

Practices & Compliance of Bangladesh Financial Reporting Standard 7 of State Owned Commercial Banks of Bangladesh

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Abstract

This study aims at examining the degree of compliance of Bangladesh Financial Reporting Standard (BFRS) 7 regarding the State Owned Commercial Banks of Bangladesh. For this purpose, the present study has gone through the annual reports as well as other acts and rules related to State Owned Commercial Banks of Bangladesh. It is found in the study that the rate of compliance with BFRS 7 is almost 63.89 % by these banks which is moderately satisfactory. Finally, the study recommends for the full compliance of this standard to make sure that the financial reports are made fairly to safeguard the interests of stakeholders as well as of the society as a whole.

Keywords: *Compliance, IFRS, BFRS, ICAB, State Owned Commercial Banks of Bangladesh*

1. Introduction

The banking system adds a new chapter for the human civilization that opens a new horizon to the business world. At the very beginning, banking activities were very limited like providing grain loans to farmers and traders who carried goods between cities. This banking practice was going around 2000 BC in Assyria, India and Sumeria. Thereafter, accepting deposits, providing loans and performing the change of money were done by some lenders based in temples in ancient

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Greece and during the Roman Empire. In the same period, some evidence of money lending was found in ancient China and India .

According to some famous historians, the massive development of banking system was occurred pivotal to Italy, particularly the affluent cities of Florence, Venice during the Renaissance period. There were two families named Bardi and Peruzzi dominated banking in 14th century, establishing branches in many other parts of Europe. In 1397, Giovanni Medici established the most famous Italian bank named Medici bank. Banca Monte dei Paschi di Siena, the oldest bank still in existence in Siena of Italy which was established in 1472 is considered as the longest survival bank in the world.

Thereafter, development of the banking sector spread from northern Italy throughout the Holy Roman Empire, and in the 15th and 16th century to northern Europe. This was made possible by a number of important innovations that took place in Amsterdam during the Dutch Republic in the 17th century and in London since the 18th century due to industrial revolution.

However, during the 20th century, developments in telecommunications caused major changes to banks' operations and let banks dramatically increase in size and geographic spread throughout the world. (*Wikipedia, 2019*)

Now-a-days, banking industry is the most flourishing as well as the most contributing sector of economy. Banking sector is the driving force of a country for its sustainable development. It is more than truth for a developing country like ours. After the independence, banking industry in Bangladesh started its journey with six nationalized commercial banks, three state owned specialized banks and nine foreign banks. In the 1980's banking industry achieved significant expansion with the entrance of private banks. Now, banks in Bangladesh are primarily of two types:

- i. Scheduled Banks: The banks that remain in the list of banks maintained under the Bangladesh Bank Order, 1972.
- ii. Non-Scheduled Banks: The banks which are established for special and definite objective and operate under any act but are not scheduled banks. These banks cannot perform all functions of scheduled banks.

There are 59 scheduled banks (Bangladesh Bank, 2019) in Bangladesh who operate under full control and supervision of Bangladesh Bank which is empowered to do so

through Bangladesh Bank Order, 1972 and Bank Company Act, 1991. Scheduled Banks are classified into following types:

- State Owned Commercial Banks (SOCBs): There are 6 SOCBs which are fully or majorly owned by the Government of Bangladesh.
- Specialized Banks (SDBs): 3 specialized banks are now operating which were established for specific objectives like agricultural or industrial development. These banks are also fully or majorly owned by the Government of Bangladesh.
- Private Commercial Banks (PCBs): There are 41 private commercial banks which are majorly owned by individuals/private entities. PCBs can be categorized into two groups.
- Conventional PCBs: 33 conventional PCBs are now operating in the industry. They perform the banking functions in conventional fashion i.e interest based operations.
- Islami Shariah based PCBs: There are 8 Islami Shariah based PCBs in Bangladesh and they execute banking activities according to Islami Shariah based principles i.e. Profit-Loss Sharing (PLS) mode.
- Foreign Commercial Banks (FCBs): 9 FCBs are operating in Bangladesh as the branches of the banks which are incorporated in abroad.
- There are now 5 non-scheduled banks in Bangladesh which are Ansar VDP Unnayan Bank, Karmashangosthan Bank, Grameen Bank, Jubilee Bank and Palli Sanchay Bank. (<https://bb.org.bd>)

2. Objectives of the Study

The objectives of the study are as follows:

- a) to determine the degree of compliance of the standard requirements of BFRS 7 by the State Owned Commercial Banks of Bangladesh;
- b) to find out the deviation from the standard requirements of BFRS 7 of State Owned Commercial Banks; and
- c) to make recommendations for policy implications in light of the findings of the present study.

3. Methodology of the Study

This study is conducted through collecting and analyzing only the secondary source of data like the annual reports of the sample banks, different articles, journals, newspapers, related websites and different relevant acts and rules etc. There are six State Owned Commercial Banks in Bangladesh. All these six banks are taken as sample. This study is conducted in 2019 with the help of annual reports published in 2018 and other related sources. The analysis is performed by content analysis, which put importance on reading the annual report and consider qualitative as well as quantitative information. Finally, weighted average method is used to determine the compliance standard of these sample banks.

4. Literature Review

Banks specially the State Owned Commercial Banks contribute largely to the economic development of our country. For this reason, these banks are selected for this study. State Owned commercial banking is the ancestor in the banking world and key contributor to financial market. Research study on the financial reporting regarding the compliance requirement by the State Owned Commercial Banking is not so sufficient.

Hossain and Baser (2011) conducted a study on compliance of IAS 30 of the specialized banks of Bangladesh. The paper tried to find out the deviation from the standard as well as the range of compliance of the standard by the specialized banks of Bangladesh and the deviation from the standard. The study found that specialized banks complied with only 54% of the total requirements. The study found that the preparation of financial statements of the banks in line with the IAS-30 is not satisfactory and suggested the concerned authorities to form a favorable environment to comply with the 100% compliance of the standard.

Hossain, Ahmed and Jobair (2013) conducted study on the compliance of IAS 30 (IFRS 7) of the private commercial banks disclosure. In the study it is found that all of the private Commercial Banks is maintained with almost 87.5% of the IAS 30 (IFRS 7) requirements and thereafter, this study recommends on the full compliance of this standard for these banks.

Today, there is no obligation for compliance of IAS 30 rather there is obligation of IFRS 7 compliance formulated by IASB. Before adoption of IFRS 7, Hossain (2011)

opined that banking companies of Bangladesh were complying with most of the regulations including IAS 30.

Before adopting this standard, it was found that reporting practice in banking sector of our country is insufficient and biased to some extent. (Akter and Hoque,1993)

Hossain and Uddin (2012) observed different bank in Bangladesh following the previous is BAS 30 instead of compliance of BFRS 7. So there is a need to carry out study on BFRS 7. Thereafter, some researches were done on BFRS 7.

Hossain and Hossain (2013) in a study found that the degree of compliance of the standard IFRS 7 by foreign commercial banks in Bangladesh is 78.78% and thereafter, the deviation from the standard. In the same time, they suggested for complete compliance of the standard by these sample banks.

Hossain (2013) showed that nationalized commercial banks complied with IFRS 7 average of 67.5%. In this study, the researcher took four banks i.e. Sonali Bank, Janata Bank, Agrani Bank and Rupali Bank as nationalized commercial banks for his research.

Rahman, Hossain and Sultana (2014) stated the compliance of the IFRS 7 requirement of the Islamic banks disclosure is almost 70.71% and suggested for the full compliance of this standard.

Hassan (2015) conducted a study on compliance of BFRS 7 of private commercial banks in Bangladesh. The result showed 60% compliance of this standard which is not expectable by the stakeholders and recommended the concern authorities to create a congenial business environment to ensue 100% compliance requirement of standard by these selected private commercial banks.

From the above review of literature, it is shown that several studies have been conducted on compliance practices of financial institutions in Bangladesh, but none of the study has been conducted considering all the state owned commercial banks as sample. So there is need to conduct a study on Practices and Compliance of Bangladesh Financial Reporting Standard (BFRS) 7 for all of the State Owned Commercial Banks of Bangladesh.

5. Theoretical Background

State Owned Commercial Banking in Bangladesh

Bangladesh, the role model of developing countries with a huge workforce is on the way to economically an enriched country. Now-a-days people's involvement in workforce is transferred from agriculture to service and industry sectors expediently. At present total workforce (15+) in Bangladesh is 63.50 million. Among the people are engaged in Agriculture 40.6%, Industry 20.4% and in service sector 39%.59.40% workforce is engaged in industry and service business. (Bangladesh Economic Survey 2019). Here is the important of banking sector that helps for this industrial work accomplishment. The establishment of state owned commercial banking in Bangladesh is the true reflection of this inner urge of its people. Hence, compliance of required laws and regulations are compulsory for them. One of such techniques is to comply with the applicable reporting standard such as BFRS 7. Although not mandatory, compliance of BFRS focuses on the presenting financial performance and financial position of an entity more accurately and faithfully. Though it is a major contributor of economy, previous work on compliance with BFRS 7 draw a doubtful conclusion as to the extent of compliance. Moreover, prior works were done on commercial banks and state owned specialized bank with this standard as well as other standards on different banks. There is a minimum works based on previous data on the state owned commercial banks. Thereafter, there is a crucial need to find the compliance of BFRS-7 by the State Owned Commercial Banks of Bangladesh. Again, as a majority of people deal with these banks and a huge amount of work of government is executed by these banks, it is very crucial to find out the compliance status of the State Owned Commercial Banks.

State Owned Commercial Banks of Bangladesh

State Owned Commercial Banks are one of the key contributors to the economy of Bangladesh. The process of economic development requires the banking sector to operate efficiently and to distribute the capital resources to the proper development agencies. People and the government itself are very much dependent on the services provided by these banks in the financial market. Thereafter, State Owned Commercial Banks act largely as financial intermediaries by performing the function of mobilization the funds from one group and lending the same to another for the purpose of a reasonable amount of profit after meeting the cost of funding. As per

Ministry of Finance, there are six State Owned Commercial Banks which are fully or majorly owned by the Government of Bangladesh. They are Sonali Bank Limited, Janata Bank Limited, Agrani Bank Limited, Rupali Bank Limited, BASIC Bank Limited and Bangladesh Development Bank Limited. From the beginning, with an increase of responsibility and virtue of performance, State Owned Commercial Banks, within a few years, emerged as the largest contributor to our economy.

Table 1: List of State Owned Commercial Banks in Bangladesh

S.N.	Name of the Bank
i.	Sonali Bank Limited
ii.	Janata Bank Limited
iii.	Agrani Bank Limited
iv.	Rupali Bank Limited
v.	BASIC Bank Limited
vi.	Bangladesh Development Bank Limited (BDBL)

Significance of State Owned Commercial Banks

After liberation, Bangladesh was marked as a bottomless basket by the then foreign secretary of USA. The gross domestic product (GDP) was increased to US \$285.82 billion in 2018 from US \$ 5.70 billion in 1972. Now the economy of Bangladesh is the 42nd largest in the world in nominal terms and in terms of Purchasing Power parities (PPP) it is 31st largest. Recently, Bangladesh graduated from the least developed countries (LDC) status to a lower middle income country. Thereafter, we are optimistic to become a developed country by 2041. Among the three major sectors of Bangladeshi economy contribution of the service sector is on the top most position and among the service sector banking sector specially the state owned commercial banks have been contributing largely for the advancement of our economy. They provide investable funds to both the public and private sectors. Further, these banks have played a significant role in respect of four major drivers (RMG sectors, labor sector, agriculture sector and SME) of economic growth. Through the State Owned Commercial Banks the government give top priority on the agricultural as well as its associated sectors for granting credit with a minimum cost. Between 2013 to 2018 the State Owned Commercial Banks' loan disbursement exceeded the target set by the

government. Moreover, these banks provide a long term loans for purchase of agricultural machineries, irrigation equipment and livestock. Credits for crop production and poverty alleviation programs are done through providing short term loans. Moreover, Bangladesh received higher remittances through these banks. These banks' share in export finance is also highest. Above all, among the State Owned Commercial Banks some of the banks perform different vital economic and financial activities on behalf of central bank and government of Bangladesh.

Disclosure Requirements under BFRS 7

International Accounting Standard Board issued IFRS 7 in August 2005 replaces the disclosure required by IAS 30 (Disclosures in the Financial Statements of Banks and Similar Financial Institutions). In Bangladesh, ICAB adopted BFRS 7 and it came to be effective from on or after January 1, 2010. For listed banking companies it is obligatory to comply with BFRS 7 but not obligatory for all scheduled banks. Different methods for measuring and managing exposure to risks arising from financial instruments are presently used by the banks. The users of financial statements are very interested to secure information about an entity's exposure to risks and how those risks are managed. To ensure greater transparency regarding risks associated to disclosures of financial instruments this standard was issued. For the disclosures an entity must group its financial instruments into classes of similar instruments as appropriate to the nature of the information presented [BFRS 7]. The two main categories of disclosures required by BFRS 7 (IFRS, 2019) are:

- A) Information about the significance of financial instruments;
- B) Information about the nature and extent of risks arising from financial instruments.

A)	Information about the Significance of Financial Instruments
a.	Classes of Financial Instrument: Disclose the types of financial instruments contained in the Balance Sheet [IFRS 7.6]
b.	Disclosure of Balance Sheet Significance: Disclose the significance of financial instruments for an entity's financial position and performance. [IFRS 7.7]

c.	<p>Balance sheet disclosure: This includes disclosures for each of the following categories: [IFRS 7.8]</p> <ul style="list-style-type: none"> ○ Financial assets measured at fair value; ○ Held-to-maturity investments; ○ Loans and receivables; ○ Assets available-for-sale; ○ Financial liabilities at fair value; ○ Financial liabilities measured at amortized cost;
d.	<p>Collateral [IFRS 7.14-IFRS 7.15]: Disclose any pledged Asset for Liability.</p>
e.	<p>Reconciliation of the allowance account [BFRS 7- Para 16]</p>
f.	<p>Income Statement and Equity: Items of income, expenses, gains, and losses, with separate disclosure of gains and losses [IFRS 7.20(a)]</p>
g.	<p>Accounting policies for financial instruments [IFRS 7.21]</p>
h.	<p>Information about hedge accounting [IFRS 7.22]</p> <ul style="list-style-type: none"> ○ description of each hedge, hedging instrument, and fair values of those instruments, and nature of risks being hedged ○ for cash flow hedges, the periods in which the cash flows are expected to occur, when they are expected to enter into the determination of profit or loss, and a description of any forecast transaction for which hedge accounting had previously been used but which is no longer expected to occur ○ if a gain or loss on a hedging instrument in a cash flow hedge has been recognized in other comprehensive income, an entity should disclose the following: [IAS 7.23] ○ the amount that was so recognized in other comprehensive income during the period ○ the amount that was removed from equity and included in profit or loss for the period

	<ul style="list-style-type: none"> ○ the amount that was removed from equity during the period and included in the initial measurement of the acquisition cost or other carrying amount of the non-financial asset or non-financial liability in a hedged highly probable forecast transaction ○ for fair value hedges, information about the fair value changes of the hedging instrument and the hedged item [IFRS 7.24(a)] ○ hedge ineffectiveness recognized in profit and loss (separately for cash flow hedges and hedges of a net investment in a foreign operation) [IFRS 7.24(b-c)] ○ information about the fair values of each class of financial asset and a financial liability, along with: [IFRS 7.25-30]
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B)	Information about the Nature and Extent of Risks Arising from Financial Instruments
i)	<p>Qualitative Disclosures of Risk [IFRS 7.33]: The qualitative disclosures describe:</p> <ul style="list-style-type: none"> ● Risk exposures for each type of financial instrument ● Management's objectives, policies, and processes for managing those risks ● Changes from the prior period
j)	<p>Quantitative Disclosures of Risk: The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. These disclosures include: [IFRS 7.34]</p> <ul style="list-style-type: none"> ○ Credit Risk ○ Liquidity Risk ○ Market Risk [IFRS 7.40-42]
k)	<p>Transfers of Financial Assets [IFRS 7.42 A-H]: An entity shall disclose information that enables users of its financial statement:</p> <ul style="list-style-type: none"> i. To understand the relationship between transferred

	<p>financial assets that are not derecognized in their entirety and the associated liabilities; and</p> <p>ii. To evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. [IFRS 7 42B]</p> <p>iii. Transferred financial assets that are derecognized [BFRS 7- Para 42E]</p>
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Source: <https://www.iasplus.com>

6. Analysis & Findings

In modern competitive business world, to ensure comparison and to provide a standardized report all types of banks try to follow the BFRS 7. An investigation is conducted to observe the compliance status of the state owned commercial banks of Bangladesh whether they follow this underlying standard regarding the preparation of their financial statements. The overall result of compliance of this standard is derived as follows:

Table 2: Schedule of Compliance of BFRS 7 by the State Owned Commercial Banks of Bangladesh

S.N.	Disclosure Requirements	Sonali Bank Limited	Janata Bank Limited	Agrani Bank Limited	Rupali Bank Limited	BASIC Bank Limited	BDBL
1.	Classes of Financial Instrument [Para 6]	Yes	Yes	Yes	Yes	Yes	Yes
2.	Balance Sheet Presentation [Para 7]	Yes	Yes	Yes	Yes	Yes	Yes
3.	Balance-Sheet Disclosures [Fair value of Assets and Liabilities and Loans] [Para 8]	Partial	Partial	Partial	Partial	Partial	Partial
4.	Collateral [Para 14-15]	Yes	Yes	No	No	Yes	No
5.	Reconciliation of the allowance account [BFRS 7- Para 16]	Yes	Yes	Yes	Yes	Yes	Yes
6.	Income Statement & Equity (Income, Expense	Yes	Yes	Yes	Yes	Yes	Yes

	Gains Losses) [Para 20]						
7.	Accounting Policies [Para 21]	Yes	Yes	Yes	Yes	Yes	Yes
8.	Disclosure about Hedge [Para21-30]	No	No	No	No	No	No
9.	Qualitative Risk Disclosure [Para 33]	Yes	Yes	Partial	Partial	Yes	Yes
10.	Quantitative Risk Disclosure [Para 34-42]	Yes	Yes	Partial	Partial	Yes	Yes
11.	The Nature of the Transferred Assets [Para 42 D]	No	No	No	No	No	No
12.	Transferred financial assets that are derecognized [BFRS 7-Para 42E]	No	No	No	No	No	No
	Total Complied	9	9	8	8	9	8

Source: Field Survey

Table 3: The Empirical Findings of Table-2

Number of companies	6
Number of requirements as per BFRS-7	12
Number (Maximum) of requirement complied by the banks	9
Number (Minimum) of requirement complied by the banks	8
Average number of compliance by the banks	8.5

Table 4: Summary of Compliance by Individual State Owned Commercial Banks

Complying Banks	Total compliance requirements	No. of requirement fulfilled	(%) compliances fulfilled*	Deviation from the industry average (%)
Sonali Bank Limited	12	8.5	70.83%	(6.95)
Janata Bank Limited	12	8.5	70.83%	(6.95)
Agrani Bank Limited	12	6.5	54.16%	9.73
Rupali Bank Limited	12	6.5	54.16%	9.73
BASIC Bank Limited	12	8.5	70.83%	(6.95)
Bangladesh Development	12	7.5	62.50%	1.39

Bank Limited (BDBL)				
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*(%) of compliance = Requirement complied/ Total requirement.

Source: Field Survey

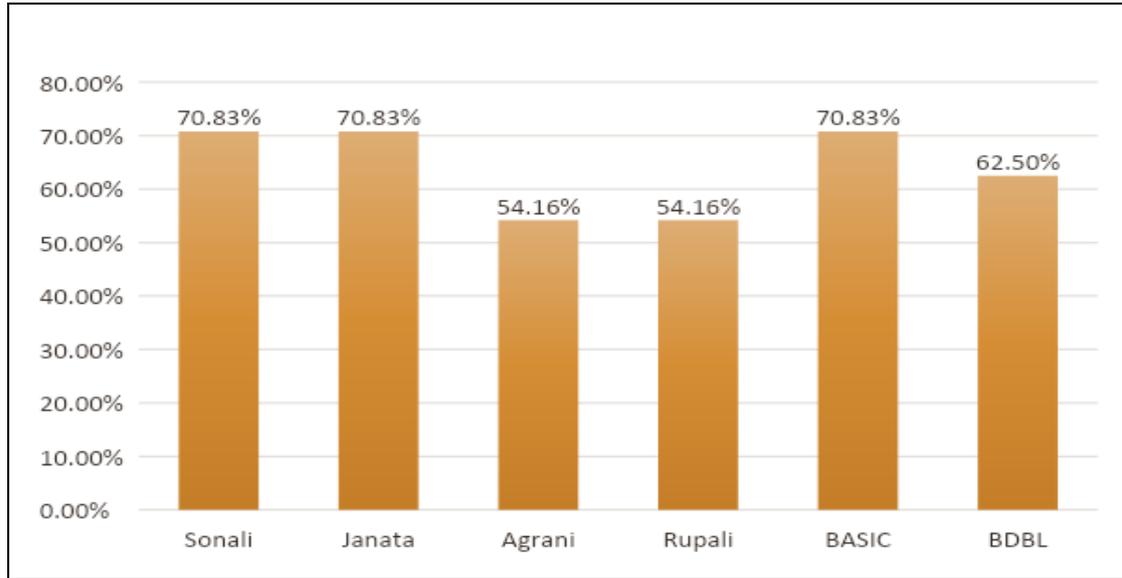


Figure 1: Compliance (%) by the State Owned Commercial Bank (Source: Table 4)

The analysis shows that out of the six banks Sonali Bank Ltd., Janata Bank Ltd. and BASIC Bank Ltd. complied with 8 requirements fully and one requirement partially out of the total 12 requirements. Hence, total requirements met by these banks are 8.5 (70.83%) and BDBL complied 7 requirements fully and one is partially, total requirements met by these banks are 7.5 (62.5%). Then, Agrani Bank and Rupali Bank complied with 5 requirements fully and 3 requirements partially, total requirements met by these banks is 6.5 (54.16%).

Beside these another important finding is that some requirements were fully complied where some were partially followed and others were completely ignored. It is seen that 5 requirements were fully complied with by all the six banks, 3 requirements are very not complied by any of them and 3 are partially complied with.

Table 5: Average Number of Compliance

Status of compliance	No. of requirement	Weight	Weighted score
Complied fully	5	1	5
Complied partially	3	0.5	1.5
Not complied	3	0	0
Total weighted score			6.5

Assuming that,

For full compliance weight = 1, For non-compliance weight = 0

& For partially complied weight = 0.5

Source: Field Survey

It is also found that the average compliance of the standard by the companies is 63.89%. Among the six banks, Sonali Bank, Janata Bank and BASIC Bank have higher positive deviation and Agrani Bank and Rupali Bank have large negative deviation whereas BDBL has small negative deviation from the required compliance.

Table-5: compliance (%) of the individual requirement

Sl. N.	Disclosures	No. of complied companies	(%) of compliance
i.	Classes of Financial Instrument [Para 6]	6	100%
ii.	Balance Sheet Significance [Para 7]	6	100%
iii.	Balance Sheet Disclosures [Para 8-19]	6 partial=3	50%
iv.	Collateral [Para 14-15]	3	50%
v.	Reconciliation of the allowance account [BFRS 7- Para 16]	6	100%
vi.	Income Statement & Equity (Income, Expense Gains Losses) [Para 20]	6	100%
vii.	Accounting policies [Para 21]	6	100%
viii.	Disclosure of Hedge Accounting [Para 22-30]	0	0

ix.	Qualitative Disclosure [Para 33]	4 full and 2 partial = 5	83.33%
x.	Quantitative Disclosure [Para 34-42]	4 full and 2 partial = 5	83.33%
xi.	The nature of the transferred assets [Para 42 D]	0	0
xii.	Transferred financial assets that are derecognized [BFRS 7- Para 42E]	0	0
	Total		766.66
	Average compliance of the above 12 requirements		63.89%

Source: Field Survey

Apart from above numerical analysis the detailed version of compliance findings is described as follows:

Classes of Financial Instrument: It is found that all the six banks fully comply with this disclosure requirement by providing the classes of financial instruments in the financial reports. So, compliance status for this requirement is 100%.

Balance sheet Significant Disclosure: It is found that all the six banks fully comply with this requirement by providing classes of Assets, Liabilities and Equity in the financial statements. So, the compliance status for this requirement is 100%.

Balance sheet Disclosure: It is found that all the six banks present Balance sheet disclosures partially showing loans, advances, and others asset disclosures. However, these banks are failed to assess the fair value of Assets and Liabilities as there is a rule BPRD of Bangladesh Banks. Therefore, the compliance status is 50%.

Collateral: Only Sonali Bank, Janata Bank and BASIC Bank complied with this requirement. They showed the collateral in the disclosure. Other bank did the opposite. The compliance is 50%.

Reconciliation of the allowance account: It is a common practice of State Owned Commercial Banks to reconcile their allowance account. Therefore, 100% compliance is achieved.

Income Statement & Equity (Income, Expense Gains Losses): All the banks show this just after the balance sheet. It has been presented classifying Income, Expenses, Gains and Losses. Therefore, 100% compliance is achieved.

Accounting Policies [Para 21]: It is found that all of the banks show Accounting policies such as valuation of Assets and their own depreciation policy. Apart from this, the impairment of Assets has been also shown in the reports. Therefore, 100% compliance is achieved.

Disclosures of Hedge Accounting: It is found that no one did disclose about Hedging. Therefore, compliance status is 0.

Qualitative Disclosure [Para 33]: It is found that Sonali Bank, Janata Bank and BASIC Bank disclose the qualitative disclosures of risk. Other banks partially do so. So, the compliance is 83.33%.

Quantitative Disclosure [Para 34-42] [Credit Risk, Liquidity Risk, Market Risk]: It is found that Sonali Bank, Janata Bank, BASIC Bank and BDBL disclose the quantitative disclosures of risk. Other banks partially do that. So, the compliance status is 83.33%.

The nature of the transferred assets [Para 42 D]: Nothing is mentioned in the long annual reports of six State Owned Commercial Banks as to the nature of the transferred assets. Therefore, the compliance status is 0.

Transferred financial assets that are derecognized [BFRS 7- Para 42E]: Nothing is mentioned about the transferred financial assets that are derecognized in their entirety by any bank. So the compliance status is 0%.

7. Recommendations

After going through a careful scrutiny of the annual reports of the six State Owned Commercial Banks, it has been found that the degree of compliance of these banks is moderately well. To make ensure the full compliance of BFRS-7 in their financial statements the following recommendations should be considered by all the concerned authorities;

As the State Owned Commercial Banks play a vital role in the development of our country, they should comply with all the applicable standards to ensure fair picture of this industry

The legal framework of the state is also required for the full compliance of IFRS

There should have provision of proper training for the accounting personnel regarding the compliance and non-compliance of relevant accounting standards

The policies, regulatory actions should be reviewed considering the requirements of the BFRS 7

To draw the attention of foreign investment and to make credit rating this compliance should be ensured by the state.

It is usually seen that most of personnel in top management are from other than accounting and finance background. They may not have the proper knowledge about the accounting promulgation but also reluctant to follow them. So inclusion of at least a person having accounting background to guide the compliance in these entities.

These banks should make available annual reports in the market as well as on their website so that users and stakeholders can take decision using these

They can come to the market by the proper formalities maintained by Ministry of Finance, Bangladesh Bank as well as BSEC

As these State Owned Commercial Banks are the large part of banking in the country and have large contribution, the special supervising and incentives under bank division of the Finance Ministry should be set up for flourishing foreign aid for these banks in our country

Special task force can also be created by the Ministry for Trade and Industry in collaboration with the ICAB whose basic responsibility would be to save the public interest by ensuring compliance with BFRS

8. Conclusion

International accounting standards enhance the confidence of preparers of financial statements in maintaining the representational faithfulness. The potential investors get a ground to rely on the financial statements for decision making purpose. International development agencies put much more importance on these international standards and encourage the less developed countries to adopt those standards. Considering the importance of those standards in ensuring the integrity of financial reporting, the Institute of Chartered Accountants of Bangladesh (ICAB) adopt these standards with slight or no amendment. Proper accounting and reporting contribute to a great extent on proper functioning of banks as well. That's why the International Financial Reporting Standards (IFRS 7) is developed to give standardized and harmonized reporting for banking sector. From the above analysis it is crystal clear that all the State Owned Commercial Banks are at a better position in compliance with the prescribed standard, though not absolute. From the above analysis, we get a score of 63.89% which is moderately good achievement. However, there lies the gap between

desired compliance and actual compliance with BFRS by these banks which should be a matter of worry. But it is seen that the trends to comply with BFRS in on a positive track in Bangladesh. Due to globalization, State Owned Commercial Banking can easily capture the essence of these international requirements, which make them competitive and skillful in providing the services. Moreover, it has been found that there is no significant difference in terms of compliance of BFRS 7 among the six State Owned Commercial Banks. That's why it is concluded that all the sample banks are attempting to follow similar items needed to comply with the international standards in order to ensure accountability and transparency in financial reports and to capturing maximum disclosure requirements of the faithful and useful information to the users of different interest. It goes without saying that compliance of BFRS 7 is satisfactory in preparing and presenting the financial statements but still subject to solve the different problems raised by central banks and other concerned authorities regarding non-compliance of BFRS 7. Thereafter, to eliminate deviation in compliance with the standard and at the same time to develop a unique standards for the financial reporting standard of State Owned Commercial banking, the government along with central banks and other concerned authorities should come forward to create such an environment where full compliance of this standard can be ensured.

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