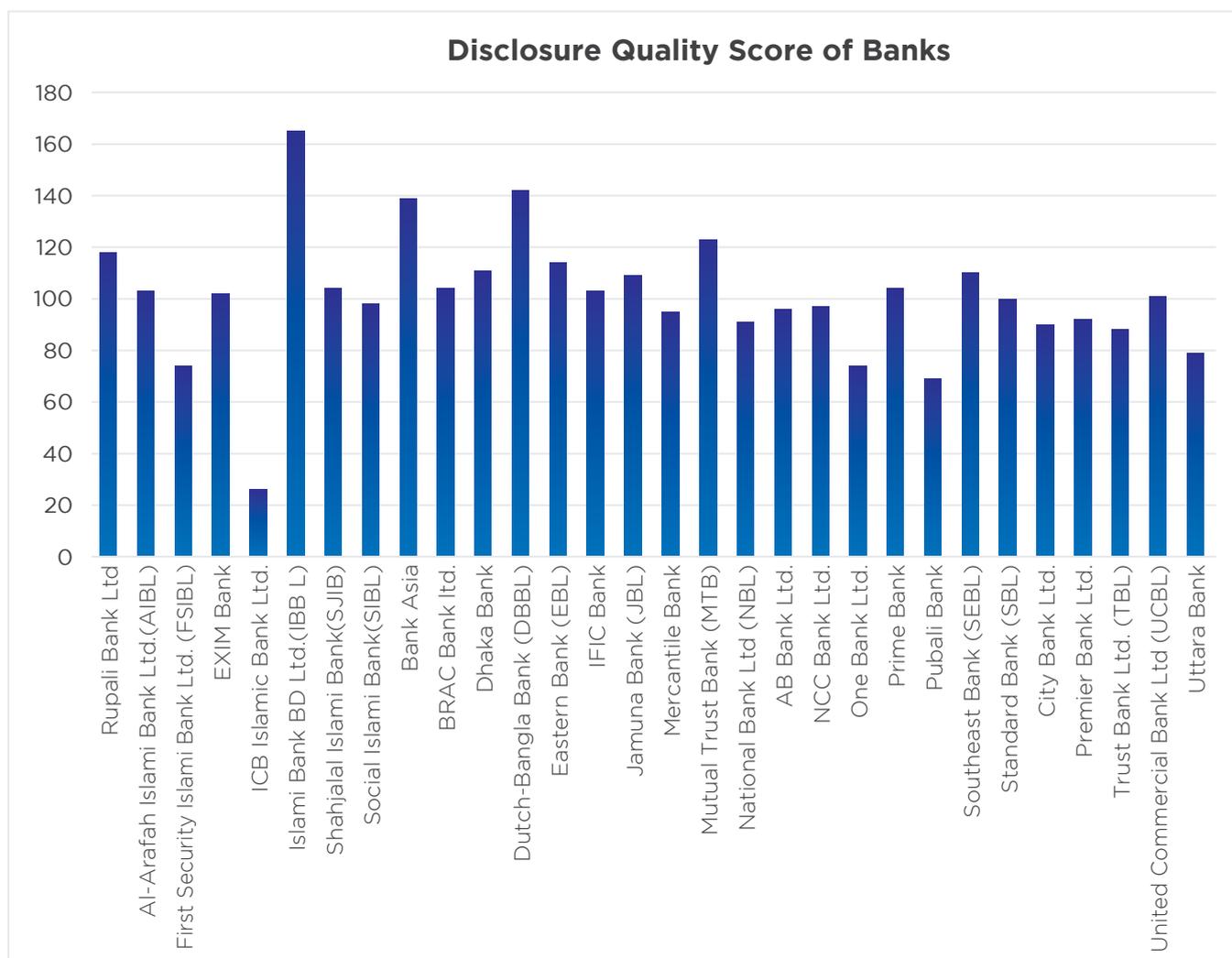
benefit performances of green banking The green disclosure quality index covers important 7 (seven) items of green banking activities. The index has Cronbach's Alpha value 0.87044 which indicates the items of the index is reliable. The total maximum score for each activity was 1080 (3x30x12).

Findings and Analysis

Table II present descriptive statistics of the variables based on the full sample of 360 bank years. The highest score that a bank can be achieved is 252. (7x12x3). Among the sample banks Islami Bank Bangladesh Limited (IBBL) score highest 65.476%, that means its higher

quality in green banking disclosures. Dutch-Bangla Bank (55.159%) and Bank Asia (55.159%) have achieved higher scores. ICB banks scored lowest (10.317%) among the entire sample. Pubali bank also scored very low (27.381%) and so are FSIBL and One bank scores both below 30%. Rupali Bank, AIBL, Dhaka Bank, BRAC Bank, EBL, EXIM Bank, JBL, IFIC, MTBL, Prime Bank, SJIBL, SEBL and UCBL score ranges from 40% to 50%. Among the samples AB bank, NBL, NCC, SIBL, SBL, City bank, Premier bank, Trust bank and Uttara bank scores range from 30% to 40%. Average of score of Islami banks and private commercial banks are 38.10% and 40.24% respectively.

Graph A: Quality Score of Green Banking Disclosures of Sample Banks



(Source: Author's Own Calculation)

Table II tabulated descriptive statistics of green banking disclosures quality for 12 years on full sample. Among the sample year 2017 has highest mean on green banking disclosures quality 0.532 (median 0.524). The table also showed that at the year 2011 the

disclosure quality has raised sharply, as the GB guidelines announced. It is also important that variation of the disclosure quality also increased after 2011. In 2012 quality of disclosure had highest variations (S.D. 0.206) among the sample banks with highest individual score

(Maximum 0.905). It is also mentionable that quality of disclosures increased gradually. In 2019 Most of the sample banks achieved a reasonable score 0.619 (Mode), with highest individual score of 0.857 (Maximum)

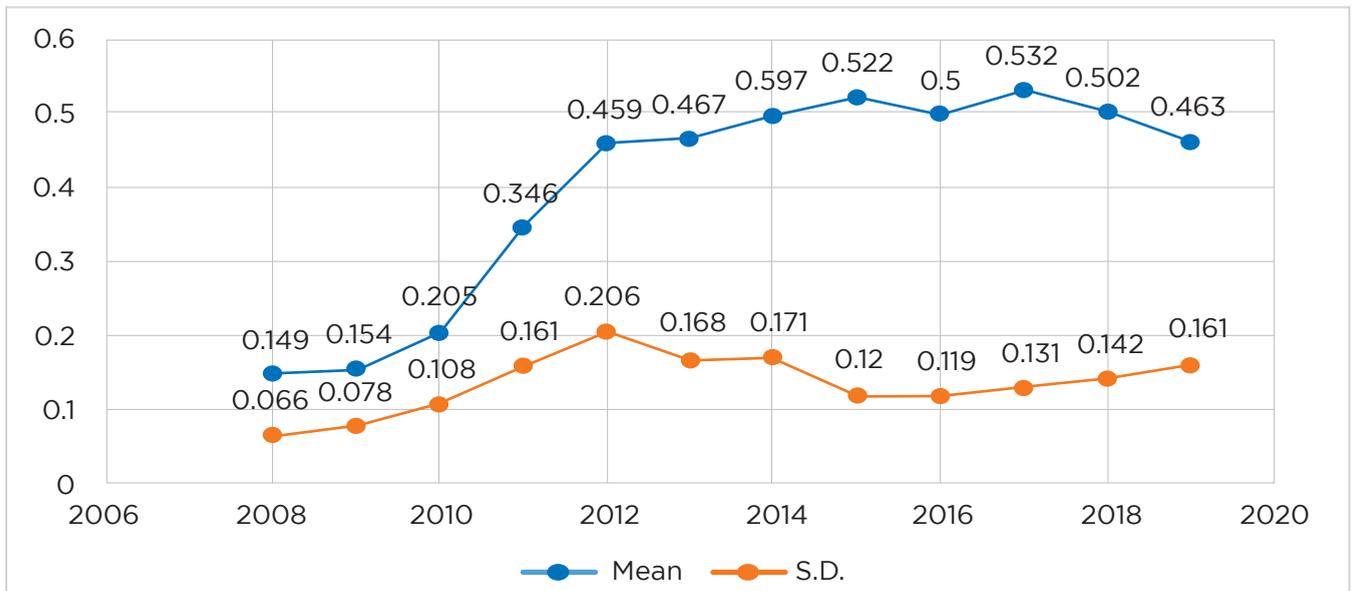
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Table II: Descriptive Statistics of Green Banking Disclosures Quality

Year	Mean	Median	S.D.	Min	Max	Mode
2008	0.149	0.143	0.066	0.000	0.333	0.143
2009	0.154	0.143	0.078	0.000	0.333	0.143
2010	0.205	0.143	0.108	0.000	0.524	0.143
2011	0.346	0.357	0.161	0.000	0.619	0.476
2012	0.459	0.476	0.206	0.048	0.905	0.476
2013	0.467	0.476	0.168	0.143	0.810	0.476
2014	0.497	0.524	0.171	0.000	0.762	0.524
2015	0.522	0.524	0.120	0.143	0.810	0.571
2016	0.500	0.524	0.119	0.095	0.762	0.524
2017	0.532	0.524	0.131	0.095	0.762	0.524
2018	0.502	0.524	0.142	0.095	0.857	0.524
2019	0.463	0.476	0.161	0.143	0.857	0.619

(Source: Author's Own Calculation)

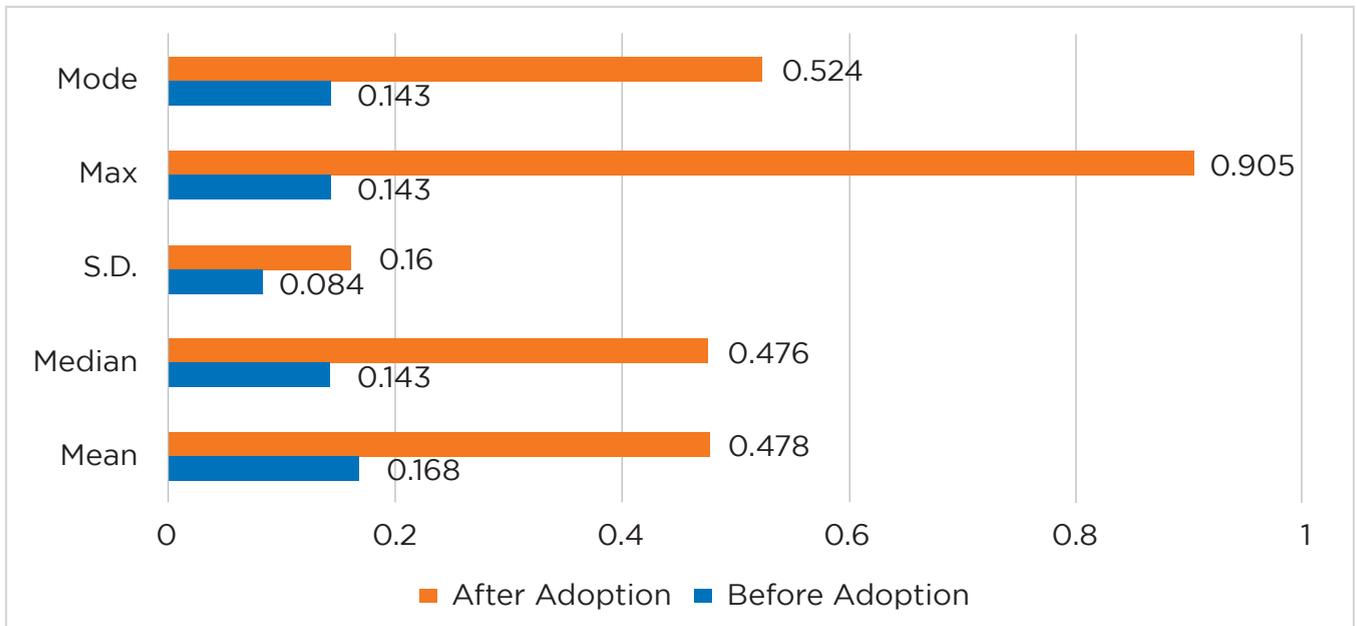
Graph B: Trend of Quality of Green Banking Disclosures



(Source: Authors' own Calculation)

Graph B provides a comparative analysis of descriptive statistics of green banking disclosure among the sample banks before and after adoption of GB regulations by BB. The table showed that average (mean) quality of green banking disclosures has increased by 64.85%. The variation of the quality has also increased by 47.5%. Most of the bank individual quality score (mode) increased after the adoption of GB guidelines. The graph also revealed that increase in average quality of disclosure leads to decrease in variation (SD) of disclosure quality among the sample banks.

Graph C: Change in Quality of Green Banking Disclosures After and Before Disclosures

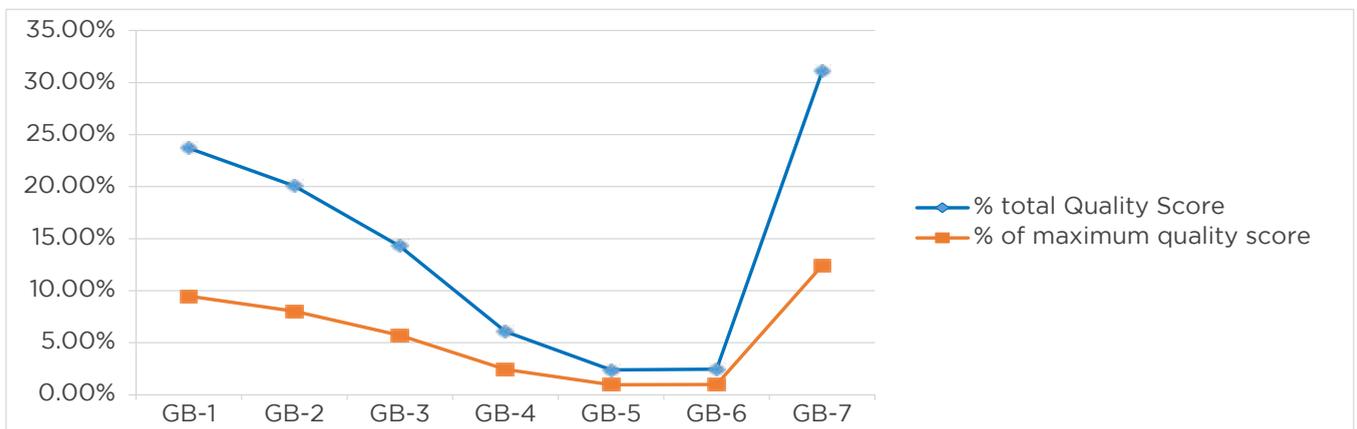


(Source: Authors' own Calculation)

Quality Score of Individual Green Banking Activities

The content analysis on disclosures also found that bank provides more quality information on establishment of green branch and usage of solar energy (31.082%). Information on eco-friendly and sustainable financing score second highest among other green banking disclosures (23.7%). Disclosure on green product and marketing score 14.267%. Green disclosures regarding other activities are deplorably poor and dissatisfactory.

Graph D: Quality of Individual Green Banking



Disclosures (Source: Authors' own Calculation)

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Conclusion and Recommendations

Green banking guidelines of central bank accommodates all commercial banks under a single regulation. There is also a question about the accuracy and completeness of data reported. Lack of institutional monitoring and verification of external parties may weaken the quality of disclosures. So, scores might be influenced by the firm specific disclosure. The analysis found that after nearly a decade of green banking regulations commercial banks disclosure quality is not satisfactory. Most of the sample banks quality score is below 40% yet however some individual banks have remarkably improved. Moreover, banks have shown interest to provide qualitative and quantitative information regarding green project, green product and training on green banking activities to the

employees. It is recommended that Bangladesh Bank must ensure the quality of green banking disclosures along with the quantity. This study aspires that findings be considered as bases for developing initiatives attempting to widen meaningful disclosures. Such initiatives would step into subsequent incorporation of improved quality disclosures reaching aspired best practice .

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Leveraging ChatGPT: A New Frontier in Internal Auditing

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In an era where technological advancements are rapidly reshaping business landscapes, the field of internal auditing is no exception. Traditionally seen as a meticulous and time-consuming process, internal auditing is now poised to undergo a revolutionary transformation with the advent of advanced artificial intelligence (AI) technologies. Among these, ChatGPT stands out as a groundbreaking tool with the potential to redefine the scope and efficacy of internal audits.

ChatGPT, developed by OpenAI, is an advanced language model that excels in understanding and generating human-like text based on vast datasets. Its applications extend beyond simple text generation to include complex problem-solving and decision support, making it an invaluable asset for modern businesses. As organizations increasingly seek ways to enhance operational efficiency and ensure robust compliance, integrating ChatGPT into internal auditing processes presents an unprecedented opportunity to achieve these goals.

More than 100 million individuals use ChatGPT on a regular basis. The AI tool has been commended by both businesses and people for its capacity to reduce time spent on laborious, manual tasks. It can be used for a wide range of tasks, including producing code, creating PowerPoint presentations, email and document summarization.

Organizations in all fields and sectors employ ChatGPT and other Natural Language Processing (NLP) technologies because of these and other advantages; internal auditors may take advantage of this as well. As always, internal auditors should remain vigilant about the inherent risks and be diligent about the controls in place to avoid, share, accept, or mitigate those risks.

Natural Language Processing

A branch of artificial intelligence known as natural language processing, or NLP, enables a machine to comprehend spoken and written language similarly to how humans do. Although each distinct kind of NLP may be designed to concentrate on a particular set of abilities, generally speaking, this kind of AI has following abilities.

- Speech recognition - identifying when a human is speaking and what words are being said
- Grammatical tagging - identifying parts of speech, such as nouns, verbs, or adjectives
- Sentiment analysis - determining themes in data, such as whether customer responses are positive, negative, or neutral
- Text summarization - reducing the numbers of words in data without changing its meaning, or providing a synopsis of

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Do Alternatives to OpenAI's ChatGPT Exist?

The use cases in this treatise relies on ChatGPT 4.0. However, there are numerous alternatives to ChatGPT, each with unique features and capabilities. Below is a small sample of commonly used ones:

- Google Gemini (formerly known as BARD) - Gemini is a conversational AI chatbot that ties into the popular search engine.
- Microsoft Copilot (AI Assistant) and Bing (Search Engine) - Bing's AI-slash-search engine integrates with and has support for other Microsoft applications, allowing it to integrate items such as search and chat histories into its responses.
- Amazon Lex - This chatbot by Amazon Web Services allows users to build conversational interfaces into applications using voice and text. It is adept at automatic speech recognition (ASR) for converting speech to text and natural language understanding (NLU) to recognize user intent.
- IBM Watson Assistant - This tool is designed to understand and respond to customer inquiries. It can be trained to provide information specific to an industry or company.

other data (a video, for example)

- Natural language generation - putting information into new text or speech, such as the content produced by ChatGPT or Apple Siri

In addition to being a type of NLP, ChatGPT is more specifically a Generative Pre-trained Transformer (GPT). It will produce text depending on the input it gets and is made to handle sequential data, like language. GPT models are capable of producing original composition in place of copying and pasting.

Some organizations are beginning to develop private, or closed, GPT models. In those cases, the information entered into the system does not become publicly available.

How NLP Tools Like ChatGPT are being used Today?

Natural Language Processing-based tools are already integrated into many aspects of our everyday lives.

For example, NLP is used in:

- Google Translate
- Email filters (Gmail's primary, social, or promotions categories)
- Chatbots and virtual agents like Apple Siri and Amazon Alexa
- Search results and predictive text
- Speech recognition software (voice-to-text)

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- Jasper – This AI is used often to develop marketing and communications content, including blogs, social media profiles, and websites.
- CopyAI – CopyAI is another tool often used for developing marketing and communications content for organizations.

Practical Example: Use of ChatGPT in audit planning

Command

Using The Institute of Internal Auditors’ existing standards for internal auditing, draft an audit program with the objective of validating whether an organization’s website search

functionality and the processes supporting website search capabilities are effective. The scope of the audit includes the organization’s online content library, its current taxonomy, tagging processes, and website. The organization in question is a small, for-profit organization specializing in the sale of pet products. Its website governance process is defined; the entire organization has standardized and documented its processes; and cross- team collaboration thrives.

TIPS! Be specific in your questions. The more nuanced you are (without giving out private information!), the better your responses will be.

Actual ChatGPT 4.0 Response:

Creating an audit program using The Institute of Internal Auditors’ existing standards for internal auditing to evaluate the effectiveness of an

Common Risks Associated with the Use of Publicly Available AI Tools

RISK	EXPLANATION	SAMPLE MITIGATION STEPS
Data is inaccurate due to a biased algorithm	The algorithm is at risk of bias because of potential biases in its training data.	Don't accept AI-generated responses as completely accurate; apply professional skepticism and verify all information
Data has been “poisoned”	An AI tool has been deliberately given inaccurate, biased, or otherwise bad information, which it then uses in developing responses	
Users place too much reliance on AI-generated content	Internal auditors or other staff blindly “copy and paste” information from the tool	
Confidential information is provided in the prompts	Users enter information into the chat that is not meant for public consumption	Remove any personally identifiable information from prompts



organization's website search functionality and related processes involves several steps. Here's a draft audit program tailored to a small, for-profit organization specializing in pet products:

1. Preliminary Planning:

- **Understand the Business:** Gain an in-depth understanding of the organization's business model, focusing on online sales and content dissemination strategies.
- **Review Existing Documentation:** Examine the organization's website governance process, standardized documentation, and collaboration protocols.
- **Identify Key Stakeholders:** Determine who will be involved in the audit (e.g., IT, marketing, content management teams).

2. Define Audit Objective and Scope:

- **Objective:** To validate the effectiveness of the organization's website search functionality and the processes supporting it.
- **Scope:**
 - i. Examination of the online content library.
 - ii. Assessment of the current taxonomy and tagging processes.
 - iii. Evaluation of the website's search functionality.

3. Risk Assessment:

- Conduct a risk assessment to identify potential issues that could impact the effectiveness of the website's search functionality.

4. Develop Audit Criteria:

- **Benchmarking:** Compare the organization's practices against best practices in website search functionality.
- **Compliance:** Ensure adherence to any relevant laws, regulations, and internal policies.

5. Conducting the Audit:

- **Test Website Search Functionality:** Conduct tests to assess the accuracy, speed, and relevance of search results.
- **Evaluate Taxonomy and Tagging Processes:** Review how content is categorized and tagged, and how this influences search results.
- **Assess Content Library:** Determine if the content library is up to date, relevant, and adequately indexed for search.
- **Website Technical Evaluation:** Examine technical aspects like website coding, metadata, and search algorithms.
- **Stakeholder Interviews:** Engage with team members across different departments to understand their role in maintaining and improving search functionality.
- **Document Review:** Analyze the standardization and documentation of processes related to website search.

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6. Reporting:

- **Draft Report:** Prepare a draft audit report detailing findings, risks identified, and areas for improvement.
- **Management Review:** Present the draft report to management for feedback.
- **Final Report:** Issue a final report with recommendations and an action plan.

7. Follow-Up:

- **Action Plan Monitoring:** Monitor the implementation of recommendations.
- **Follow-Up Audit:** Plan a follow-up audit, if necessary, to evaluate the implementation of the action plan.

8. Continuous Improvement:

Feedback Loop: Establish a feedback mechanism to continuously improve website search functionality and related processes

This audit program is designed to comprehensively evaluate the effectiveness of the organization’s website search functionality, ensuring it aligns with its objectives and the needs of its customers in the pet products industry.

Command:

Given the information already provided about the organization’s size and type, as well as the maturity of the website governance process, what risks should I be looking

for that could impact the effectiveness of the website’s search functionality?

TIPS! Biased questions or data will give biased answers. Try to remove all bias in your prompts.

Actual ChatGPT 4.0 Response:

Given the nature of the small, for-profit organization specializing in pet products, with a well-defined website governance process and standardized, documented processes, several specific risks could impact the effectiveness of the website’s search functionality. Here are some key risks to consider:

1. Technological Limitations:

- **Outdated Technology:** The website might be running on outdated technology that limits search functionality capabilities.
- **Inadequate Search Algorithms:** The algorithms used for search might not be sophisticated enough to handle complex queries or filter results effectively.

2. Content Management Risks:

- **Poorly Managed Taxonomy and Tagging:** Inaccurate or inconsistent taxonomy and tagging can lead to irrelevant search results.
- **Outdated or Irrelevant Content:** If the content library is not regularly updated or curated, it can result in outdated or irrelevant search results.

3. User Experience Issues:

- **Ineffective Search Interface:** A non-intuitive or complicated search interface can hinder user experience and reduce the effectiveness of searches.
- **Lack of Customization:** Inability to tailor search results to individual user preferences or search history.

4. Data and Analytics Challenges:

- **Inadequate Data Analysis:** Failure to effectively

analyze user search patterns and behaviors to improve search functionality.

- **Limited Feedback Mechanisms:** Lack of effective channels for receiving user feedback on search functionality.

5. Security and Privacy Concerns:

- **Data Breaches:** Risks associated with the security of user data and search histories.
- **Compliance Issues:** Non-compliance with data protection regulations (like GDPR) in handling user data.

6. Operational and Governance Risks:

- **Insufficient Cross-Team Collaboration:** Even with thriving collaboration, there could be gaps in communication or understanding between different teams (like IT, content, marketing) impacting search efficiency.
- **Change Management Issues:** Challenges in implementing changes or updates to the search functionality due to rigid governance structures.

7. Resource Constraints:

- **Limited IT Resources:** Being a small organization, there might be constraints in IT

support and resources for ongoing maintenance and improvement of search functionality.

- **Budget Limitations:** Financial constraints may limit the ability to invest in advanced search technology or hire specialized talent.

8. Scalability and Growth Challenges:

- **Scalability of Search Function:** As the business grows, the search functionality may not be scalable to handle increased traffic or expanded content.

Identifying and addressing these risks during the audit will help ensure that the organization's website search functionality remains effective and aligned with its business objectives and user needs.

Practical Example: Use of ChatGPT writing in Audit Report

Command: Make the following information more concise and action-oriented:

- **Expanded Background Information:** The concept of website governance is an essential best practice that is crucial for ensuring that this digital asset significantly supports the organization's overarching strategic goals. It is instrumental in delivering the anticipated value from the substantial investment

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placed in the website's creation and ongoing maintenance. This comprehensive approach includes a well-defined set of policies, processes, roles, and responsibilities. Moreover, it comprehensively addresses all aspects of website maintenance and operation, ensuring that every facet of the website's performance and functionality aligns seamlessly with the organization's objectives and expectations.

- Detailed Observations:** Currently, there is a notable absence of a structured governance plan specifically targeting the operation and maintenance of the website. This gap was somewhat addressed in June 2024, when the Web Team presented key performance indicators (KPIs) for the

website, along with a plan outlining potential future improvement. This presentation was a commendable initial step towards establishing a framework for website governance. However, the situation has evolved since then due to a turnover in leadership, which has somewhat stalled these initial efforts. When the Board of Directors recently inquired about the state of website governance, the response provided was rather simplistic and insufficient. It was stated that "the Web Team owns the website," which, while factually correct, does not constitute a robust governance plan. This response fails to address critical aspects of website governance, such as compliance and other key operational components,

which may not fall under the direct purview of the Web Team.

- Enhanced Recommendations:** It is imperative that the management takes a proactive stance in this matter. The first step should be to establish, document, and effectively communicate a comprehensive plan. This plan must explicitly address the strategic direction of the website, ensuring that it aligns with and supports the organization's broader strategic goals. In addition to setting the strategic direction, it is equally important to delineate clear policies, processes, and roles/responsibilities. These should be geared towards ensuring the continued operation and maintenance of the website at an optimal level. Establishing such a governance framework will not only provide clear guidelines for current operations but will also lay a solid foundation for future growth and adaptation of the website alignment with the evolving objectives of the organization.

Actual ChatGPT 4.0 Response:

Concise Summary and Action Plan.

- Issue:** The organization lacks a structured website governance plan, essential for aligning the website with strategic goals. Initial efforts

stalled due to leadership changes, and the current understanding of website governance is inadequate.

- **Immediate Action:** Management must establish and document a comprehensive website governance plan. This plan should:
 - i. Clearly define the strategic direction of the website, ensuring alignment with the organization's broader goals.
 - ii. Detail policies, processes, roles, and responsibilities for ongoing website operation and maintenance.
 - iii. Address all aspects of website performance and functionality.
- **Long-Term Benefits:** Implementing this governance framework will provide clear operational guidelines, support the website's optimal functioning, and facilitate future growth and alignment with organizational objectives.

In conclusion, the integration of ChatGPT into internal auditing marks a transformative step towards enhancing efficiency, accuracy, and adaptability in the field. By automating routine tasks, facilitating real-time data analysis, and enabling continuous monitoring, ChatGPT is poised to redefine traditional auditing processes. This AI-driven approach not only reduces human error and operational costs but also empowers auditors to focus on more strategic and value-added activities, such as risk management and decision support.

As the technology continues to evolve, its role in internal auditing will likely expand, offering even greater capabilities in predictive analytics and proactive issue identification. Organizations that embrace ChatGPT will find themselves at the forefront of innovation, capable of navigating the complex and dynamic landscape of modern business with agility and insight. The potential for ChatGPT to revolutionize internal auditing is immense, and as the frontier of AI continues to advance, so too

will the opportunities for auditors to harness its power for the benefit of their organizations.

Ultimately, the adoption of ChatGPT in internal auditing is not just a technological advancement, but a strategic imperative that can drive better governance, compliance, and performance. By leveraging this new frontier, auditors can play a pivotal role in shaping a more efficient, resilient, and forward-looking organizational environment.

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Unleashing the Potential of 4th Industrial Revolution and 4th Agricultural Revolution in Bangladesh

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Abstract

We live in a time that sees the high-water mark of science and digital technology, the high tide of artificial intelligence (AI) and the rapid march of robotics. We are going to live in 'Society 5.0' of the global village, which is fast approaching with all its promises and apprehensions. But we have virtually entered the humane machine age. Sophisticated automatons now run factory assembly lines randomly as machines perform a range of functions according to a predetermined set of coded instructions. The world has entered into the age of AI, Big Data, Internet of Things (IoT), Blockchain, Robotics and a host of other technologies, which collectively brings about the Fourth Industrial Revolution or 4IR or 'Industry 4.0'. The 4IR is the next phase in the digitisation of the manufacturing sector, driven by disruptive trends like the rise of data and connectivity, analytics, human-machine interaction and improvements in robotics. The world is currently standing on the brink of this fast changing technological revolution that will fundamentally alter how people live and work. Humankind can benefit from this tech-driven tie-up. It is assumed that AI will increase computing capacity 10 times by 2030 as the future of Generative AI, spearheaded by new tech sensation ChatGPT, is bright. This new form of AI has officially ushered in a new era, set to rewrite personal and industrial applications.

Introduction

The term 4IR is ubiquitous in socio-political, economic and scientific discourses in this era of emerging high technology. This revolution is a combination of evolving technologies like AI, IoT, Robotics, big data, cloud computing, gene engineering, nanotechnology, biotechnology, 3D printing, augmented reality, virtual reality, supercomputing, self-driving cars, neuro-technological brain enhancements, genetic editing and others. The 4IR is thus an overpowering force that brings dramatic changes to industries, societal patterns and processes in the 21st century owing to increasing interconnectivity and smart automation. The 4IR is a new wave of technological advances that are changing the way we live, work, and interact with each other and machines. World-famous German Engineer and Economist Prof Dr Klaus Schwab, the founder of the World Economic Forum, coined the term 4IR in 2016. The 4IR is evolving at an exponential rather than a linear pace and it is characterised by a wide array of new technologies that are fusing the physical, digital and biological worlds with an eye to transforming economies and societies. This opinion piece tries to delve into the innards of the past three industrial revolutions and the challenges and prospects of the 4IR that knocks on the doors of the globalised world.

The article was reviewed by Khondkar Atique-e-Rabbani FCA



Navigating Industrial Revolutions

Today's 4IR did not spring it on us overnight as it has come riding on the back of its three predecessors. The previous industrial revolutions liberated humankind from animal power, made mass production possible and brought digital capabilities to people. The first industrial revolution used water and steam power to mechanise production at the end of the 18th century. The second used electric power to create mass production in the early 20th century. The third used electronics and information technology to automate production in the early 1970s. As said earlier, the 4IR is building on the third, with a digital boom everywhere. Automation has made great strides beyond human prediction. In particular,

the 4IR is taking place through the revolutionary march of technologies like artificial intelligence, internet of things, big data and robotics. These advanced technologies are becoming more sophisticated and incorporated into all industries and social life.

Mastering the 4IR Magic

In the second decade into this twenty-first century, we are currently on the threshold of entering the fourth industrial revolution (4IR) that ushers in a manufacturing boom with the widespread use of machines. Over the years, machines have been used to perform a complicated series of tasks automatically in mills, factories, manufacturing industries and the service sector. This is called an automation push. Automation is the use of

machines to do work that was earlier done by humans. Sophisticated automatons now run factory assembly lines randomly. So, this is a crucial juncture of human labour and mechanisation, a transition from creating goods by hand to using machines. Now is the time of the advancement of robot technology. Companies are now investing in making industrial robots with articulated limbs to perform as droids, androids or humanoids. However, automation means the loss of many factory jobs as well as the jobless growth of an economy. So, mastering the 4IR is a must to sustainably address the key global challenges confronting the world today.

Harnessing 4th Agricultural Revolution

Fourth industrial revolution and fourth agricultural revolution (4AR) are inextricably linked. In lockstep with the 4IR comes the 4AR. The 4AR is the agricultural revolution that calls for the application of scientific knowledge in farming for highest production. The 4AR calls for mechanisation of farming through the use of automations, machines, droids and drones. Fertile land and a favourable climate are the inseparable bedfellows that make Bangladesh a hub of agriculture, a sector that demands an automation push in the era of the 4AR. As a result of the 4IR, a change is in the offing in the type of investment in agriculture-related businesses. The execution of Industry 4.0

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technology in agriculture has the opportunity to achieve higher yield at lower cost, protect natural resources and environment and fill shortage of agricultural labour. There is a huge market for software companies at home and abroad to develop and apply 4IR technologies in agriculture. Global tech behemoths like IBM, Cisco, Schneider, Google and Amazon are preparing 4IR-compatible devices and investing billions of dollars. There is huge potential or demand for agricultural robots all over the world. Bangladesh is producing robots on a small scale. In this case, big technology companies can come forward.

Reaping 5G (Fifth Generation) Mobile Technology Dividends

Now is the era of a new wave of technological advances, including fifth-generation (5G) mobile technology. The use of 5G is huge and diverse, be it

telecommunications, weather forecasting, climate and environmental predictions with the employment of AI. The 5G technology is the highway to the 4th Industrial Revolution and the digital industrial era in the present day. Without the highway of digital connectivity, technologies cannot work. Internet connectivity is the highway of digital connectivity. Digital technology is impractical without this highway. Digital technology and connectivity highway must continue unhindered for balanced development. As vehicles cannot move without a highway, similarly digital technology cannot do without a digital connecting highway. So, it is time to utilise the transformative power of technology in order to cause a marked change in society.

Dictates of Artificial Intelligence

We live in the age of artificial intelligence or AI concerned

with making computers mimic intelligent human behaviour. More specifically, AI is the development of computer systems able to perform tasks that normally require human intelligence such as visual perception, speech recognition, decision-making and translation between languages. AI and conventional robot technology are becoming capable of doing more complex tasks. The arrival of supercomputers that can play poker, velvet-voiced digital personal assistants that answer questions and give directions, driverless cars has stirred excitement about AI. Add to the hype recent warnings from such science and technology icons as Stephen Hawking and Elon Musk of the consequences of giving machines moral responsibilities and the danger that human-made automatons could go out of control and turn on their creators. Science fiction contains many macabre predictions like downloading a person's knowledge, memory and personality in a system of circuits! In its most dehumanised form, the 4IR may indeed have the potential to "robotise" humanity and thus to deprive us of our heart and soul. Now is the high time for the whole world to make a reality check only to know the state of things in the real world.

4IR-4AR Challenges and Ways Forward

The Fourth Industrial Revolution and the Fourth Agricultural Revolution bring with them a lot of demands and challenges to



overcome in order to attain desired goals. Some common challenges in agriculture include depletion of agricultural land, weather and climate change, miniaturisation of agricultural land, farm labour crisis and population growth. What is more, several new challenges have emerged in the implementation of 4IR, including a shortage of trained manpower, knowledge gap, internet latency, a dearth of indigenous hardware and software, a deficit of tabs/smartphones at farmer level, legal complications and lack of motivation. A number of things can be done to address these challenges, including a pragmatic action plan, an investment plan of financial resources by determining capacities, challenges and actions of all entities or organisations under the agriculture ministry, a trained workforce fit for 4IR and/or

4AR, public-private partnerships for pilot projects, hands-on training at farmer level, smartphones and high-speed internet at minimal or no cost, domestic and foreign investment in technologies for Industry 4.0-compatible innovation and production, a 4IR-related innovation ecosystem, and projects in coordination with agriculture, food, fisheries and livestock ministries and ICT division.

Automation and Fear of Existing Job Losses, Emergence of New Jobs with Newer Skills

This 4IR has brought about the transformation of everything—production, management, service or operation. Today, we are moving through the fourth industrial revolution with the emergence of a variety of intelligent

cyber-physical systems (controlled and monitored by computer-based algorithms). Automation is the use of machines to do work that was previously done by humans. Factory workers are gradually being supplanted by machines. Man-made sophisticated automatons have started running factory assembly lines in many countries. With opportunities brought in its trail, the 4IR has also bad tidings to offer—the fear of losing jobs to machines. The rising rate of unemployment is partly due to the spread of automation. It is feared that automation will lead to the loss of millions of jobs, including those in the production lines. According to the World Economic Forum's 'Future of Jobs Survey 2020', an estimated 85 million jobs will disappear worldwide by 2025. However, another 95 million new jobs will emerge. The top five potential losers of jobs are data entry clerks, administrative and executive secretaries, accounting, bookkeeping and payroll clerks, accountants and auditors, and factory workers. On the other hand, the top five jobs on the demand list are data analysts, AI and machine learning specialists, big data specialists, digital marketing and strategy specialists, and process automation specialists.

An a2i study on five sectors of Bangladesh found that two out of every five jobs on average will be on the line for elimination by 2041. Of them, 60 percent of jobs will be at risk in the ready-made garment, textile

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and furniture sectors. However, on the flip side of the potential threat of 5.5 million job losses, 10 million new jobs are also expected to be created during the period in question. Good news is the US Bureau of Labour Statistics has recently found little support for the idea that many jobs will be lost in the new age of smart machines. But adjustments and restructuring will take place in the job market to make people 'smarter' and 'efficient'.

Right Skills to Tap 4IR-4AR Potential

The widespread use of intelligent robots will shrink employment in agriculture and allied sectors like manufacturing and processing. So, the days are numbered for traditional semi-skilled or unskilled workforce. However, it is true that so many 4IR-related fresh jobs will spring up. To meet the 4IR demands, the young demographic of the nation, including university graduates,

need to be better equipped with technical or hard skills alongside soft ones in different industrial sectors. According to industry experts, most employers now focus on critical thinking, problem-solving capacity, team-building and leading capacity, technical and engineering skills, and communications skills of new recruits. It is crucial for graduates to prepare themselves with the right skill sets for the AI-dominated world of work. Workplaces are



changing at an alarming rate throughout the world. Some studies have sounded an apprehension of the retrenchment of millions of employees globally in future due to automated technologies and the ubiquitous presence of AI-driven factory robots.

Education and ICT Knowledge

As the world order is changing swiftly, so is the way of life and work we do. A poverty of knowledge and expertise is a roadblock to explore the full prospects of the 4IR and 4AR. So, updated, demand-driven, market-oriented and tech-savvy education is the need of time to keep abreast of developments through acquiring ICT knowledge and know-how. The pace of variation in knowledge, information and technology has rapidly gained traction in social changes. So, the national academic curricula of different levels require a holistic change through sweeping reforms. The knowledge of science and ICT

(information and communications technology) should be disseminated in every layer of learning from primary to tertiary levels through adopting and executing well-timed education policies to support the healthy, balanced and sustainable socio-economic development of the country.

Innovation—the Master Key

Innovation holds the key to bringing changes in society. The 4IR is the outcome of the previous three similar revolutions and their core technological innovations. According to Dr Schwab, the world is currently standing on the brink of a technological revolution that will fundamentally alter how people live and work. There are two special traits of the 4IR. First, the rapid expansion of our lives through IoT and big data as information germane to operating factory machinery, traffic, weather and personal

health is converted into data. Second, it is the use of AI because a computer cannot learn and make certain decisions without a human giving it all the commands to analyse data in advance. The development of 3D printers makes it possible to manufacture complex workpieces in a smaller space. In such a social transition to the 4IR, innovation and increasing productivity are the keys to achieving economic growth. It is imperative to address problems through developing and using new technologies and innovations to do so.

Conclusion

Bangladesh has an increasingly young demographic and it is on the rise. Demographers and social scientists have rightly called it a youthquake. Time is opportune to capitalise on the strength of the young demographic and harness the potential of the youth workforce. Bangladesh must leverage this human capital base and also bank on the record population density as the 'density dividend'. With this end in view, the country should find effective and pragmatic ways to shape a future that works for all of us by putting people first and empowering them. The 4IR calls for industry stakeholders to increase their technical know-how and technological expertise to reap the benefits of the fourth industrial revolution. In equal measure, the government authorities concerned should take

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adequate steps to mechanise and automate agricultural activities for a bumper yield of crops.

Good news is the government's agriculture ministry is out to unlock the potential of the 4AR and has already undertaken short, medium and long term action plans to face the challenges of the 4IR. The Bangladesh Agricultural Research Council and the a2i (Aspire to Innovate) under ICT division has already finalised the proposed activities in three

categories from all the entities, wings or organisations under the ministry. It is projected that the population of the world will be an estimated 9.7 billion in 2050 and that of Bangladesh about 220 million. So, we have to chalk up our 4IR and 4AR action plans with SDGs (sustainable development goals) keeping in mind the issue of ensuring food and nutrition for this large population. Only then will the 4IR-4AR pay dividends to the people of this country.

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Corporate Social Responsibility Contribution to Education Sector in Bangladesh

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Abstract

Education is the foundation of any economy and plays an important role in human resource development as well as nation building and national development. Therefore the aim of this study is to identify the corporate social responsibility contributions of the banking sector of Bangladesh which have a direct impact on the education system of the country and simultaneously find out the different activities involved in supporting the education system of Bangladesh. The exploratory phase of this study is followed by a descriptive one. To support this theoretical conceptual research, various types of secondary sources including websites of Bangladesh Bank and scheduled banks, annual reports, published literature etc. have been used. From this study it is seen that the banking sector of Bangladesh contribute BDT 1,022 crore to development of education sector of Bangladesh through Corporate Social Responsibility (CSR). This study also identified the banking sectors of Bangladesh are more interested in contributing to CSR in the education sector. Nevertheless, studies show that greater efforts and contributions are needed than what is being done now. The study discusses the CSR efforts of banking sector in the education sector to improve the education system and infrastructure and mold the knowledge culture for a brighter

future. The paper sheds light on the needs of the education sector and the significant elements of CSR activities undertaken by the banking sector of Bangladesh. This study helps governments and businesses develop CSR strategies to enhance CSR efforts to improve the education system of Bangladesh.

Keywords

Bangladesh, Corporate Social Responsibility, Contribution, Education, Society

Introduction

Corporate social responsibility (CSR) is progressively becoming a major aspect of business operations both domestically and globally. Any private firm can give back to the community and contribute to society through CSR. There are two primary conditions that must be met for the company to be sustainable over the long term: social and environmental. By integrating social and environmental concerns into corporate operations, this new generation of firms acknowledges these requirements and secures business success. CSR strives for a more voluntary and better integration of social and environmental concerns into company operations (Islam, 2023). The conventional view of CSR is that companies should measure the effects of their operations on society in order to take society's interests into consideration. This obligation implies that organizations have

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to voluntarily take up initiatives that benefit society and their local communities. CSR is not a brand new concept. Many researchers acknowledge that the recent discussion on CSR began in 1953 with the publication of Bowen's book "Social Responsibilities of the Businessman" (Carroll, 2016; Carroll and Shabana, 2010; Wartick & Cochran, 1985; Carroll, 1979; Preston 1975). Bowen contends that businesses should consider the social impact of their decisions (Bowen, 1953). In 1960, Keith Davis noted that social responsibility refers to business "decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest" (Davis, 1960). The European Environmental Agency defining CSR as the voluntary procedure whereby "companies integrate social and environmental concerns in their business and the way they

interact with stakeholders" (EEA, 2005). Kotler and Lee (2008) define CSR is the commitment to enhance community well-being by using corporate resources and discretionary business practices. Strategic in nature, CSR is essential to the success of an organization since it is one of the only methods that can have a positive effect on the Economic, Social, and Environmental aspects of the Triple Bottom Line, hence supporting long-term sustainability and a healthy bottom line (Shafi, 2014).

One of the most essential components of economic progress is education. A nation cannot attain sustainable economic progress unless it allocates significant resources towards education, or human capital. The workforce, often known as human resources or human capital, is one of the

many resources that are essential to the expansion and development of a nation's economy. By utilizing additional resources, a skilled and productive human resource may propel an economy towards expansion and success (Islam, 2014). Three key ways that education can support economic growth are through better socio-economic empowerment, increased labor productivity, and efficient use of land and other physical assets (Islam, 2014). These days, economists understand that investing in education, or human capital, is essential to the process of economic expansion. Investments in education yield returns in the form of trained labor that meets development's demands, boosting the economy and raising social standards at the same time. One of the primary factors influencing the development and expansion of a nation's output and exports is its level of education (Ozturk, 2001). So education leads to sustainable economic development of a country. In September 2015, the United Nations adopted 17 Sustainable Development Goals for all countries of the world with education as a priority, 4 of which were related to education. SDG-4 was "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all" (UN, 2015). Education is now a crucial part of all government policies as a result. A great deal of work has been put into education in many emerging nations. The government should



approach funding for both primary and higher education in a balanced manner in order to address the issue of inequality.

The ability to produce skilled labor of high caliber in sufficient quantities is a prerequisite for advancing economic and industrial growth in a nation. One of the CSR programs used by businesses to produce trained labor is education. It seeks to change lives by constantly advancing knowledge. Students and industry will benefit from the good atmosphere created by sharing knowledge, skills, and expertise in order to enhance mutual understanding. Education-related CSR efforts have certain advantages (Senin et al. 2019). Achieving effective leadership and sound business practices requires education. Since education is the foundation of every society in the globe, its quality is crucial.

Although the government has made various attempts, they are insufficient to raise Bangladesh's educational standards on their own. To raise the standard of education, each and every person must make a contribution. Through their corporate social responsibility, Bangladeshi corporate sectors, including the government, can also make a significant contribution to raising the standard of education. As a result, the study's objectives are to categorize CSR initiatives that support Bangladesh's educational system and investigate the CSR initiatives undertaken by the banking sector in Bangladesh.

Literature Review

Every business has used its own resources to carry out its corporate social responsibility program. Corporate social responsibility initiatives are

starting to adopt a more focused approach from businesses, aiming to address issues that are related to their own objectives. The need for education exists for all types of individuals, in all geographical locations and in all subject areas, education plays an important role in the planning of many enterprises' CSR initiatives (Chopra, & Marriya, 2013). Indian businesses are more eager to contribute to CSR initiatives in the sector of education, but it also showed that far greater efforts and contributions have been needed than are being made now (Singh & Kaushik, 2018). The findings of this study indicate that while school-based CSR efforts have had a positive impact on students and schools, there has been no evidence of long-term program sustainability for students and schools (Azhar & Azman, 2021). The government and business sectors must work together to promote the good effects of education on society because their combined efforts will not be sufficient to bring about significant change. One key instrument for enhancing the education sector appears to be corporate social responsibility (CSR) (Thakur, 2021). Businesses that use the corporate social responsibility (CSR) model in the education sector typically see a rise in local goodwill, exposure, and reputation (Loh & Shukhaila, 2019). Ndiweni et al., (2018) examined the annual reports of eleven commercial banks that are listed on the DSE (Dhaka Stock Exchange) of Bangladesh

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and discovered that while other banks concentrate on humanitarian causes like education, Islamic banks give social justice top priority in their CSR initiatives. As part of their CSR efforts, some Indian businesses have always been very involved in philanthropy. They focus on the education sector, and many of these initiatives are carried out in collaboration with non-governmental organizations (NGOs), who have experience working with local communities and are skilled at addressing particular social issues (Shafi, 2014). For a corporation to be considered as having released its social obligation, the

education sector offers the greatest social rewards and entitlements. In order to achieve a successful and prosperous future and turn our nation into a true knowledge hub supporting education at all levels will result in a revitalized education sector (Thirumuru & Thirukkovela, 2015). According to a recent study by Islam (2023), the banking industry in Bangladesh is primarily involved in CSR initiatives through support of the environment, disaster management, education, health, and cultural welfare sectors; it also develops infrastructure in remote areas; it generates income for the underprivileged population; and other areas.

Based on the above literature, it can be seen that many research have been conducted on the role of CSR in education in different countries of the world. Most of the research in Bangladesh has been done to explore the practice of CSR activities in the banking sector (Islam, 2023; Ferdous, 2015; Ndiweni, et al., 2018; Masud, 2011). But there is not much research on the role of CSR spending on education by the banking sector in Bangladesh. It is considered reasonable that the present study seeks to fill that gap.



Objectives of the Study

- To highlight the status of CSR contribution of the banking sector for the development of education system in Bangladesh.
- To investigate the various activities carried out by the banking sector in the field of education.

Methodology of the Study

The exploratory phase of this study is followed by a descriptive one. The study is based on secondary data. To support this theoretical conceptual research, various

types of secondary sources including publications of Bangladesh Bank, websites of Bangladesh Bank and scheduled banks, annual reports, published literature etc. have been used. Several related articles are used to improve basic knowledge on CSR. The population of this study includes all scheduled commercial banks operating in Bangladesh. There are 61 banks operating in Bangladesh (BB, 2023). These banks of Bangladesh are categorized as State-Owned Commercial Bank (SCBs), State-Owned Development Bank (SDBs), Private Commercial Bank (PCBs) and Foreign Commercial Bank (FCBs) from the

operational point of view. With the view to achieve the goals of the study all scheduled banks of Bangladesh such as SCB(s), SDB(s), PCB(s), and FCB(s) have been selected for this study. Data for last 6 years (2018-2023) has been considered for this study. Data were analyzed using Microsoft Excel. Charts, graphs and tables are used to present data.

Analysis and Discussion

A DOS circular titled “Mainstreaming Corporate Social Responsibility (CSR) in banks in Bangladesh” was issued by the Bangladesh Bank to all Scheduled Commercial Banks in Bangladesh on June 1, 2008, in order to guarantee bank participation in CSR (BB, 2008). Following the release of Bangladesh Bank Guidance, banks are becoming more involved in CSR activities. In 2009, 46 out of Bangladesh’s 48 scheduled banks participated in CSR activity (BB, 2010). And as of right now, the figure is 61 (BB, 2023).

Number of Banks Engaged in CSR

This research work is conducted to find out the extent of contribution of banking sector of Bangladesh in the field of education through CSR events. Therefore, in this paper, the CSR contribution of four types of banks of Bangladesh has been highlighted. The contribution of category of banks engaged in CSR is given in Table 1 below:

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Table 1: Number of Banks engaged in CSR

Nature of Bank	2018	2019	2020	2021	2022	2023
State-owned Commercial Bank	6	6	6	6	6	6
State-owned Development Bank	2	3	3	3	3	3
Private Commercial Bank	40	41	41	42	43	43
Foreign Commercial Bank	9	9	9	9	9	9
Total	57	59	59	60	61	61

Source: Compilation of Bangladesh Bank Report: 2018 to 2023

Table 1 show that a total of 57 banks were engaged in CSR in 2018, increasing to 61 in 2022.

Figure 1: Number of Banks engaged in CSR

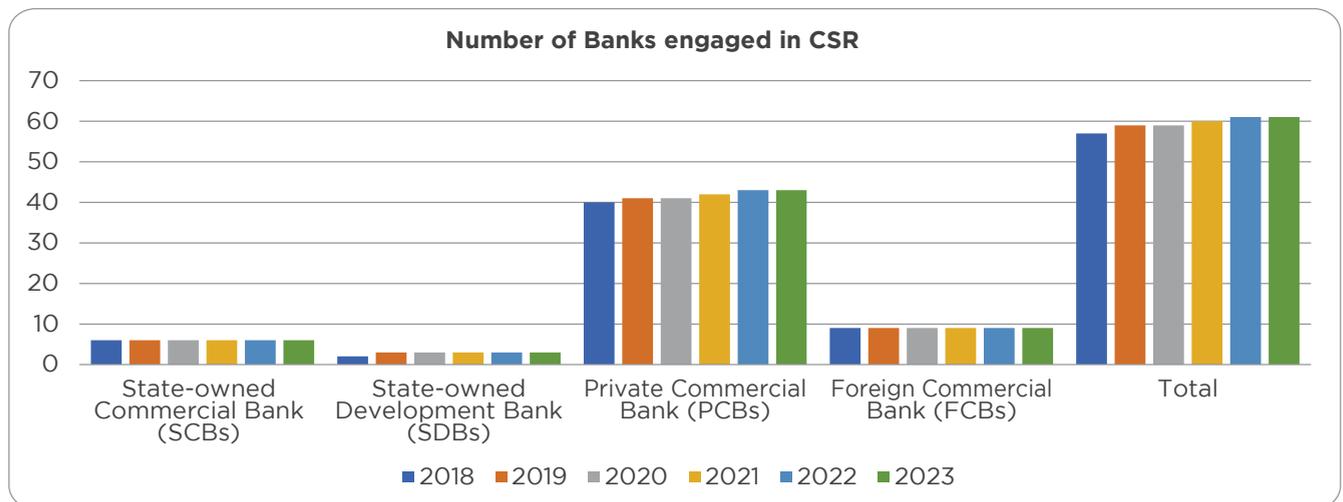


Figure 1 shows that the number of banks engaged in CSR activities remained the same for SCB(s), SDB(s), FCB(s). Three banks have newly engaged themselves in CSR activities from 2018 to 2023 in respect of PCB(s).

Total CSR Contributions of Banking Sector

The amount of CSR expenditure in the banking sector of Bangladesh is mentioned in the table below:

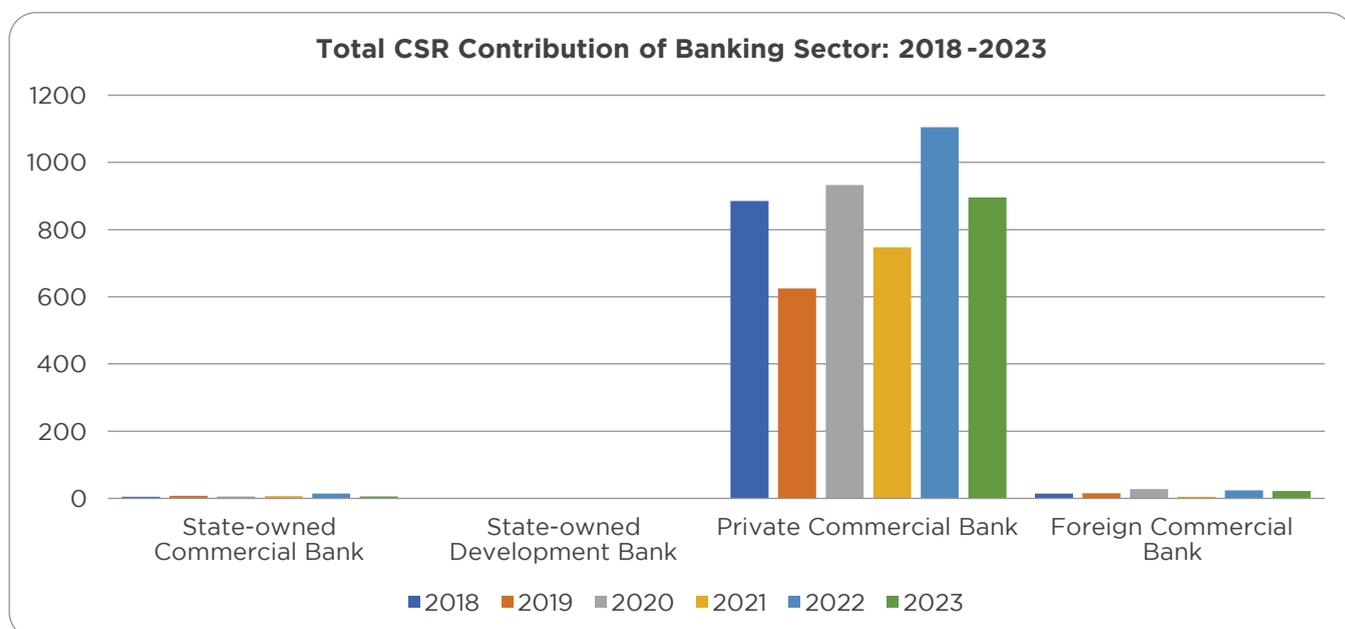
Table 2: Total CSR Contributions of Banking Sector (Amount in BDT in crore)

Nature of Bank	2018	2019	2020	2021	2022	2023	Total
SCBs	5.0	7.94	6.29	6.86	14.16	5.96	46.21
SDBs	0.00	0.00	0.02	0.01	0.30	0.50	0.83
PCBs	885.68	624.78	933.06	747.12	1,105.23	895.75	5,191.62
FCBs	14.0	15.16	28.18	5.22	23.46	22.07	108.09
Total	904.66	647.88	967.55	759.21	1,143.15	924.28	5,346.59

Source: Compilation of Bangladesh Bank Report: 2018 to 2023

Table 2 shows that from 2018-2023, SCBs is contribution total Tk. 46.21 crore for CSR. SDBs disbursed Tk. 0.84 crore from 2018-2023. PCBs disbursed Tk. 5,191.62 crore from 2018-2023. FCBs disbursed Tk. 108.09 crore from 2018-2023. During the study period i.e. 2018-2023, the banking sector made a total contribution of Tk. 5,346.59 crore towards CSR.

Figure 2: Total CSR Expenditure of Banks



It is evident from the above figure that PCB accounts for the majority of the banking sector's CSR contribution in Bangladesh. SCB comes in third, behind FCB. However, in comparison to PCB, the contributions of FCB and SCB are negligible. SDB has made no noteworthy contributions to CSR.

CSR Contribution of Banking Sector to Education

The extent of CSR contribution to education sector of Bangladesh banks is mentioned in Table 3 below (Bank-wise detailed calculation is shown in Appendix 1):

Table 3: CSR Contribution of Banking Sector in Education: 2018-2023

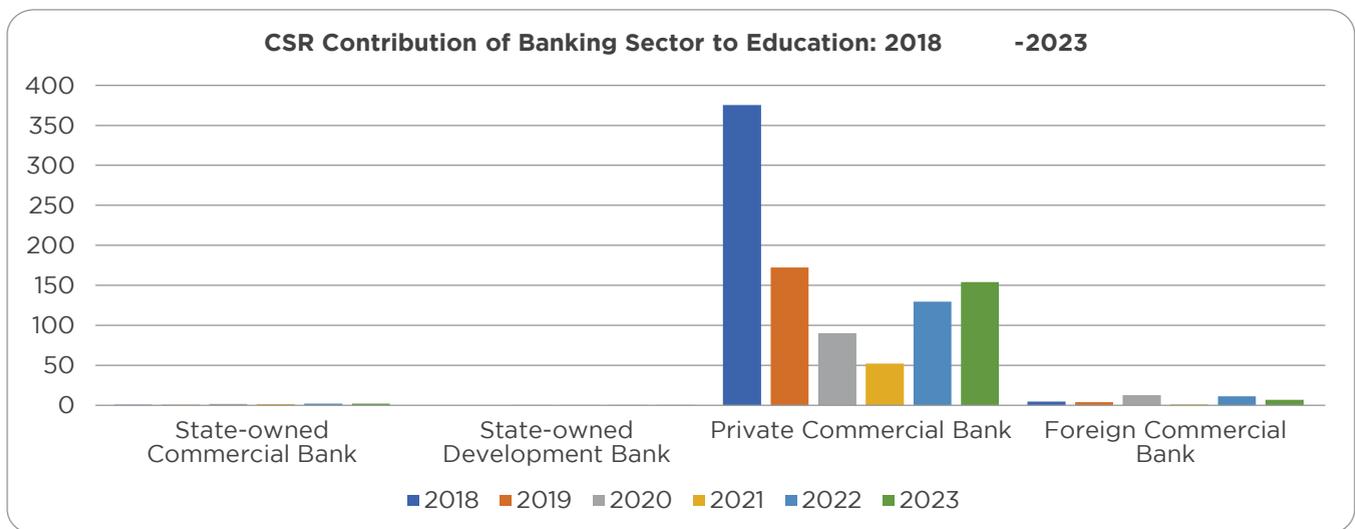
Nature of Bank	(Amount in BDT in crore)						
	2018	2019	2020	2021	2022	2023	Total
SCBs	0.73	0.45	1.57	1.41	2.13	2.22	8.50
SDBs	0	0	0.02	0.03	0.07	0.013	0.13
PCBs	375.33	172.13	90.02	52.14	129.75	154.03	973.4
FCBs	4.59	4.05	12.71	0.92	11.32	6.73	40.32
Total	380.65	176.63	104.32	54.5	143.55	163.10	1,022.35

Source: Compilation of Bangladesh Bank Report: 2018 to 2023

Table 3 shows that from 2018-2023, SCB's total contribution to education sector is Tk. 8.50 crore. SDB(s) disbursed Tk. 0.13 crore from 2018-2023. PCB(s) disbursed Tk. 973.40 crore from 2018-2023. FCB(s) disbursed Tk. 40.32 crore from 2018-2023. During the study period i.e. 2018-2023, the banking sector made a total contribution to the education sector of Tk. 1,022.35 crore through CSR.

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Figure 3: CSR Contribution of Banking Sector to Education: 2018-2023



From the figure above, it can be seen that the CSR contribution in 2018 was the highest for education sector. But since 2019, the contribution of the banking sector to the education sector has gradually decreased. However, it is noteworthy that the contribution of CSR in the education sector is gradually increasing from 2021 onwards.

Sector wise CSR Contribution of Banking Sector in Bangladesh

Table 4: Sector wise CSR Contribution of Banking Sector in Bangladesh: 2018-2023

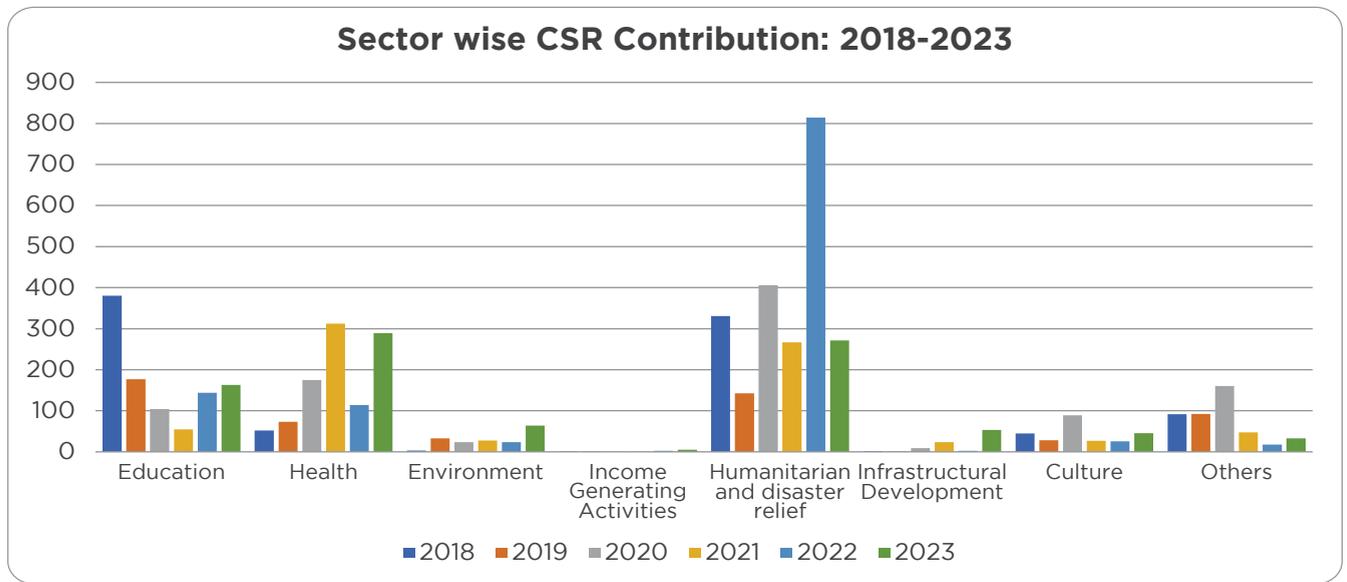
(Amount in BDT in crore)

Areas of Expenditure	2018 (Tk. in cr.)	2019 (Tk. in cr.)	2020 (Tk. in cr.)	2021 (Tk. in cr.)	2022 (Tk. in cr.)	2023 (Tk. in cr.)	Total (Tk. in cr.)
Education	380.0	176.6	104.3	54.5	143.55	163.10	1,022.05
Health	51.68	73.33	174.8	312.1	113.99	288.97	1,014.88
Environment	2.79	33.07	23.91	27.61	23.4	64.17	174.95
Income Generating Activities	0.95	0.12	0.05	0.53	2.17	4.99	8.82
Disaster Management	330.8	242.8	406.1	266.6	814.52	271.20	2,232.02
Infrastructural Development	1.55	1.37	8.88	23.54	2.32	53.54	91.19
Culture	45	28.0	89.3	26.65	25.56	45.66	260.17
Others	91.79	92.56	160.2	47.68	17.64	32.64	442.51
Total	904.56	647.85	967.54	759.21	1,143.15	924.28	5,346.59

Source: Compilation of Bangladesh Bank Report: 2018 to 2023

The banking sector in Bangladesh spent Tk. 1,022.05 crore on education, Tk. 2,232.02 crore on disaster management, Tk. 1,014.88 crore on health, Tk. 260.17 crore on cultural welfare, Tk. 174.95 crore on environmental protection, Tk. 91.19 crore on infrastructure development, Tk. 8.82 crore on income-generating activities for disadvantaged groups, and Tk. 442.51 crore on other sectors during the six years between 2018 and 2023, as Table 4 illustrates. Table No. 4 shows that the banking industry in Bangladesh participates in CSR initiatives by funding programs related to education, health, infrastructure development, culture, education, disaster relief, and other areas (Islam, 2023).

Figure 4: Sector wise CSR Expenditure of Banking Sector in Bangladesh: 2018 -2022



From the above figure, it can be seen that the banking sector of Bangladesh has given the highest importance to CSR in the education sector in 2018. The CSR contribution was the lowest in 2021. But from 2022 onwards, it started to gradually increase again which has continued till now. On the other hand, since 2020, the amount of CSR contribution in disaster management and health sector has been increasing consistently every year.

Figure 5: Percentage of CSR Contribution during Study Period: 2018-2023

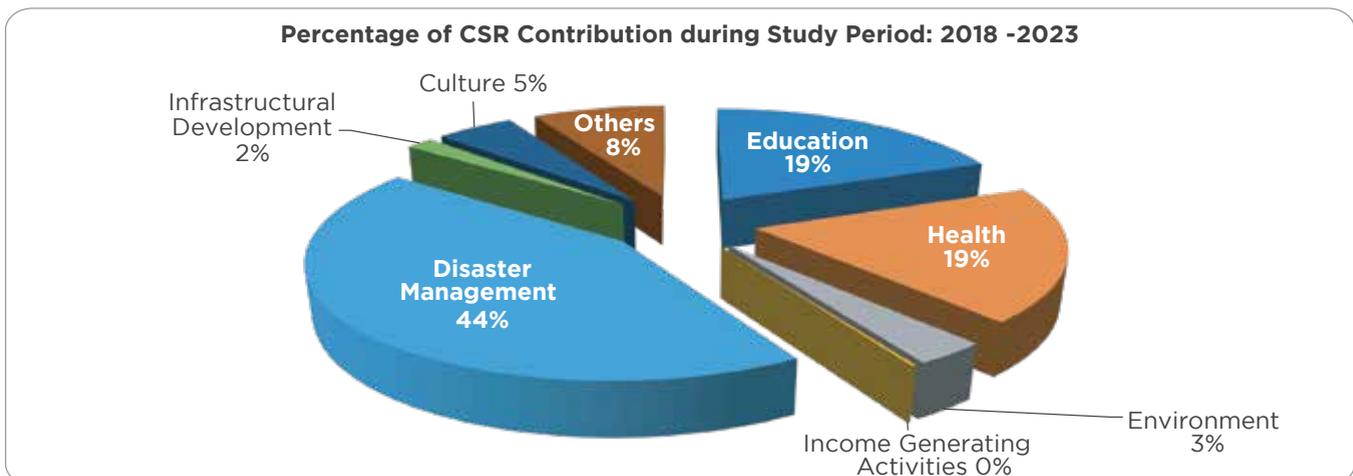


Figure 3 shows that, over the last six years (2018 to 2023), the banking sector contributed 44% of CSR funds for disaster management and the education sector has been allotted 19%. This suggests that the contribution to the education sector is less than half that of disaster management. Findings reveal that the banking sector is currently allocating the largest amount of money to CSR for disaster management.

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Major Findings of the Study

This study found through the analysis of annual reports of various banks, that the banking sector is allocating their CSR funds to education as follows:

- With an aim to promote education, various banks in Bangladesh have launched scholarship programs for deserving and meritorious but impoverished undergraduate students (AIBL, 2022; Bank Asia, 2022; DBBL, 2023; EXIM Bank, 2022; Jamuna Bank, 2022; One Bank, 2022; SJIBL, 2022;; SIBL, 2022;).
- The Mercantile Bank Limited Education Scholarship programme is a clear manifestation of the bank's mission to strengthen the nation by helping its next generation.

In 2019, MBL provided scholarships among the students who have successfully passed (with minimum CGPA of 4.50) J.S.C, S.S.C and H.S.C to carry on their further studies (MBL, 2019).

- Education Support Program (ESP) is a wing of CSR through which Prime Bank limited provides stipends to the extremely poverty stricken meritorious undergraduate students (Prime Bank, 2022)
- Jamuna Bank through its foundation provides scholarships for the education of underprivileged or disabled eligible students as well as children of Jamuna Bank employees who have a minimum GPA of 5 (Jamuna Bank, 2022).

- Some banks every year contribute to the Prime Minister's Education Assistance Trust to enable deserving and insolvent students to have access to education (Bank Asia, 2022; Dhaka Bank, 2022; IFIC, 2022; Islami Bank Plc, 2022; Janata Bank, 2022; Trust Bank, 2022; Uttara Bank, 2022).
- Dutch-Bangla Bank has been prioritising the promotion of the education through providing scholarships to deserving students who require financial assistance, funding the organisation of the renowned Ganit Olympiad and Physics Olympiad, assisting in the construction of educational infrastructure, supplying necessary educational supplies, etc (DBBL, 2023).
- By providing funding and instructional resources to several educational institutions, Pubali bank continued to play a part in facilitating and improving the nation's educational standards (Pubali Bank, 2022).
- City Bank is heavily involved in community activities by focusing on education and promoting educational initiatives for underprivileged people (City Bank, 2023).
- Major donations were made by AB Bank to the Society



for the Welfare of Autistic Children (SWAC), a group that provides education and training specifically for children with autism. (AB Bank, 2022).

Suggestions to Improve Education Sector Through CSR

The Government of Bangladesh has been working to overhaul the country's current educational system, and this is something we cannot dispute because, despite significant government investment in this area, the government has not seen positive results in a long time. Since a better future for Bangladesh ultimately depends on education, a number of challenges must be resolved in order to improve education comprehensively. The education ecosystem in Bangladesh can be improved in the ways listed below.

- Scholarship program for primary students: Most of the banks launch scholarship program for higher studies but dropout rate is higher in primary education. Lack of financial assistance at primary stage means most of the students could not complete their primary education. So, the banks should launch their assistance program for primary level education as part of their CSR program.
- Skill-based learning: The current educational system in Bangladesh forces all students to major in sciences, arts and business. However, nobody is considering a students' strength or areas of interest. Therefore, skill-based learning is necessary to pinpoint students' greatest abilities and enable them to excel in their chosen fields.

CSR initiatives are carried out in a variety of ways, and skill-based learning initiatives can assist in addressing a number of the issues facing the education sector.

- Assistance to Rural Education: Most of the CSR funds are allocated to urban areas of Bangladesh but the development of education in the country requires cooperation in both urban and rural areas. Thus, financing through CSR seems more pertinent for the advancement of rural education.
- Training for educators: Teachers are the most influential people in students' learning since they are the ones who will shape the country's future. The Government often lacks focus in this area, which is where corporate social responsibility (CSR) initiatives come in. Through these kinds of projects, schools and colleges can get highly qualified and trained teaching staff.
- Infrastructure development: Most of the banks in Bangladesh have engaged themselves only in the scholarship program. Infrastructural development is also undeniable for the development of education. CSR seems to be a viable option for building a strong infrastructural base for educational institutions in Bangladesh.

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- Library: There is no substitute for libraries in the development of education and nation building. The banking sector can greatly improve education by establishing libraries in educational institutions that do not have libraries or donating books to libraries, digitizing libraries and helping to establish Integrated Library Management Systems.
- Support in introducing technology (IT): The present era is the age of technology and the education sector of Bangladesh is mainly deficient in technology. But the role of technology in meeting the challenges of globalization and achieving Bangladesh Government's Vision-2041 is undeniable. In order to make the students proficient in technology, the students should be provided ICT related education by establishing internet facility and multimedia class room through CSR.
- Iso, the banking sector can provide grants through CSR in debate events, knowledge-development seminars, career fairs, art competitions, essay writing competitions, education fairs, science fairs, etc.

Conclusion

Corporate Social Responsibility (CSR) is an excellent platform

for the banking sector to give back to the community. The banking sector uses education as a strategic tool to support communities and improve social interaction. Hence the aim of this study is to identify the contribution of CSR in education as well as activities undertaken to support the education system of Bangladesh. This survey shows that the banking sector is now running numerous initiatives and programs to help the society in the field of education. The banking sector of Bangladesh contributed a total of Tk. 1,022 crore to the education sector during the study period (2018-2023). The primary objective of contributing through CSR is to help develop the country's education system. The study also found that the contribution to the education sector is only 19% of the total CSR contribution of the banking sector. Thus, to help the government achieve its educational goals, corporate social responsibility initiatives and involvement in the education sector has scope for expansion. The banking sector contributed more to the disaster sector during the study period due to allocation of funds to deal with the COVID-2019 pandemic and subsequent COVID-related losses. Also contributed more to the disaster sector during the mentioned period for donating CSR money to the Prime Minister's Relief Fund to deal with various cyclones, floods etc. in Bangladesh. To achieve true

corporate social responsibility, CSR contribution to education should be prioritized. Thus, cooperation in CSR will have a greater impact on education and future generations. It is desired that the banking sector should play their role in promoting these CSR collaborations for more beneficial effects. The primary imperative to achieve a prosperous Bangladesh is the spread of literacy and the advancement of education. So finally we can say that adequate contribution to education through corporate social responsibility is the best tool to ensure long term prosperity of the country along with social development.

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Appendix

CSR Contribution of Banking Sector in Education: 2018-2023

SL	Category / Name of Bank	Year					
		2018	2019	2020	2021	2022	2023
State-owned Commercial banks (SCBs)		2018	2019	2020	2021	2022	2023
1	Sonali Bank PLC	0.38	0.14	0.92	0.07	0.5372	1.1547
2	Janata Bank PLC	0.01	0.01	0	0	0.5	0.5285
3	Agrani Bank PLC	0	0	0.25	1.2	0.7359	0.2692
4	Rupali Bank PLC	0.34	0.3	0.16	0.14	0.354	0.259
5	BASIC Bank PLC	0	0	0	0	0	0.0056
6	Bangladesh Development Bank PLC	0	0	0.02	0.03	0.0595	0.0625
Total (SCBs) Contribution		0.73	0.45	1.35	1.44	2.1866	2.2795
Specialized Banks (SDBs)		2018	2019	2020	2021	2022	2023
6	Bangladesh Krishi Bank	0	0	0	0	0	0
7	Rajshahi Krishi Unnayan Bank	0	0	0	0	0	0
9	Probashi Kallyan Bank	0	0	0	0	0.0125	0.0625
Total (SDBs) Contribution		0	0	0	0	0.0125	0.0625
Private Commercial Banks (PCBs)		2018	2019	2020	2021	2022	2023
10	AB Bank PLC	0.06	0.04	0.12	0.52	0.35	0.43
11	Al-Arafah Islami Bank PLC	1.58	2.11	1.01	0.65	5.8816	5.91
12	Bank Asia Limited	4.33	5.58	1.78	4.2	1.563	1.588
13	Bangladesh Commerce Bank Limited	0	0	0	0	0	0
14	Bengal Commercial Bank Limited	0	0	0	0	0	0
15	BRAC Bank PLC	2.99	3.34	3.08	3.04	2.454	3.0566
16	Citizens Bank PLC	0	0	0	0	0	0.01
17	Community Bank Bangladesh Limited	0	0	0	0	0.5	1.9281
18	Dhaka Bank Limited	0.37	0.24	0.42	1.21	1.319	1.552
19	Dutch-Bangla Bank Limited	54.4	55.13	13.8	0.45	41.47	39.6789
20	Eastern Bank PLC	0.01	0.46	0.91	0.61	0.43	3.345
21	EXIM Bank PLC	6.25	4.58	2.46	3.38	12.13	12.12
22	First Security Islami Bank PLC	6	10.31	12.45	3.04	10.85	1.16
23	ICB Islamic Bank PLC	0	0	0	0.02	0	0.0366
24	IFIC Bank PLC	1.7	0.63	0	0.4	2.15	4.1925
25	Islami Bank Bangladesh PLC	211.86	58.57	18.69	6.5	4.6257	6.282
26	Jamuna Bank Limited	2.17	1.64	1.51	4.06	5.67	10.227
27	Meghna Bank Limited	0	0.01	0	0	0.154	0.113
28	Mercantile Bank PLC	2.28	3.38	2.39	2.06	2.717	2.63
29	Midland Bank Limited	0.06	0.15	0.52	0.04	0.03	0.055
30	Modhumoti Bank Limited	0.69	0.23	0.29	0.43	0.93	0.99
31	Mutual Trust Bank Limited	0.64	0.77	0.76	0.75	1.5	1.57

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SL	Category / Name of Bank	Year					
32	National Bank Limited	1.52	2.37	9.28	5.55	5.2875	0
33	National Credit & Commerce Bank Limited	1.14	1.4	0.94	0.53	0.5082	0.278
34	NRB Bank Limited	0.12	0.08	0.06	0.28	0.2754	0.3118
35	NRBC Bank PLC	0.02	0.16	0.04	0.08	2.0037	0.9884
36	Global Islami Bank PLC	0.02	0.02	0.05	0.01	0.7589	0.7868
37	One Bank Limited	1.89	1.96	0.93	0	0.35	0.35
38	Padma Bank Limited	0	0	0	0	0	0
39	Prime Bank PLC	53.76	4.8	4.43	5	4.93	5.95
40	Pubali Bank Limited	0.67	2	0.64	1.65	0.932	4.98
41	South Bangla Agriculture and Commerce Bank Limited	0.2	0	0.56	1.01	0.32	0.32
42	Shahjalal Islami Bank PLC	2.24	5.05	4.22	1.95	5.07	16.536
43	Shimanto Bank PLC	0.4	0.661	0	0	0.13	0.465
44	Social Islami Bank PLC	0.33	0.46	5.22	0.42	4.3558	6.6294
45	Southeast Bank Limited	6.65	4.49	2.96	2.41	4.55	14.5
46	Standard Bank PLC	0.44	0.53	0.25	0.05	0.61	0.56
47	The City Bank PLC	0.27	0.25	0.11	1.02	1.72	1.2023
48	The Premier Bank Limited	5.08	0.06	0.06	0.09	1.22	0.065
49	Trust Bank PLC	0.56	0	0.18	0	0.6	0.82
50	United Commercial Bank PLC	0.99	0.31	0.1	0.61	0.55	0.73
51	Union Bank PLC	2.92	0.39	0.02	0.16	0.9855	1.509
52	Uttara Bank PLC	0.01	0.01	0	0	0.155	0.17
	Total (PCBs) Contribution	374.62	172.171	90.24	52.18	130.0363	154.0264
	Foreign Commercial Banks (FCBs)	2018	2019	2020	2021	2022	2023
53	Bank Al-Falah Limited (Pakistan)	0.13	0.1	0	0	0.1	0.083
54	Commercial Bank of Ceylon PLC (Sri Lanka)	0.05	0.09	0	0	0.05	0.15
55	Citibank N.A (United States of America)	0.9	0.88	0	0.11	0.12	0.1203
56	Habib Bank Limited (Pakistan)	0.01	0.03	0	0.05	0.015	0.03
57	HSBC (United Kingdom)	1.3	1.08	0.83	0.27	4.12	2.99
58	National Bank of Pakistan (Pakistan)	0	0	0	0	0	0
59	State Bank of India (India)	0	0	0.04	0	0.1088	0.025
60	Standard Chartered Bank (United Kingdom)	2.21	1.83	11.82	0.47	6.7751	3.3028
61	Woori Bank (South Korea)	0.02	0.04	0.02	0.02	0.023	0.0255
	Total (FCBs) Contribution	4.62	4.05	12.71	0.92	11.3119	6.7266
	Total (SCBs+SDBs+PCBs+FCBs) Contribution	380.65	176.63	104.32	54.54	143.5473	163.1029

Accounts Receivable Management in Practice: Case Study of a Merchandising Company

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Abstract

This case study delves into the accounts receivable management methods of a Bangladeshi merchandising company, anonymized as MR. The research literature, spanning from 1999-2023, provides a comprehensive evaluation of the diverse aspects of receivables management. Our study examines MR's significantly high outstanding receivables, indicating a need for improved credit control and cash flow management. The company also lacks basic accounting processes for irrecoverable debts, which could potentially inflate company asset position and lead to liquidity issues. However, the study also underscores the transformative potential of effective accounts receivable management for small and medium-sized businesses (SMEs), enabling them to maintain a stable financial position and thrive in the market.

Keywords

Account Receivable, Bad debts, Credit sales, IFRS 9, Small firm.

Introduction

Merchandising firms typically sell goods on credit rather than requiring immediate cash payments. Such credit sales generate accounts receivable (Mian & Smith,1992). Receivable management needs considerable attention as these are a substantial fraction of

corporate assets (Mian & Smith,1992). China and the UK have 80% of daily business transactions on credit, and accounts receivables account for 35% of the balance sheet asset part (Summers & Wilson, 1997; Asselbergh,1999; HongMei,2007; Richard & Kabala,2019). Timely collection and payback of accounts receivables are directly related to a business organization's solvency, stability, and competitiveness (Elena,2022). Due to the collection uncertainties, accounts receivable are identified as a critical asset (Elena,2022), and required provisions must be made to ensure a true and fair view of the company's financial statements (IFRS,2023).

Beyond any doubt, accounts receivables are crucial for sustainable performance (Al-Mahmoud,2020). Previous studies (Niskanen & Niskanen,2000; HongMei,2007; Hasan & Saha,2014) have emphasized the necessity for a standardized methodology for analyzing accounts receivable management techniques of large companies.

Despite the undeniable importance of accounts receivable management for sustainable performance (Al-Mahmoud, 2020), research in accounting and finance in this area is lagging other aspects of corporate management (Al-Mahmoud,2020). Moreover, the specific account receivable management practices of small and micro merchandising

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entities are yet to be explored (Richard & Kabala,2019). As accounting practices have always been a concern due to absence and lacks clarity for small firms (Jahan, 2022). This study aims to fill this gap by examining receivable management and its implications for a merchandising company in Bangladesh, thereby offering a unique perspective on this under-researched topic.

This research has reviewed previous notifiable research on accounts receivable management methods implemented to achieve organizational goals (Asselbergh,1999) and supplemented it with a case study on account receivable management at a merchandising company. Therefore, the paper is structured as follows: literature review followed by

methodology, empirical evidence, discussion and conclusions.

The Research Questions are as Follows

1.1 In theory, what is efficient account receivables management?

1.2 How does, in practice, the merchandising company manage accounts receivable?

Literature Review

Mian and Smith (1992) have argued that several factors affect account receivables management, such as agency problems and policy choice, including information acquisition versus credit collection. One effective mechanism to establish incentives for collecting and processing credit-granting information is to make

credit-granting decisions (Mian & Smith,1992). Niskanen and Niskanen (2000) have explored factors influencing accounts payable and receivable. The companies' propensity to use trade credit as a tool of price discrimination and rises in interest rates appear to be the most significant factors for accounts receivable (Niskanen & Niskanen,2000).

Firms bear the responsibility of the credit risk and collecting the accounts receivable; for example, in non-recourse factoring, the factor makes the credit-granting decision, and the factor bears the risk of nonpayment; in with-recourse factoring, the firm does both (Mian & Smith,1992). Sometimes, companies only pay attention to their business task but do not focus on managing and recovering accounts receivable, gradually increasing accounts receivable constantly (HongMei,2007). For better management, the company can use a factoring financial tool or method of managing accounts receivable as accounts receivable factoring, which entails the customer selling a bank or other company the right to collect the money from his counterparties (Elena, 2022). Because of the lack of risk consciousness, firms give more credit without evaluating customers' ability to pay their credit, which leads to more tax on assets (HongMei,2007). Only enhanced internal monitoring and control of accounts receivable, strengthening daily management and integrating



accounts receivable can produce the desired outcome. (HongMei,2007).

Patrick (2020) examines the impact of accounts receivable on manufacturing companies. The study finds a favorable correlation between the account receivable period and the return on assets for companies (Patrick,2020). On the other hand, the study argues that if firms tighten their credit policy, it will reduce accounts receivable and free up cash; it can also face an offsetting decline in net sales (Patrick,2020). If these issues are not addressed, manufacturing enterprises may fail, severely impacting working capital management and firm value (Patrick, 2020).

Singh et al. (2021) have explored the association between customer accounts receivable

and customer-related performance, which is also partially mediated by the relationship-oriented approach of salespeople (Singh et al.,2021). It is mentioned that customer payment defaults may cause businesses to face several issues, affecting not just the revenue cycle but also the relationships between the business and its clients (Singh et al.,2021). It also negatively affects the sales force's performance and motivation, which lowers customer satisfaction and the company's service obligations (Singh et al.,2021).

Hasan and Saha (2014) studied a Bangladeshi company where the best credit policy for their clients is to limit the cost of such credits, including bad debt losses and the amount overdue. To ensure proper regulation, the company always gives their

accounts services entry on the first day of every week so that management can make decisions; they also keep doubtful debt at 1% of total accounts receivable for general provision, and for writing off, they seek approval from management (Hasan & Saha,2014). The study also discovered that cash discount is an effective way to collect credit from their clients and attract new customers (Hasan & Saha,2014). The study suggested improving performance feedback, maintaining current organizational changes, linking plans with more significant objectives, setting benchmarks for the industry and organizational success factors, and having post-project meetings to assess both accomplishments and weaknesses (Hasan & Saha,2014). This holistic strategy promotes continuous improvement and alignment with organizational goals (Hasan & Saha,2014). Even organizations' sustainability may be strengthened by the dedication of appropriate accounts receivable management strategy (A I - M a h m o u d , 2 0 2 0) . Theoretically, an efficient team approach to managing accounts receivable brings in the department of credit control (Ndebugri & Senzu,2017).

From an accounting regulatory perspective, to ensure an efficient and effective accounts receivable management, IFRS 9 provides a simplified approach

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<p>to the measurement of loss allowance and a provision matrix to measure lifetime expected credit losses for trade receivables. Following the simplified approach under IFRS 9, the loss allowance for such trade receivable is always measured at an amount equal to the lifetime expected credit loss.</p> <p>IAS 36 standard's principal requirements provide the procedures an entity must apply to ensure that its assets are not carried at amounts higher than their recoverable amount (IFRS, 2023). If an asset's carrying amount is more than its recoverable amount (the amount to be recovered</p>	<p>through the use or sale of the asset), an impairment loss is recognized (IFRS, 2023).</p> <p>Based on the following discussion on accounts receivable measurement, management implies the following critical features as follows:</p> <p>Research Methods and Methodologies</p> <p>This is a case study research, qualitative in nature, that creates the potential for a richer understanding of organizational accounts receivable (Lee et al., 2007). Data collected through participatory work and</p>	<p>observation also makes this study empirically rich. This case study relied on multiple sources of data, both primary and secondary sources. The second author worked at this merchandise company, which is anonymized as MR, a private merchandiser company. MR consists of almost 70 employees and has five divisions. This research was done in the paint division from January 2023 to June 2023, where they usually sell products on account. MR mostly tries to collect the money that is due over 90 days as per their policy; but MR also collects money from recent sales. At the paint division, on every 2nd and 4th Saturday, the</p>
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	Current	1-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due
Default rate	0.3%	1.6%	3.6%	6.6%	10.6%

Risk and precautions:
Customer relationships and sales performance (Surikova, E., Kosorukova, E., Krainova, I. and Rasskazova, M.,2022).
Customer payment defaults may cause businesses to face several issues, affecting not just the revenue cycle but also the relationships (Singh, R.P., Singh, R. and Mishra, P.,2021).
Sustainability and Accounts Receivable Management must keeping up with other areas of corporate management (Al-Mahmoud, M. and Nobanee, H.,2020).

Efficient management technique: Urged for a strategic approach for receivable management (Asselbergh, G.,1999).
Emphasis on establishing Credit monitoring System (Mei, H.,2008).
Proposes factoring and Hedging (Elena,2022).

Measure: IFRS 9 proposes a provision matrix for the measuring of expected credit losses for trade receivable (IFRS,2023).



accounts & finance department sit for a meeting where update is shared with sales executives about the receivables they have forecasted before, which they will bring from their clients before the time expires or before the 60 or 90-day limit.

The data has been collected through observation, meeting minutes, and conversations with the sales executive and other employees. An unstructured interview (see Annexure), observation, and participatory work experience are also considered. The researcher used SAP and Oracle software to post and keep accounting

records. Appropriate ethical approval has been taken before the experience is incorporated into this research. The second author's work responsibilities include doing analysis and comparison among the customers and preparing the accounts receivable aging schedule that identifies delinquent accounts, predicts cash flow, highlights potential bad debts, and informs credit and collection strategies (Bala, A., 2023).

As a secondary source of data for office documents, different journals, articles, and research papers have also been

considered. Ultimately, data triangulation has been applied to ensure data verifiability and reliability.

Empirical Evidence

After the COVID crisis, MR expanded its business as demand for and sales of its products increased daily, which is why MR recruited more employees. Another extensive facility was to keep all its records in Oracle software, but during Jan-June 2023, MR slowly shifted to SAP software.

In this division, for the six months in January to June 2023, their total sales were BDT 17.02 mn, and they received BDT13.80 mn. Their total outstanding from the very beginning was BDT 52.86 mn, which is three times greater than the sales and almost four times greater than the total collection. This indicates that their outstanding or account receivable amount is relatively high, continuing from previous sales.

Overall Account Receivable, 6 Months Analysis (January - June 2023):

Study below shows the depiction of an overall paint division account receivable from sales to collection and a collection forecast. Here is an upward and downward trend for sales throughout the last six months. MR sold the most products during these six months in January and June 2023. As for the monthly

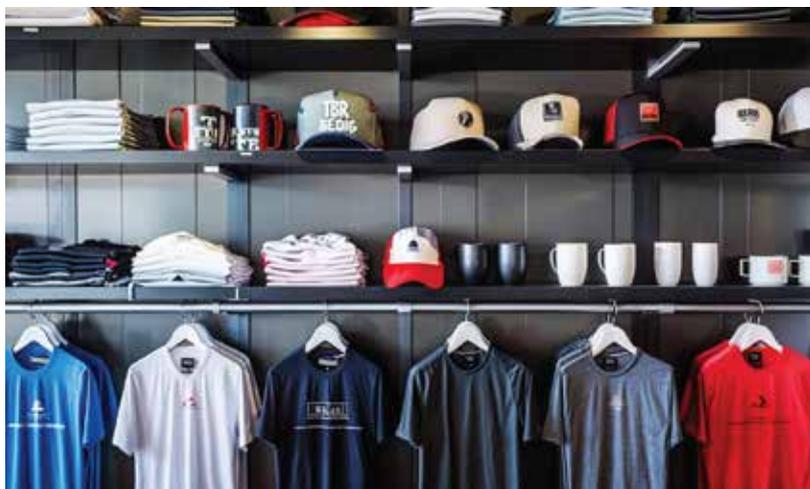
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<p>collection, from January to March, their collection showed an upward trend, and till April 23, there was massive growth. However, due to the festive vacation (Eid al-Adha) in June, the company collected half in May, which is why in June their collection amount dropped quite drastically. Compared to the collection with the monthly forecast, every time other than in January, they have failed to collect their receivables as per the forecast. In March, MR forecasted BDT 4.34 mn in collection, but the sales executives could collect only BDT 1.76 mn. From January to March, their outstanding balance kept growing, which indicates two things: more credit sales and being unable to collect sufficient receipts to minimize their total outstanding amount. Nevertheless, as in</p>	<p>April and May, they were able to collect a huge number of receivables, their outstanding amount started to fall before the Eid vacation (the biggest religious festival of Muslims). However, by the festive vacation, their outstanding amount had again gone up because during vacation (Eid) time they could not collect receivables from their customers.</p> <p>Data shows at the end of the year in Dec 2022, the total outstanding was BDT 2.88 million, sales were BDT 0.21 million, and the collection was BDT 1.15 million; however, from January to June 23, total outstanding increased to BDT 52.86 million, sales were BDT 17.02 million, and the collection was BDT 13.80 million. (The total receivable amount is the</p>	<p>cumulative amount since the very beginning of the company's business) So, during these six months, their receivables increased a lot, which indicates that during these six months, their outstanding went up relatively high in comparison to sales and collection. If we compare the difference between sales, collection, and outstanding, then it is quite visible that their outstanding is way more than their sales and collection, which indicates that their credit policy is weak, which can lead to a liquidity crisis.</p> <p>Bad Debts</p> <p>At MR, in the case of measuring bad debts, the direct written-off method has been followed. As bad debts are measured, they emerge only when a client</p>
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MR's Sales, Collection and Receivable Balance: January-June 2023

Figure: Last 6 Months Sales, Collection & Outstanding (Jan 2023 -Jun 2023)





refuses to pay. When credit is offered to clients, bad debts are a possibility. They occur when a corporation gives too much credit to a consumer who cannot repay the debt, resulting in a late, reduced, or missed payment. MR also has some bad debts created when customers do not want to settle that amount for any reason. When clients cannot reconcile the receivable, the company sometimes takes that amount as bad debt. MR has also considered some tax and VAT deducted at Source (TDS/VDS) as bad debt.

At MR, a bad debt can also emerge when a consumer misrepresents a credit transaction and has no intention of ever paying the vendor. In general, this company's bad debt amount is not so high. As for TDS/VDS, it can be a maximum of BDT 10,000; otherwise, it does not cross more than BDT 50,000. However, the paint division has

not had that small write-off amount for the last six months till June 2023, which indicates that it does not affect their profitability or cash flow.

Ageing Report

An accounts receivable ageing report records past-due invoices, accounts receivable, or unused credit memos with periodic date changes. By creating an ageing report, MR is able to find out which customers are late, tenor of delay and how much customers owe as per their ageing bucket. The data shows that the outstanding amount rose 17.35%, whereas the collection amount rose only 11%, but the sales rose by 80.05% during these six months. The top 5 customers account for most of the company's sales, collection, and receivables. The top 5 customers held 70.27% of total sales, 60.65% of total collection and 66.72% of cumulative receivables.

Features of Accounts Receivable Management at MR

A timely evaluation of the write-off amount has been done in front of the directors to measure bad debts. Then, the company maintains regular contact with its receivable clients by sending them a credit balance confirmation letter. However, MR's bad debt amount is also not that high, and they do not calculate it on a regular basis. In that division, for the last 6 months, they have not had a write-off amount till June, which indicates that it does not affect their profitability or cash flow.

In contrast, the outstanding amount is quite high, which can affect their liquidity and solvency. During festival time, MR had to drastically collect their receivables. As MR could not forecast collection properly, a liquidity crisis arose during the festival when bonuses were due to employees. MR even had to face a liquidity crisis for some days to open a new LC.

At MR, there are severe issues with accounts receivable management. MR follows the direct write-off method, which is unacceptable by IFRS and GAAP (Kaiso et al., 2022). Not keeping provisions on accounts receivable violates the true and fair view of accounting principles. As such, MR's balance sheet keeps unrealistic accounts receivable. Not keeping provisions and regular adjustment of bad debts, sales revenue remains unadjusted against bad debts and

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provisions that even violate the prudence concept of accounting. Evidence also suggests that a lack of effective collection policy can result in a working capital shortage.

Discussion and Conclusion

This case study illustrates receivables impact directly related to an organization's liquidity, which in turn affects how efficiently the business is run (Elena,2022). In a general sense, profit is calculated based on sales revenue, which does not necessarily ensure liquidity. Efficient accounts receivable management knows with certainty how much of its current accounts receivable will be turned into cash at some point in the future (Elena,2022). However, in this case, MR carries forward the accounts receivable, which creates liquidity concerns and an unnecessary tax burden on assets.

This study has also revealed the need for more knowledge and awareness of the account receivable management practice so that liquidity crisis can be averted, which is quite alarming for the financial sustainability of a small firm. The difference between sales, collection, and outstanding is quite visible; outstanding is way more than sales and collection, which indicates that MR's credit policy is weak and inefficient in working capital management. Whether the collection process is inefficient, the factor bears the risk of non-payment (Mian & Smith,1992). Ultimately, accounts receivable collections have a definite effect on working capital management.

Issues in bad debt calculations occur when in not publicly accountable companies, such as small and medium companies, do not follow IFRS 9 guidelines. MR does not make provisions for doubtful full debts as per

IFRS 9 guidelines. Consequently, the issue remains in sales revenue calculation. In addition, the direct written-off of bad debt practices fails to produce material information for decision-making.

Recommendations to Improve Accounts Receivable Management at a Small Firm

A balanced level of liquidity must be maintained with careful handling of accounts receivable (Elena,2022). Incentives must be established to expand the appropriate resources for collecting and processing credit-granting information. It also suggests making the credit-granting decision about the responsibility for bearing the credit risk and collecting the accounts receivables (Mian & Smith,1992). As such, a deductible provision and expenditures on information acquisition must be used in credit granting and collection (Mian & Smith,1992).

To improve the collection of accounts receivable, MR must consider credit standards, credit conditions and collection policy. The company also needs to strengthen the daily management of accounts receivable (HongMei,2007). Nonetheless, this research recognizes the issues of inefficient accounts receivable management and argues for a standardized methodology for analyzing accounts receivable management techniques to promote improved reporting



procedures (Asselbergh,1999). By resolving the concerns found in this study, small enterprises can strengthen their capacity for making decisions and managing their finances. Thus, this case study has contributed to understanding both the theory and practice of account receivable management at a small firm(Lee et al., 2007).

Annexure

Unstructured interview
Question sample:

- What is the company's credit collection due time?
- Which write-off method does MR follow?
- How frequently does the company evaluate its bad debt amount?
- Do they prepare ageing reports for accounts receivable? If so, how often?
- Do they collect TDS/VDS?
- How frequently does the accounts department hold review meetings with their sales department?
- What type of method do sales executives use to collect their receivable amount?
- Does the company keep sales and purchase information, invoices, and vouchers manually or through accounting software?
- Why is their account receivable amount so high regarding their collection, and how do they generate profit?

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Auditor Biases: Exposing Insights and Strategies for Overcoming Challenges

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The article was reviewed by
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Abstract

Like any other professionals, auditors may be susceptible to many behavioral biases that can affect their judgements and decisions during audit. Common types of auditor biases include confirmation, overconfidence, anchoring, familiarity, hindsight, representation, and groupthink. Understanding, finding, and mitigating auditor biases are integral to ensuring unbiased auditing and providing accurate audit opinion. Proactive measures to address auditor biases contribute to a reliable and adaptable audit practice.

Auditor Biases

Auditor biases refer to the predispositions or subjective influences that may affect the judgment and decision-making of auditors during audit process. These represent systematic patterns of deviation from objective standards or norms in the judgment and decision-making processes of auditors. These biases can impact the way auditors gather, interpret, and evaluate information during the audit process which potentially can lead to errors, oversights, or skewed assessments.

Importance of Understanding and Mitigating Auditor Biases

Biases can significantly impact auditors' judgments and compromise the reliability of auditing. Thus, understanding

and mitigating auditor biases is crucial for auditors. Here are key reasons why understanding and mitigating auditor biases is important:

- I. **Maintain objectivity and independence:** Auditors are expected to maintain a high level of objectivity and independence when evaluating financial information. Bias can compromise these essential qualities. Recognizing and addressing biases help auditors to ensure that their judgments and conclusions are based on a fair and unbiased assessment of the evidence.
- II. **Maintain professional skepticism:** Professional skepticism, which is a cornerstone of the audit profession, can be undermined with bias (ACCA Global, 2022). Understanding and addressing biases are essential for maintaining a healthy level of professional skepticism, helping auditors remain vigilant and alert to potential issues.
- III. **Proper risk identification and assessment:** Auditors must identify and assess the risks of material misstatement in financial statements. Bias can distort the perception of risks leading to inadequate risk assessment. Addressing biases enables auditors to more accurately identify and evaluate risks and

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ensure that audit procedures are appropriately tailored to the specific risks identified.

- IV. Reliability of financial reporting: The primary purpose of an audit is to provide assurance on the reliability of financial statements. Biases in the audit process can undermine this objective by influencing the auditor's assessment. Mitigating biases ensures that auditors make decisions based on the merits of the evidence and contribute to the reliability of financial reporting.

Regulatory Guideline on Auditors' Biases

While general auditing principles and International Standards on Quality Management (ISQM) Framework doesn't explicitly address auditor biases, however, they underscore essential concepts such as independence, objectivity, and professional skepticism. These foundational principles are integral to the effective functioning of the audit process and are inherently linked to the understanding and mitigation of biases. By emphasizing these principles, auditing standards and ISQM implicitly acknowledge the

significance of managing biases within the audit profession. The expectation is that auditors will actively work towards minimizing any subjective influences that could compromise their ability to form unbiased and objective opinions on financial statements.

ISA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing emphasizes the importance of professional skepticism throughout the audit process. Professional skepticism is crucial for auditors to approach the audit with a questioning mindset, avoiding undue influence from biases (Kelly and Larres, 2023). ISA 220 Quality Management for an Audit of Financial Statements focuses on the principles of independence and objectivity. Biases, if unchecked, can compromise auditor independence and objectivity. Adhering to this standard requires to develop and promote a culture of continuous improvement, aiding in the identification and mitigation of biases. ISA 500 Audit Evidence addresses the use of professional judgment in forming an opinion on the financial statements. Biases can affect the exercise of professional judgment. Biases can influence the selection and interpretation of evidence. Adherence to ISA promotes a systematic and objective approach to gathering evidence, helping auditors recognize and mitigate biases that may impact



the reliability of audit procedures.

International Standards on Quality Management (ISQM) Framework primarily focuses on the quality management for firms that perform audits, reviews, and other assurance engagements (IAASB, 2019). It provides a comprehensive approach to managing quality at the firm level, covering various aspects of the audit process. Maintaining quality is subject to ensuring and upholding independence, objectivity, and professional skepticism. Biases can significantly impact and

potentially compromise auditors' independence, objectivity, and professional skepticism. Auditors need to understand and mitigate biases to maintain independence, objectivity, and professional skepticism at engagement and firm level.

Auditors Biases and Mitigation Strategies

Here are brief description and recommended mitigation strategies of these common types of auditor biases:

(i) Confirmation Bias: Confirmation bias in auditing refers to the

tendency of auditors to favor information that confirms their preexisting beliefs or expectations while ignoring or downplaying information that contradicts those beliefs. This cognitive bias may result in skewed judgment and decision-making.

Manifestations of Bias

1. **Planning and risk assessment:** Auditors might unconsciously seek evidence that supports their initial assessment of the client's financial statements. This can lead them to overlook potential risks or areas that require more scrutiny.
2. **Data and information collection:** Auditors might subconsciously give more weight to information that confirms their expectations and overlook or underemphasize data & information that challenge to those expectations.
3. **Interpreting evidence:** Auditors may interpret ambiguous evidence in a way that conform to their initial expectations. This can result in overlooking signs of potential misstatements.
4. **Sampling and testing:** Auditors may consciously or unconsciously choose samples that support their expectations rather than following a random and unbiased approach.

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5. Evaluation of management representation: Auditors may rely on the management representation without critically evaluating or corroborating the information.

Recommended Strategies **Mitigation**

- o Maintaining professional skepticism: Auditors should approach with a critical and questioning mindset that their initial expectations can be incorrect.
- o Using independent evidence: Relying on independent sources of evidence rather than solely depending on information provided by the client (Subedi, 2022).
- o Peer review and consultation: Regular consultation with colleagues and subject

matter experts can provide alternative perspectives.

(ii) Overconfidence Bias:

Overconfidence bias in auditing refers to auditors' tendency to overestimate accuracy of their own abilities, knowledge, and judgments. This bias can lead auditors to be overly confident in the accuracy of their audit decisions and potentially overlooking risks, errors, or areas that require more thorough investigation.

Manifestations of Bias

1. Risk assessment: Overconfident auditors may underestimate the risks associated with an audit engagement. This can lead to an inadequate planning and a failure to allocate sufficient resources to areas that may pose significant risks.

2. Materiality determination: Overconfident auditors may set materiality level too high and this create a scope to overlooking misstatements or irregularities that fall below the threshold.
3. Sampling and testing: Auditors may rely on limited samples and testing assuming that their initial findings are representative of the entire population. This can result in collection of insufficient evidence.
4. Reliance on past success: Auditors who have experienced success in previous engagements may become overconfident in their abilities assuming that their past performance guarantees future success. This can lead to complacency and a lack of thoroughness.

Recommended Strategies **Mitigation**

- o Encourage professional skepticism: Auditors should cultivate a skeptical mindset, questioning assumptions, and remaining vigilant to potential biases.
- o Objective review: Seek an independent review of audit judgments and decisions to provide alternative perspectives and identify potential areas of overconfidence.
- o Use of audit tools and procedures: Employ systematic audit tools and



procedures to guide the audit process and minimize reliance on subjective judgments (Bettinghaus, Goldberg, and Lindquist, 2014).

(iii) Anchoring Bias: Anchoring bias in auditing refers to the tendency of auditors to rely too heavily on initial pieces of information (anchors) when making judgments or assessments even when subsequent information becomes available. This bias causes auditor to anchor their decisions based on initial estimates, figures, or expectations without considering new information.

Manifestations of Bias

1. Initial assessment of materiality: An auditor might anchor their materiality threshold early in the audit based on

preliminary financial figures provided by the client. Subsequent adjustments to materiality might be insufficiently considered.

2. Use of previous year's figures as anchors: Auditors may anchor their expectations for current-year financial results based on figures from the previous year. This can influence the assessment of changes in account balances and may lead to an underestimation of potential discrepancies.
3. Overreliance on preliminary analytical procedures: Auditors might conduct preliminary analytical procedures early in the audit and anchor their expectations to these initial findings. This can lead to a reluctance to adjust expectations based on subsequent testing.

Recommended Strategies

Mitigation

- o Conduct awareness trainings: Conduct training sessions to educate and raise awareness among audit team members about anchoring bias and its effect.
 - o Rotate audit team members: Implement a rotation system for audit team members on periodical basis to reduce the risk of long-term familiarity with clients. Fresh perspectives will help to mitigate the influence of anchoring.
 - o Diverse information gathering: Encourage audit team members to gather information from a diverse range of sources. Avoid overreliance on initial data or estimates and ensure a comprehensive evaluation of all relevant information.
 - o Scenario analysis: Conduct scenario analyses to explore different possibilities and outcomes. This will help to consider a range of potential values rather than anchoring on a single point.
- (iv) Familiarity Bias:** Familiarity bias in auditing refers to the inclination of auditors to place undue trust or reliance on information and clients with which they are familiar mainly due to longstanding relationships and/or past positive experiences.

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Manifestations of Bias

1. Overweight positive history: Auditors may place overweight on positive experiences with a client and assume that past performance is indicative of the current state. This may result in a failure to evaluate risks or closely examine any changes that have happened since the prior audit.
2. Reluctance to challenge management: In well familiar client relationships, auditors could be reluctant to question management's assertions or representations. This unwillingness may lead to the acceptance of information without proper vetting.
3. Failure to challenge familiar procedures: Auditors may be less likely to critically evaluate the audit procedures that have been traditionally applied in familiar engagements. Such resistance may lead to overlooking the need for adjustments in response to evolving audit risks.

Recommended Strategies Mitigation

- o Rotate team members: To avoid developing a close relationship with clients over time, rotate team members on a regular basis.
- o Foster a culture of professional skepticism:

Encourage audit team members to challenge assumptions and avoid taking familiarity for granted (Bettinghaus, Goldberg, and Lindquist, 2014).

- o Seek external review or consultation: Arrange external reviews or consultations to provide an independent review on the audit process.

(v) Hindsight Bias: Hindsight bias, also known as the "I-knew-it-all-along" phenomenon, happens in auditing when auditors perceive events as having been predictable or expectable after they have already occurred. This affects how auditors evaluate the reasonableness of financial statement assertions and the effectiveness of audit procedures.

Manifestations of Bias

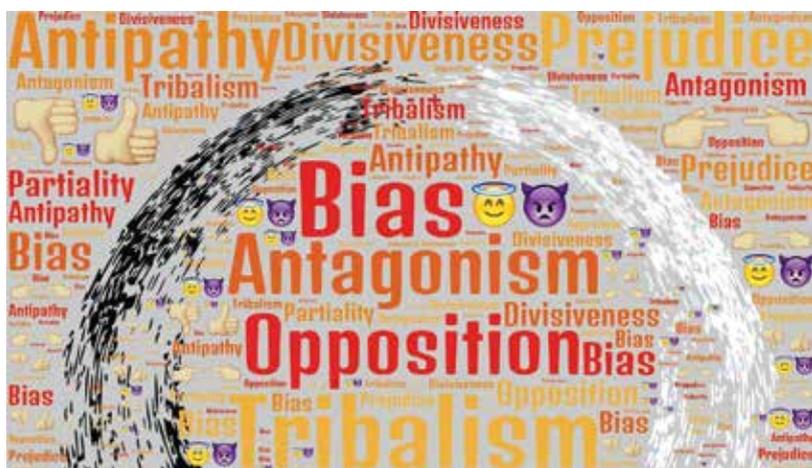
1. Materiality determination: Auditors may, after identifying a material misstatement, believe that they should have a lower materiality threshold. This bias influences the auditor's judgment in subsequent audits by potentially leading them to be more conservative materiality threshold set-up.
2. Internal controls evaluation: Auditors, after identifying control deficiencies, may

believe that they should have foreseen these issues earlier. This bias affects the auditor's assessment of the design and operating effectiveness of controls by potentially leading them to overestimate their ability to predict control failures.

3. Identification of red flags: Auditors may feel that they should have recognized red flags or indicators of potential issues during the audit especially when a financial misstatement is discovered. This bias affects the auditor's retrospective assessment of their ability to identify warning signs in next time.

Recommended Strategies Mitigation

- o Encourage professional skepticism: Foster a culture of professional skepticism where audit team members will feel free to approach each audit with a critical and questioning mindset.
- o Document decision-making rationale(s): Encourage audit team members to document their decision-making processes by covering the factors considered and rationale behind the selected procedures.
- o Post-audit reviews: Conduct post-audit reviews to analyze the accuracy of audit procedures and identify areas for improvement.



(vi) Representation

Bias:

Representation bias, also termed as sample selection bias, occurs in auditing when the sample used in an analysis is not representative of the entire population and non-representative sampling results in unreliable conclusion. In auditing, representation bias can have significant implications for the reliability of audit findings and overall audit quality.

Manifestations of Bias

1. Non-random sample selection: The use of non-random sampling methods, where certain items are intentionally included or excluded, can introduce bias.
2. Exclusion of risky elements: Auditors might intentionally or unintentionally exclude high-risk elements from their sample. This leads to a

representation of the population that downplays potential risks or material misstatements.

3. Failure to consider population characteristics: Auditors may overlook certain characteristics or segments of the population and select a biased sample that does not capture the diversity of the population. This oversight can result in an incomplete understanding of the financial statement assertions.

Recommended Mitigation Strategies

- o Rely on random sampling techniques: Use random sampling methods to ensure that each item in the population has an equal chance of being selected. Random sampling helps reduce the risk of bias and enhances the generalizability of audit

conclusions to the entire population.

- o Rely on stratified sampling: Divide the population into subgroups (strata) based on relevant characteristics and then conduct random sampling within each stratum. This approach helps ensure that each subgroup is adequately represented in the sample.
- o Inclusion of high-risk elements: Include high-risk elements in the sample to ensure that potential irregularities or material misstatements are not overlooked. This helps auditors identify and address areas with a higher likelihood of misstatement.
- o Regular review of sampling methods: Periodically review and update sampling methods to account for changes in the audit environment and to address any potential biases that may have emerged.

(vii) Groupthink Bias: Groupthink bias occurs when a team member tends to show harmony and agree with consensus without critical evaluation and independent thinking. During audit process when ET members collaborate to assess and provide opinions, groupthink bias may happen.

Manifestations of Bias

1. Intrinsic mental pressure for consensus: Audit team

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<p>members may intrinsically feel pressure to agree on the senior team members' decisions to avoid any conflict.</p> <p>2. Suppression of dissent: Audit team members may hesitate to voice dissenting opinions or concerns if they perceive that the majority of the group holds a different view. Fear of being seen as disruptive or going against the group norm can lead to the suppression of alternative perspectives.</p> <p>3. Overestimation of the group's capabilities: Audit team may develop a flawed belief regarding group's competence and the accuracy of its decisions. This overconfidence can result in the neglect of potential risks or shortcomings in the audit process.</p>	<p>o Rotate team members: Rotate team members within an audit team periodically to prevent the development of entrenched group dynamics.</p> <p>Conclusion</p> <p>Based on the above discussions, if auditors can be free from all these biases or address those with their professional skepticism, strategies, tools, techniques etc, the quality of audit will improve meeting the expectations of stakeholders of audited financial statements to a large extent.</p> <p>References</p> <p>ACCA Global (November 2022). Retrieved December 05, 2023, from The various biases in audit: https://abmagazine.accaglobal.com/global/articles/2022/nov/practice/the-various-biases-in-audit.html</p> <p>ACCA Global (2016). Retrieved December 07, 2023, from Banishing bias? Audit, objectivity and the value of professional scepticism: https://www.accaglobal.com/content/dam/ACCA_Global/Technical/audit/pi-banishing-bias-prof-scepticism.pdf</p> <p>ACCA Global (2022, November 02). Retrieved December 04, 2023, from Professional scepticism and cognitive biases in audit: lessons learned from inspection findings: https://www.accaglobal.com/gb/en/professional-insights/global-profession/professional-scepticism-cognitive-biases-audit.htm</p>	<p>l?_gl=1*p6nbmv*_ga*MTg5ODI4OTc4MC4xNjk5OTg4NTM2*_ga_J7W3P5MX6E*MTcwMjEwNjAzOS4xLjAuMTcwMjEwNjAzOS4wLjAuMA..</p>	<p>Bettinghaus, B., Goldberg, S., & Lindquist, S. (June, 2014). Avoiding Auditor Bias and Making Better Decisions. The Journal of Corporate Accounting & Finance, Volume 25, Issue 4.</p> <p>IAASB (February, 2019). Retrieved December 03, 2023, from Professional skepticism lies at the heart of a quality audit: https://www.ifac.org/_flysystem/azure-private/publications/files/IAASB-Professional-Skepticism-Focus-Feb-2019.pdf</p> <p>Kelly, M., & Larres, P. (December 2023). Enhancing the auditor's mindset: a framework for nurturing professional skepticism. Journal of Accounting Literature.</p> <p>Subedi, M. (2022, October). SSRN. Retrieved October 05, 2023, from Independent Audit Matters: Mitigation of Auditors' Independence Issues and Biases: https://ssrn.com/abstract=4220220</p>
<p>Recommended Strategies</p> <p>o Encourage brainstorming: Seek and obtain inputs from audit team members with different backgrounds and experiences. This will help to identify blind spots and promote robust analysis.</p> <p>o Promote a culture of questioning: Promote a culture where audit team members will feel free to question assumptions and voice against nonconforming opinions without fear of reprisal.</p>	<p>Mitigation Strategies</p>		

Opinion

Professionalism with ICT Skills: Relevance with CEO's Responsibilities

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Introduction

In the workplace, every person wants to establish him/herself and achieve the highest peak, i.e. to become the head of the organization. Therefore, as a professional accountant, the highest position of a Chartered Accountant is not Chief Financial Officer (CFO), but the highest position will be Chief Executive Officer (CEO) i.e. Managing Director (MD) of the organization. If you want to establish yourself as the head of the organization, then it is necessary to acquire many skills and experiences.

In AI (Artificial Intelligent) era today's dynamic and complex business environment, the role of a CEO really demands more than accounting, finance and analytical expertise. We, chartered accountants, aspiring to become CEOs, must blend our strong foundational skills with advanced Information and Communication Technology (ICT), decision making capabilities for the sustainability of the organization. And this combination of professionalism and ICT proficiency is critical for navigating the complexities of modern business, driving innovation, and making informed strategic decisions to achieve the goal.

Global Study and Research on Skills of CEOs

PwC's 27th Annual Global CEO Survey shows that US CEOs are growing more enthusiastic

about deploying generative AI as part of their strategic plans to accelerate business model reinvention. Research paper developed by Daniel D. McLean, Amy R. Hurd and Ryan R. Jensen on Using Q-methodology in competency development for CEOs in public parks and recreation mentioned competencies have long been recognized as important attributes and skills for managers and leaders to possess. The NORTHWEST Executive Education identified five important skills that every CEO should have for lead the organization, they are (1) Strategic planning and execution, (2) Financial management, (3) Leadership and team management, (4) Problem-solving and decision-making, and (5) Communication and presentation skills.

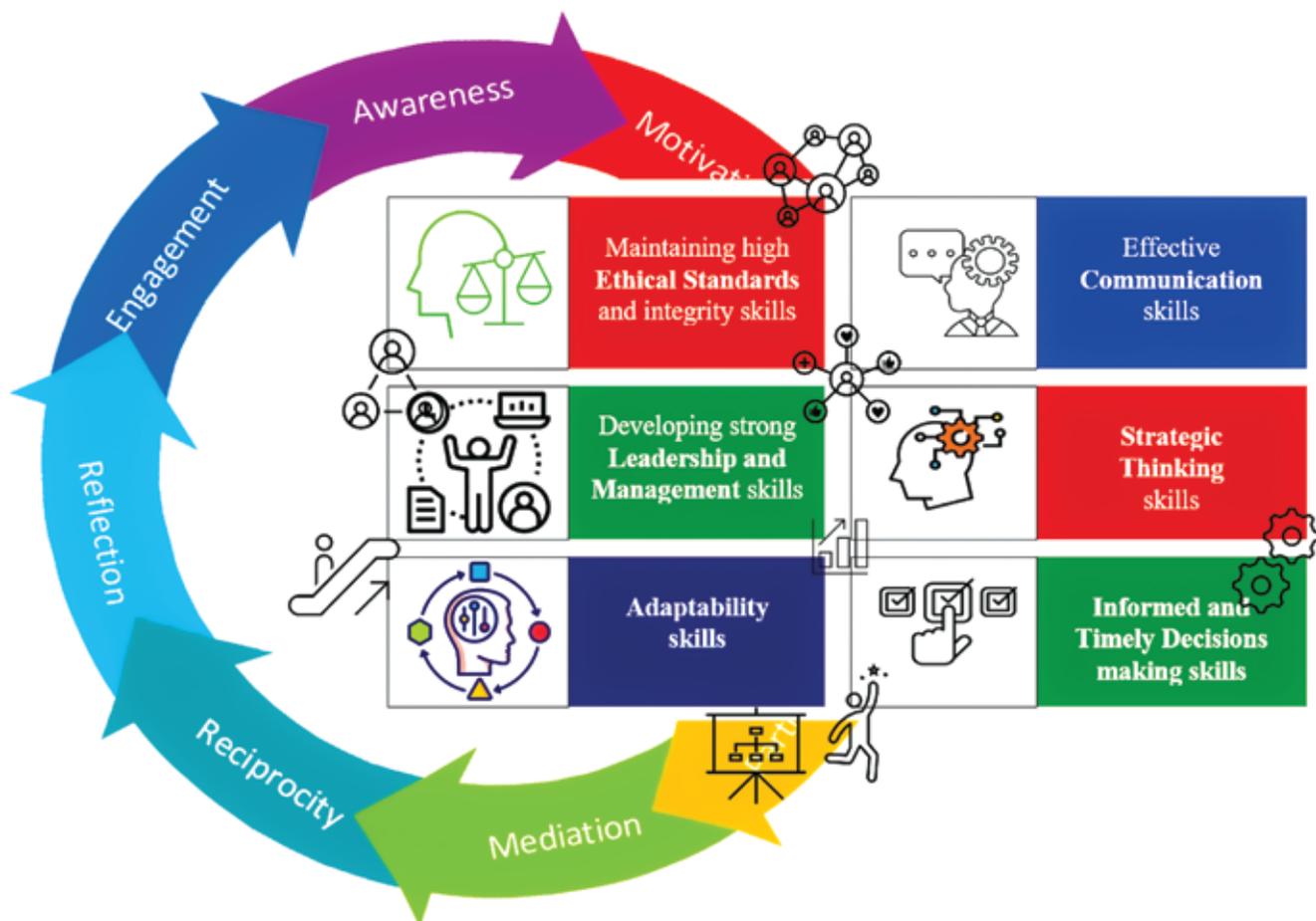
Professionalism Involves Several Key Characteristics that are Essential for a CEO

Competence, Relevant Knowledge, Conscientiousness, Integrity, Respect, Emotional Intelligence, Appropriateness, Confidence, Leadership, etc. lead a person professional which allows someone to influence and guide others that essential for a CEO. We can consider the following important points along with these arguments:

- Corporate Ethical Standards: It is crucial to maintain high ethical standards

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and integrity, but CEOs must lead by example and set the tone for corporate ethics and compliance effectively.

- **Effective Communication Skills:** To convey visions, strategies, and directives clearly by the CEOs, effective communication, both verbal and written, is vital for him or her.
- **Strong Leadership and Management:** To inspire

and guide teams towards achieving organizational goals, must develop strong leadership and management skills.

- **Alignment with Strategic Thinking:** To align with the company's mission and vision, have to be able to think strategically and make long-term plans for sustainability.

- **Decision-Making and Judgment:** Based on thorough analysis and sound judgment, CEOs must make informed and timely decisions for achieving the business attainable and sustainable goal.
- **Adaptability Skills:** CEOs required to navigate and lead through change is essential in the ever-evolving complex business landscape.



ICT Skills Help an Accountant become a CEO

In today's complex digital economy ICT skills are increasingly important and can significantly enhance an accountant's efficiency and effectiveness. Basic ICT skills for a prospective CEO include:

- **Managing Business Data Analysis:** For business decision-making by the CEO required proficiency in data analytics tools to analyze financial data and derive insights.
- **Proficiency in Financial Software:** The skills to use

accounting software, a CEO will be able to generate financial reports correctly and on time, thereby reducing the dependence on others. This skill should be possessed by a CEO.

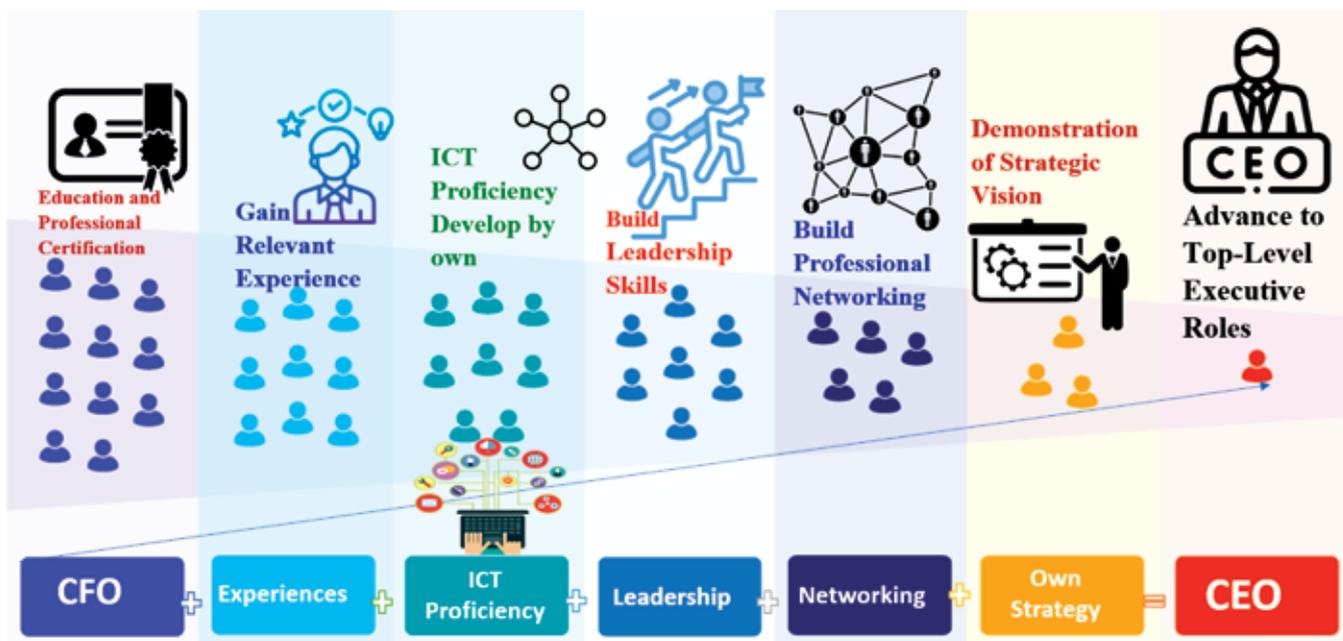
- **Cybersecurity Awareness:** By the CEO understanding the importance of cybersecurity and how to protect sensitive financial data.
- **Knowledge of ERP Systems:** To streamline business processes and improve efficiency a CEO requires experience with Enterprise Resource Planning (ERP) systems.

- **Lead to Digital Transformation:** By the CEO leading digital transformation initiatives to enhance business processes and stay competitive in the market.

Lead to CEO from Professional Accountants

One cannot suddenly become a CEO. He or she has to study, to acquire excellence and must gain relevant experiences. Above all, s/he needs the help of the surrounding environment. Following a step-by-step pathway that combines professionalism and ICT skills with experiences to establish oneself as a CEO:

Professionalism with ICT Skills:
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Education and Professional Certification

After achieving the minimum educational qualifications, the first step is to establish yourself as a qualified accountant by studying as a professional accountancy.

Gain Relevant Experience

In the field of work, one can gradually establish oneself in a higher position, starting with a small one in real life work. That requires practical experience, skills and a thorough understanding of the sector you are working in or will be working in and business willingness to see or think about the future with a long view. Also need to gain experience in different industries to broaden your perspective and expertise.

ICT Proficiency Develop by Own

No one will teach you. You must teach ICT yourself. This learning will be for their own survival. You must be proficient in ICT to hold your position. The necessary skills must be mastered within oneself, and survival is possible only by doing so. Stay updated with the latest technological advancements in the business accounting and finance sectors.

Build Leadership Skills

If you want to establish yourself, you must awaken the leadership scale and sharpen yourself so that the leadership skills increase constantly. A good CEO is one who has good leadership skills. You must take on leadership roles within your

organization to develop management and strategic planning skills.

Build Professional Networking

In today's age it is very difficult to work without networking. This networking should be professional and if all the stakeholders can be well networked professionally, then surely the overall functions will be done well. So that business goals will be achieved. That's why now-a-days networking is heavily emphasized. We must join professional organizations and networks to connect with other professionals and leaders in our field.

Strategic Vision Demonstration

The skills you have inside, the fact that you can do it, need to

be visible. Because if the organization does not know the efficiency and capacity that you have, then it will be difficult to reach the desired goal. To present one's strategic capacity one must choose and present the field in such a way that others can accurately perceive it. This will build the confidence to step up business leadership. So, show your capability to lead digital transformation initiatives within your organization.

Advance to Top-Level Executive Roles

Competency, practical experience, multi-dimensional knowledge to bring oneself to such a level that the capacity to lead the organization in any situation as a top management is acquired. So, have to continue to demonstrate your leadership, strategic vision, and ICT proficiency. And it is through these skills that one can position oneself as the CEO of an organization, which is the dream of all working professional accountants.

Conclusion

Our institutional leading system may turn into ICT base because of present demand in the more complex business environment. It is true that strong analytical and financial skills, excellent commercial acumen across all business areas, leadership skills, stakeholder management, a dedication to continuous improvement and development, by combining professionalism with advanced ICT skills and

experience, professional accountants can position themselves as forward-thinking leaders ready to take on the challenges of a CEO role. This blend of attributes enhances their technical capabilities and equips them with the strategic and leadership qualities necessary to lead organizations successfully. A professional accountant can become the CEO of an organization through his skills, experience and passion.

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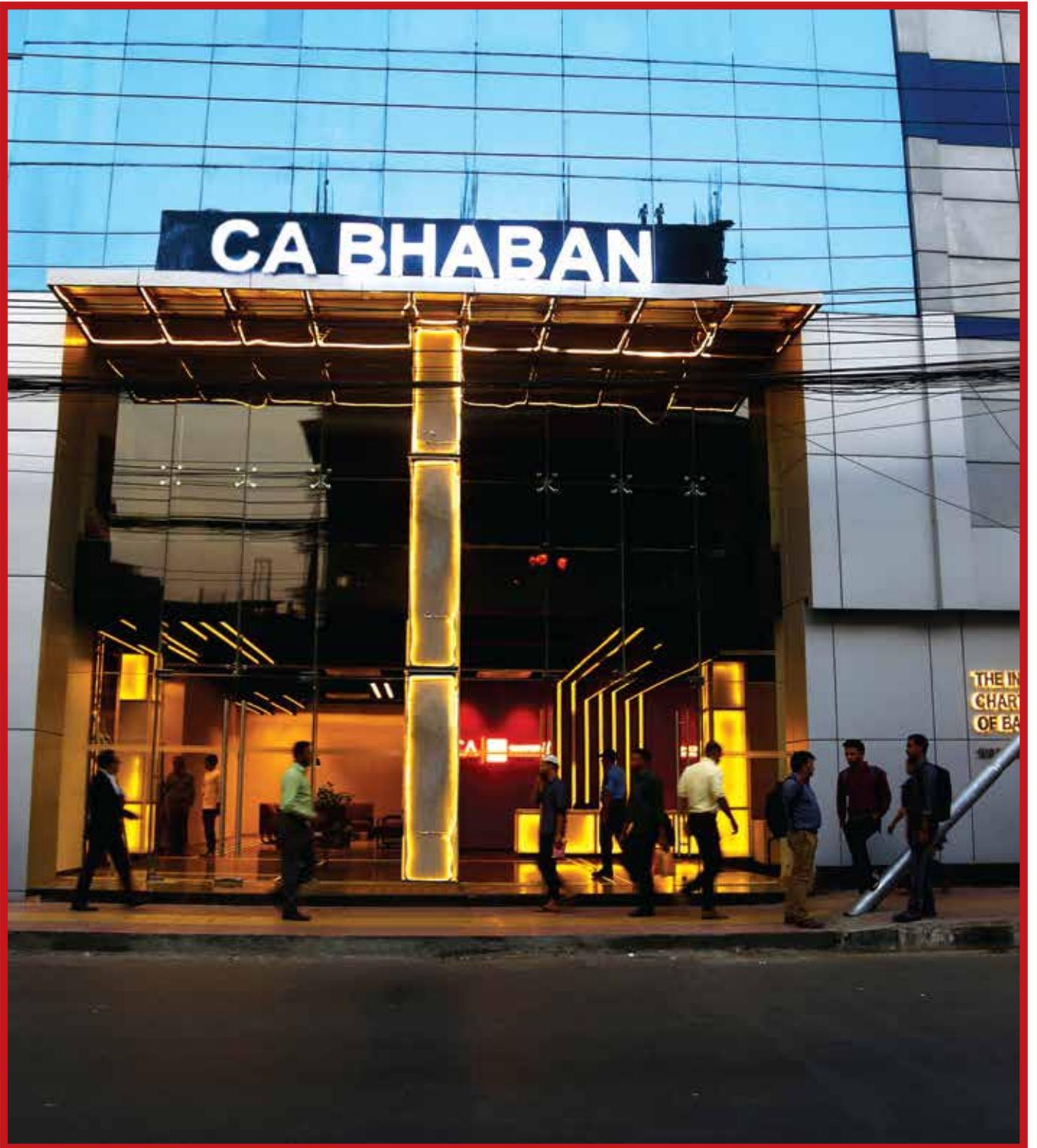
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Recognition of ICAB membership by ICAEW

Membership Scheme of The Institute of Chartered Accountants of England and Wales (ICAEW) allows the members of ICAB to apply for ICAEW membership based on their experiences.

Eligibility criteria of this membership scheme are a series of questions which assess ICAB Member's experience, achievements, skills and expertise. Each application must be supported by an eligible sponsor. Applicants need to complete an Examination of Experience.

Details of ICAEW Membership Scheme is available at <http://www.icaew.com/membership/becoming-a-member/members-of-other-bodies/campaigns/pathways-to-membership>.

ICAB signed its first Memorandum of Understanding (MoU) with the Institute of Chartered Accountants in England and Wales (ICAEW) in 2009. Since then, ICAB has been working with ICAEW as the learning and professional development partner, and also recognized as an approved tuition provider of ICAEW.

As per MoU, ICAB Members can be the members of ICAEW after successful completion of 04 papers out of 15. These members have the opportunity to apply for UK Practising Certificate (PC) subject to meeting the standard ICAEW PC requirement.

Recognition of ICAB Membership by CIPFA, UK

Members of the Institute of Chartered Accountants of Bangladesh (ICAB) are eligible to apply for membership of the Chartered Institute of Public Finance and Accountancy (CIPFA), a globally recognised membership body for the public sector.

An MoU between ICAB and CIPFA, UK was signed on 28 January 2017. Under this MoU, an ICAB member can also become a members of CIPFA subject to fulfillment of certain criteria.

An ICAB Member with good standing having five or more years post-qualification public sector experience are eligible for Full Membership of CIPFA as Chartered Public Finance Accountant (CIPFA) and the members having fewer than five years post-qualification public sector experience are eligible as Affiliate member of CIPFA (CIPFA Affiliat).

ICAB members having CIPFA Affiliate membership, or having no working experience in public sector can gain CIPFA status with the successful completion of exams of only two papers i.e. Public Sector Financial Reporting and Strategic Public Finance.

Membership Pathways Agreement (MPA) with CPA Australia

The Institute of Chartered Accountants of Bangladesh (ICAB) has recently signed a Membership Pathways Agreement (MPA) with CPA Australia, one of the largest accounting bodies around the world. Through this agreement, ICAB members can be the members of CPA Australia just after passing 04 papers (i.e. 1. Ethics and Governance, 2. Financial Reporting, 3. Global Strategy & Leadership and 4. Strategic Management Accounting) out of their 12 papers. This MPA has been in effect since 20 July 2018.

Membership through Chartered Accountants Australia & New Zealand (CA ANZ) International Pathway Program (IPP)

The Institute of Chartered Accountants of Bangladesh (ICAB) signed an MoU with the Chartered Accountants Australia & New Zealand (CA ANZ). Under this, ICAB members living in Australia or New Zealand having five years post qualification experience at anywhere will be eligible to be member of CA ANZ after successful completion of CA ANZ International Pathway Program (IPP).

There will be no requirement of passing CA ANZ general route examinations by eligible ICAB members as their International Pathway Program (IPP) workshop through case studies would examine the contemporary Australasian business, accounting and finance environment relevant for members of ICAB. On the other hand, CA ANZ members can also be members of ICAB subject to having Bangladeshi citizenship and other requirements as prescribed by ICAB Bye-laws.

Membership of the International Valuation Standards Council (IVSC)

Efforts are underway for ICAB to Become a member of the International Valuation Standards Council (IVSC). This would create an opportunity for the members of ICAB to involve in the valuation process of local and foreign investment in Bangladesh.

This would allow Chartered Accountants to put up their highly essential services and play positive roles in attracting foreign investment. With regard to this, ICAB has already conducted a Members Conference. More so, a virtual meeting with the CEO of IVSC was held on 8 June 2021 where the IVSC proposed ICAB to become member of IVSC on pro-rata basis.

Other Memberships

ICAB is an active member of International Federation of Accountants (IFAC), Confederation of Asian and Pacific Accountants (CAPA) and South Asian Federation of Accountants (SAFA). ICAB is also an associate member of Chartered Accountants Worldwide (CAW).