

Online Information Disclosure by Commercial Banks in Bangladesh

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For every corporate body it is essential to disclose company related information to the related parties for the benefit of the company as well as the stakeholders. This fact is also applicable for banking industry whereby greater information disclosure has been made mandatory under the new version of Basle agreement, i.e. Basle II. If information about the bank is available in the market then the market participants can become a powerful force to pressurize risky banks to lower their risk level which will ultimately protect both the bank's interest as well as the interest of general people attached with the bank anyway. With a realization to this view banks all over the world are adopting different modern and techno-oriented methods to disclose information, one of which is the web-site developed by bank itself which enables the stakeholders to look for needed information online. This paper focuses on the extent of information provided by commercial banks in Bangladesh over their web-site which make the information available online. The study also tries to find any difference in the information disclosure online in different categories of banks and finally makes a¹n analysis of the impact of the extent of information disclosure over banking business.

Field of Research: Banking

1. Introduction

Commercial bank is the main stream of financial system of any economy. As financial intermediary commercial banks play a very important role by transferring fund from surplus unit to deficit unit and thus boost up the economic development. But we should not forget that whatever role is played by banks or whatever business banks are involved in, that they do business with general peoples' money. So stakeholders of commercial banks should get proper information about the banks' operating decision, risk level, profitability, deposit and loan products, in short about all the aspects of a bank.

Jayadev (2010) states that public disclosure is used as a mechanism to establish transparency in the system. For this regulatory authority also asks for disclosure of information by banks so that shareholders, depositors, other creditors as well as borrowers can take their decision properly. The importance of information disclosure is also reflected in the revised form of Basel agreement that is Basel II whereby "greater public disclosure" has been set as one of the three pillars of the agreement.

There are several ways through which information is disclosed by commercial banks, like- annual report, newspaper, magazine, newsletter etc. But with technological advancement, different companies are using techno-oriented media to reach to their

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Samina

customers. To meet consumer demands, many businesses now require critical information systems (IS) be online 24 hours per day, 7 days per week, 365 days per year (hereinafter called 24/7/365) (Martin. 2003). Martin (2003) investigates how availability is addressed within an enterprise security policy and how the enterprise security policy ensures availability. Banks have also improved themselves by adopting the new technologies into their operation. This is also true for information disclosure. Banks have taken the modern technology as a media of their information disclosure. As people are more educated now and easy access to internet, banks are trying to reach their stakeholders using the modern information technology that is through web-site. Nowadays almost all commercial banks have developed their website whereby a customer or any related party of bank can easily log on. The information over websites are very easily accessible and also is very less costly. So in the recent time, banks are providing information about so many areas of bank over their websites. Mallick (2006) identifies impact of information technology over banking industry.

The commercial banks in Bangladesh are not lagging behind in this aspect at all. They have also initiated to use this online technique for their information disclosure. The central bank of Bangladesh, Bangladesh Bank is also encouraging banks to disclose more information about the banks through online. Amin & Sarker (2010) discusses the application of E-banking in Bangladesh by taking the case of six banks in Bangladesh. As a part of their discussion they mentioned information availability as a component of E-banking. But they have not discussed in detail about the practice of information disclosure over the network. Mahboob Ali (2010) discusses about the existing practice of online banking in Bangladesh where he has mentioned that information availability is one of the factors of online banking but again he has not focused on the extent of information availability online. This paper discusses all the different areas in which commercial banks in Bangladesh provide online information through their websites and the extent of information disclosure by the banks. The paper also try to find out whether size of bank, deposit and loan amount can impact the extent of information disclosure by commercial banks in Bangladesh. The paper flows as part 2. literature review, part 3. objective of the study, part 4. methodology, part 5. areas of information disclosure by commercial banks in Bangladesh, part 6. extent of information disclosure by sample banks, part 7. a comparative analysis regarding the extent of information disclosure among the three types of banks and part 8. conclusion.

2. Literature Review

Many researches have been conducted to measure the corporate disclosure of financial as well as non-financial companies. Diamond (1985) suggests that in a pure exchange setting with costly acquisition of private information, the (costless) information disclosure is desirable because it will allow investors to economize on the acquisition of private information and make them better off, despite adverse risk sharing effects. Lang and Lundholm (1993, 1996), Frankel et al. (1995), Healy et al. (1999) have suggested many ways that a firm can be benefited by better disclosures. Kahl and Belkaoui (1981) found a positive relationship between size of the bank and the level of disclosure indicated by studying 70 banks in 18 countries. Baumann and Nier (2003) addressed the issue of developing a set of disclosure requirements by Pillar 3 of Basel II that improved market

Samina

participants' ability to assess a bank's value. They constructed 17 sub-indices of disclosure to investigate items of the banks' balance sheet disclosure are most beneficial from the point of view of the bank and most useful for financial market. Hossain (2008) states adequate public information disclosure facilitates a more efficient allocation of capital between banks, since it helps the market to accurately assess and compare the risk and return prospects of individual banks.

Baker and Halsem (1973) identified different sources of information about a company and tried to set up a ranking among the different sources. Anderson and Epstein (1995), Abu-Nassar and Rutherford (1996) studied the users of information about companies and the mostly used information.

Now with technological advancements different companies have started to adopt different technologies in their operations and also to disclose their business information. In this aspect banks are not lagging behind rather they are also applying different technology in their operation. Kozak (2005) examines the impact of progress in IT on the profit and cost efficiencies of the U.S. banking sector during the period of 1993-2003. The research shows a positive correlation between the level of implemented IT and both profitability and cost savings. Shirley and Mallick (2006) in their study found that IT usage can lower cost, increase profitability and also can have a positive impact over market share. Batchelor and et. al. (2005) found a rise in total productivity, driven by technological progress in the banking industry of Malaysia. Berger (2003) states that banks are extensive users of both IT and financial technologies and, have a wealth of data available that may be helpful of general understanding of the effects of technological change. His study suggested improvement in banks' cost and lending capacity and customers benefit due to improved technology. Buffam(2000) depicted that companies that build the better e-business solutions will outperform their competitors. Companies that build the very best e-business solutions will transform themselves into zero-latency enterprises.

Hossain (2008) identifies 83 items of voluntary disclosure under 14 headings like background about the bank, corporate strategy, corporate governance, financial performance, general risk management etc. and then he ranked the banks based on their level of disclosure. Kahl and Belkaoui (1981); Ahmed and Nicholls (1994); Singhvi (1968) identifies background of the bank as an important area of information which should be known by the market participants. Craig and Diga (1998) give importance to the information availability regarding corporate strategy, Haniffa and Cooke (2002) in their study put light on corporate governance and Cooke (1991, 1992) concentrate on financial performance.

Hossain (2001) empirically investigates the extent of disclosure of 25 banks in Bangladesh and associations between company size, profitability, and audit firm with disclosure level. A total of 61 items of information, both voluntary and mandatory, were included in the disclosure index. The results showed that size and profitability of the banks are statistically significant in determining their disclosure levels. On the other hand Mahboob Ali (2010) observe present status of the e-business and as its complementary factor on line banking system in Bangladesh. The author observed that the country can be benefited through successful utilization of e-business as this will help to enhance

Samina

productivity, monetary gain of both producer and customer may be feasible and positive impact on raising gross domestic product. Ali, Mohsin, and Yasmeen(2004) observed that to maximize e-business efforts, it is needed to focus on information dissemination, knowledge transfer, and technical assistance. Huda, Momen and Ahmed (2004) commented that the banking sector in Bangladesh is clearly recognizing the importance of information technology to their continued success. Amin and Rahman (2010) focused on performance, problems and prospects of E-banking in Bangladesh. As online information availability is a necessity of E-Banking, So this paper focuses on the area of information disclosure by commercial banks of Bangladesh.

3. Objective of the Study

The main objective of the paper is to focus on the areas of information commercial banks in Bangladesh cover on their websites. Specifically

- i. To identify the areas of online information disclosure of sample banks.
- ii. To analyze sample banks' extant of information disclosure over websites
- iii. To construct a comparative scenario among different category banks regarding online information disclosure.
- iv. To observe the impact of size of bank, deposit amount and loan volume over the extant of information disclosure.

4. Methodology

4.1 Sources of Data

As the paper is based on online information disclosure of commercial banks, the websites of sample banks have been used as the main source of information for the study. Besides the annual report of sample banks have provided some required data. So all the data mainly have been collected from secondary sources.

The data used for analysis were collected for the year of 2010 as the annual report 2010 of banks are easily available whereas still the annual report of 2011 is not published by many banks, so data for 2011 is not easy accessible.

4.2 Sample Size

There are in total 47 commercial banks at present in Bangladesh of which 4 are nationalized commercial banks (NCBs), 3 are specialized commercial banks (SCBs), 30 are private commercial banks (PCBs) and 10 are foreign commercial banks.

This paper considers the 4 NCBs, 30 PCBs and 3FCBs as the sample of the study. The SCBs has their own field of specialization which makes their deposit and loan products different from the other commercial banks. They may not have the same pattern of website as of others. So this paper did not take the SCBs under the sample. Also Most of the FCBs do not have any separate website for their operation segment in Bangladesh.

Samina

So we could not take them under the study. We included only the 3 FCBs who have separate web site for their operation in Bangladesh.

So in total 37 commercial banks out of total 47 banks have been taken as sample for this study.

4.3 Method Used

To conduct the analysis as statistical tool, the paper mainly takes help of arithmetic mean. Besides this to identify whether there is any significant difference among the three categories of bank (i.e. NCBs, PCBs & FCBs) we applied paired t-test.

To achieve objectives of the study, we formulated the hypothesis, as

Hypothesis:

H₀: There is no difference in information disclosure pattern among the three categories (i.e. NCBs, PCBs and FCBs) of commercial banks under the study.

H₁: There is difference in information disclosure pattern among the three categories (i.e. NCBs, PCBs and FCBs) of commercial banks under the study.

5. Areas of Information Disclosure over Website of Banks

After analyzing the websites of the sample banks, we found 9 broader areas in which banks disclose information online. These broader heads then we divided into 33 sub sections to look at the extant of information disclosure more explicitly. The list of broader sections and their sub-sections are shown in Table: 1

Samina

Table 1: Areas of Information Disclosure

Broader Section	Sub-section	Broader Section	Sub-section
1. About the bank's structure and management	Company Profile	6. E-banking	E-Commerce
	Vision, Mission, Values		Internet Banking
	Milestones		24 Hour Call Centre
	Board of Directors		SMS Banking
	Management		Online Banking
2. Retail banking	Deposit Products	7. Financial Statement	Annual Reports
	Loan Products		Half Yearly Reports
	Cards		Highlights
	ATM Location		
	Locker Services		
3. Wholesale banking	Corporate Banking Units	8. Promotion	News & Events
	Products & Services		Corporate Social Responsibilities
4. SME Banking	Products		Schedule of Charges
	SME Centers		Interest Rate
			Price Sensitive Information
5. Banking for NRB	Deposits Accounts	9. Risk	Branch Location
	Investments		Disclosure on Risk Based Capital (Basel II)
	Remittance		Credit Rating

6. Extant of Information Disclosure by Sample Banks

If we look at the scenario comprising all sample banks it is found that banks provide company and management related information more than the other areas on their websites. Next to this more information is disclosed by banks about retail banking and financial statement area respectively. Extant of disclosure is the least in case of information regarding E-banking which is a new concept in banking business. Table: 2 shows the ranking of different broad areas of online information according to the disclosure extant.

Samina

Table 2: % of Online Information Disclosure by Sample Banks

Area of Online Information Disclosure	% of Sample Banks' Disclosure
Bank structure & management	88%
Retail banking products	86%
Financial statement	81%
Promotion	72%
Risk	68%
SME Banking	66%
Wholesale banking	65%
Banking for NRB	63%
E-banking	54%

Now if we make a comparison among all the sample banks, we will observe that Eastern Bank Limited covers the highest extent of information (i.e. 94%) of the areas considered. BRAC Bank Limited also provides so many information on its website. Their coverage is 92% of the sample items. Surprisingly unlike the other govt. owned banks Agrani Bank Limited has established a well informed website where they cover 93% of our sample areas of information. HSBC bank also has a developed website containing various information for stakeholders.

On the other side, Al Arafa Bank & UCBL have the least informative website from where we found only 42% and 44% information from our list respectively. Table 3 shows us the ranking of sample banks according to their level of information disclosure on website.

Samina

Table 3: Ranking of Sample Banks

Ranking	Name of Bank	% of Information Coverage on website	Ranking	Name of Bank	% of Information Coverage on website
1.	Eastern Bank Limited	94%	13.	NCC Bank Limited	74%
2.	Agrani Bank Limited	93%	14.	Jamuna Bank Limited	72%
2.	HSBC	93%	14.	Premier Bank Limited	72%
3.	BRAC Bank Limited	92%	15.	National Bank Limited	70%
4.	IFIC Bank Limited	88%	16.	Social Islami Bank Limited	69%
5.	The City Bank Limited	87%	17.	Islami Bank Limited	68%
5.	Bank Asia	87%	18.	Dutch Bangla Bank Limited	67%
6.	Standard Bank Limited	86%	19.	Commercial Bank of Ceylon	65%
7.	EXIM Bank Limited	84%	20.	One Bank Limited	63%
8.	Mercentile Bank Limited	82%	21.	Shahjalal Bank Limited	61%
9.	Shonali Bank Limited	81%	22.	First Security Bank Limited	60%
9.	Dhaka Bank Limited	81%	22.	Uttara Bank Limited	60%
10.	Janata Bank Limited	79%	23.	Trust Bank Limited	59%
10.	Standard Chartered Bank	79%	24.	Rupali Bank Limited	54%
11.	AB Bank Limited	77%	25.	Bangladesh Commerce Bank Limited	53%
11.	Mutual Trust Bank Limited	77%	25.	ICB Islamic Bank	53%
11.	Prime Bank Limited	77%	26.	Pubali Bank Limited	47%
12.	Southeast Bank Limited	75%	27.	UCBL	44%
			28.	Al Arafa	42%

Samina

				Islami Bank Limited	
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Now banks are categorized according to their level of information disclosure which is shown in Table 4. The Table shows that only 4 banks out of 37 banks have disclosure level above 90%. 11 banks have disclosure level at 70-79%.

Table 4: Categorization of banks based on their % of information disclosure

Categories	No. of Banks	Cumulative No. of banks
Above 90%	4	4
80% – 89%	7	11
70% - 79%	11	22
60%- 69%	8	30
50% - 59%	4	34
40% - 49%	3	47

Looking at the cumulative figures, we can find that most of the banks (30 out of 37) have their disclosure level above 60%. Only 7 banks disclose below 50% of the various areas of information on their websites.

7. Comparative Analysis among the Different Types of Commercial Banks

In our study we took sample banks in three categories, they are nationalized commercial banks (NCBs), private commercial banks (PCBs) and foreign commercial banks (FCBs). Already we have discussed the online information disclosure nature by these various types of commercial banks. Now we want to judge whether there is any difference between the online information disclosure patterns of these three categories of banks. That is here we want to test our first hypothesis. And to test our null hypothesis that there is no significant difference in the online information disclosure among the three types of banks, we have used here the paired t-test analysis. The paired t-test analysis helps us to identify the difference between the mean value of two related sample. The following table is showing us the result of the t-test analysis.

Samina

Table 5: Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	NCBS - PCBS	8.778E-02	.1499	4.997E-02	-2.7444E-02	.2030	1.757	8	.117
Pair 2	NCBS - FCBS	-2.2222E-02	.1935	6.450E-02	-.1710	.1265	-.345	8	.739
Pair 3	PCBS - FCBS	-.1100	.1626	5.421E-02	-.2350	1.501E-02	-2.029	8	.077

From the table it is observed that the significance level for t-test under each pair is above 0.05. This means that there is no significant difference between NCBS and PCBS, NCBS & FCBS and PCBS & FCBS regarding their online information disclosure.

The same result we get, if we look at the lower value and upper value with 95% confidence interval. The lower value and upper value contains 0 in between in every case. This also shows that there is no significant difference among the pairs.

Hereby we can say that our first null hypothesis regarding the three types of bank is accepted and the alternative hypothesis is rejected. So we can conclude that there is no significant difference among the three types of commercial banks in relation to their level of online information disclosure.

8. Conclusion

Internet is such a technology which has totally changed the dimension of human life. People now can know about anything anytime from any corner of the world by using this technology named internet by sitting at home. This technology has opened so many new doors of opportunities for individual as well as business world. At this age of globalization and competition, banks all over the world have cordially accepted the golden touch of technological revolution. Commercial banks in Bangladesh also have adopted this blessing of science in their operating system. Many techno-oriented products have been introduced by the commercial banks in Bangladesh. Besides, banks have introduced their own websites where they disclose information about all areas of their operations as well as management, products and financial statements for their existing and potential customers and other stakeholders. The previous studies concentrate over the determinant of the level of information disclosure but they did not compare between the level of information disclosure among the different categories of bank which has been emphasized in this paper. Besides all the previous study is based on the information disclosure on annual report but what sort of information is provided online by commercial banks in Bangladesh and the level of online information disclosure taking into

Samina

consideration of all the commercial banks in operation in Bangladesh are not covered there. This paper has put a light into the various areas regarding which commercial banks in Bangladesh provide information online. The paper also discusses the variety in information disclosure by different banks over website. A comparative analysis was made where it is found that there is no significant difference in the mean level of information disclosure by the three types of commercial banks that is nationalized commercial banks, private commercial banks and foreign commercial banks. Due to time limitation we could not concentrate towards the factors that influence commercial banks in their online information disclosure. So this would be the topic of our next study. However we expect banks in Bangladesh will be more techno-oriented and thus will help the people here to have better banking facility and will also accelerate the economic development of Bangladesh.

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