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Impact of Internal Audit and Audit Committee Characteristics on External Audit Fees: A Case Study of Banks in Bangladesh

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Abstract

This paper examines whether characteristics of an audit committee and the internal audit function (IAF) affect the external audit fee. Despite extensive research on the determinants of external audit fees and quality audit work, there is little empirical evidence on the effect of internal audit contribution on the external audit fee. Using a regressional model, rotated component and correlation matrix based on prior audit fee research, this study provides evidence that internal audit contribution is a significant determinant of the external audit fee and quality audit. Further, a second model that provides evidence on the determinants of internal audit contribution is developed and tested. This second model indicates that external audit work is influenced by internal audit quality, internal audit factors, business size and reputation of the firm, profitability and location of the firm, industry condition and hierarchy of the audit team and the extent of coordination between internal and external auditors. These results are based on a unique data-set comprised of publicly-available data matched with survey responses from internal auditors affiliated with numerous banking institutions in Bangladesh. The reseachers revealed that the higher percentage of contribution by internal auditors having finance or accounting background more time spent aiding the external auditors or performing financial audit task, the lower the unexpected external audit fee. Nonetheless, these results provide evidence that high quality IAFs are associated with lower external audit fee.

Keywords: Internal Audit Function (IAF), External Audit Fee (EAF), Audit Committee characteristics (ACC), Internal Audit (IA).

Introduction

This research analysis is based on a unique data-set comprising questionnaire survey responses from internal auditors especially and external auditors as well. This study includes 33 big commercial banks in Bangladesh. Using a cross-sectional regression model of SPSS based on a questionnaire survey where a continuous measure of internal audit contribution has been applied and thereafter analyzed the extent to which this contribution measure affects the EAF. The researchers also developed a rotated component matrix that provides evidence of the influencing factors of internal audit contribution.

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This research finding envisages that the extent to which internal audit and audit committee characteristics contribute to the financial statement audit is a significant determinant of EAF. It is found that the greater the contribution made by internal audit, the lesser the external audit's work in the context of large banking institutions in Bangladesh. For instance, if an audit client is to increase the contribution made by internal audit to the financial audit statement from no contribution to the mean level found in the sample (i.e., internal audit completes 27.50% of the financial audit); the audit fee would decrease by approximately 19% or Tk. 225,961. Further analysis depicts that the client can affect the extent of internal audit contribution by investing in internal audit quality and depending on the level of inherent risk, by either managing internal audit availability or facilitating greater coordination between internal and external auditors. Therefore, the researchers tested their assumptions by examining whether proxies for IAF competence, objectivity, and work performed are related to unexpected EAF, derived from a statistical regression model. Particularly, the authors conducted a test whether the following factors are related to unexpected EAF. They are professional qualification, existence of audit committee, presence of non-executives in the audit committee, frequency of audit committee meetings in a year, level of risk discharged by the internal auditors, number of employees in the internal audit function, size of internal audit budget, outsourcing/secondment of employees in the internal audit, amount of external audit fees, frequency of board meetings, work load of the external auditors, coordination between internal and external auditors, strength of the internal control system, role played by the head of internal auditors, internal audit explaining the increased demand for a higher quality audit, size of business, reputation of the audit firm, Profitability of the firm, directors' independence, location of the business, industry condition and hierarchy of audit team.

Having tested, the authors found that more competent IAF are associated with lower unexpected audit fees. Specially, it is found that banking companies that have an IAF with a higher percentage of certified internal auditors have lower unexpected EAFs.

The authors revealed the evidence that the percentage of time the IAF spends providing direct help to the external auditor and the percentage of time IAF spends performing tasks that are financial in nature are both associated with lower unexpected EAF. Varimax results present that unexpected EAFs are also significantly higher when more experienced and reputed auditors are employed.

The rest of this research study is delineated as follows: in the next section the review of prior literature is cited with full texts. In the 2nd section, the regression model is developed and used to test the authors' expectations and to describe the said sample. In the 3rd section, the authors present the results. In the final section, the implications of the findings and limitations and conclusive remarks of the study in particular are being expressed.

Objectives of the study

The following objectives are pursued in this study related to the IAF in determining audit fees in the context of banking institutions in Bangladesh.

1) To find out the determinants of the external audit fee.
2) To critically evaluate how internal audit functions affect external audit fee.
3) To critically evaluate how audit committee characteristics affect external audit fee.

Research methodology

Only 33 sample sizes have been used for this study due to the availability of very few numbers of qualified internal auditors in the banking sectors of Bangladesh. However, the sampling techniques applied are non-probabilistic in nature; more specifically a sample was purposively taken to accommodate a certain number of experts as respondents to answer the questionnaire regarding the influence of internal audit functions and audit committee characteristics over the quality external audit and its fee determination. Data were collected by undertaking a survey by self administered questionnaire with regards to private commercial banks of Bangladesh and combining the survey data with information disclosed in the annual reports of these banks. Thus, the questionnaire was sent to the listed banks of Bangladesh to measure both financial variables relating to size, profitability, risk and audit fee and non-financial variables concerning corporate governance, external audit, and the complexity of the entity. Data regarding the use of internal audit function, internal audit and audit committee affecting audit / influencing external audit fee were collected by using 12 statements and the respondents had to provide their level of agreement on five-point Likert scales and the data collected were assumed to be interval in nature. Similarly, data regarding audit fee determinant factors were collected by using both open and close-ended questions, where the respondents had to give their direct answers. In both factor analyses factor matrices were rotated by using varimax rotation technique for the purpose of facilitating the interpretation.

Limitations of the study

This study comprises a unique database set with survey responses and publicly available resources, such an approach has limitations. They are as follows:

1) Response bias may prevail.
2) The survey recipients and respondents are not significantly different; these two groups may differ in terms of internal audit quality and internal contribution.
3) The extent to which our results are robust to the inclusion of clients with other levels of internal audit quality or contribution remains an opportunity for further research.
4) The samples taken represent only the city of Dhaka.
5) Proprietary data were obtained for our analysis which caused our survey to be responded to by a limited number of banking institutions (firms), .i.e. the data set was not extremely well examined.

Literature Review

The authors did not find a large number of research studies in this field. Particularly, there is no prior literature on the issue in the context of Bangladesh. According to the auditing standard that permits external auditors to rely on the work of internal auditors in regarding a financial statement the audit may affect the external audit fee. **(Arens and Loebbecke: 2000)**. So the external auditors greatly depend on the work done by the internal auditor to great extent especially in the context of Bangladesh and the audit fees and factors influenced by internal auditors to the side of external auditors were being derived from this research study. In fact, professional auditing standard recognizes that internal auditors may contribute to the financial statement audit either working on assignments under the direct supervision of the external auditors or independently performing relevant work throughout the audit year on which the external auditors can rely on audit committee characteristics. **(Aiken and West: 1991).** More recent studies have examined the association between audit fees and audit committee characteristics such as the independence and expertise of committee members and the frequency of meetings **(Carcello *et al*., 2002; Abbott *et al*., 2003; Sharma, 2003)**. While most studies predict that an effective audit committee should demand a higher quality audit, counter arguments have been presented that such a committee should reduce the auditor's risk assessment, resulting in the need for less testing **(Collier and Gregory, 1996; Goddard and Masters, 2000; Abbott *et al*., 2003)**. The results of these prior studies have been mixed but have tended to support a positive association between audit fees and an effective audit committee.

This study investigates the relation between the contributions that internal audit and audit committee characteristics make to the financial statement audit via these two approaches and the magnitude of the external audit fee. Nonetheless, archival studies have been successful to document a statistically-significant relation between IAF contribution and External Audit Functions (EAF), having resulted in several cells for additional research to better comprehend the relation between internal audit and EAF **(e.g., Felix, Gramling, and Maletta: 1998; Hay, Knechel, and Wong, 2006).** The lack of strong archival results contrasts sharply with the considerable experimental and survey research indicating that external auditors do rely on the work of internal auditors, sometimes quite extensively. This body of research suggests that external auditors' reliance decisions are based heavily on quality-related factors specified by external auditing standards (i.e., the competence and objectivity of, and work performed by, internal auditors—see SAS No. 65 and AS 5).

The relation between internal audit and audit fees has also received attention from researchers. Some studies suggest that internal audit and external audit are substitutes for one another **(Elliott and Korpi, 1978; Wallace, 1984; Felix *et al*, 2001)**. However, other studies suggest that the two types of audit may be complementary, with an increase in both when greater monitoring is required **(Carey *et al*., 2000a; Hay and Knechel, 2002)**. These two notions are not mutually exclusive, as internal audit may substitute for some external audit work within a general framework of stronger governance.

Prior studies attempting to empirically assess the more recent study, **Stein et al [1994]** that mainly model the determinants of audit fees for financial services clients and industrial clients of

one external audit firm. Their model includes a variable of internal audit contributions that represent the level of internal audit assistance provided on the external audit. For example, SAS No.65 explores that external auditor's use work completed by the internal audit to reduce the evidence/effort required to complete the financial statement audit, a corresponding reduction in the external audit fee should occur. Consistent with this notion, **Felix et al's[1998]** recent survey suggests that the primary reason external auditors use internal audit work in the performance of the financial statement audit is to lower external audit costs. In the study only **Hay et al [2006]**conducted a meta- analysis of 147 separate audit fee analyses, including 11 analyses that examined proxies for the relation between the IAF and the external audit fee.

Collier and Gregory, (1996) find that the relationship between audit committees and external audit is a complex one, stemming from the demand for audit services by the client and the supply of audit services by the external auditor. From the supply side, the audit committee's involvement in strengthening controls may lead the external auditor to reduce the assessed level of control risk. As a consequence, the auditor's reliance on internal controls should result in less substantive testing and hence a lower audit fee **(Collier and Gregory 1996)**. **Abbott et al., (2003)** find a further reason for a positive relation between audit fees and an audit committee is that an effective committee should reduce the threat of an auditor dismissal and therefore could strengthen the auditor's bargaining position during fee negotiations. In addition, **Collier and Gregory (1996)**, using 1991 UK data, find an increasing effect of audit committees on the size-related audit fee, but find only weak support for a decreasing effect based on the complexity and risk-related audit fee. However, **Masters (2000)** find no evidence of higher size-related audit fees for UK companies with audit committees. They also find inconclusive and conflicting results concerning complexity and risk-related audit fees and the existence of an audit committee. **Sharma (2003)**, using a sample drawn from the top 500 listed companies in Australia, finds a significant positive association between audit fees and the existence of an audit committee. **Coulton *et al* (2001)** also find a positive association between the level of audit fees and the existence of an audit committee, using a sample of 614 industrial companies listed on the ASX in 1998.

Besides, two US studies which we replicate have produced conflicting results, with **Abbott *et al* (2003)** finding a positive association between audit fees and audit committee independence and expertise and **Carcello *et al* (2002)** finding that the association does not hold in the presence of board characteristics.

The results of prior studies examining the relation between audit fees and audit committee effectiveness have, however, been inconsistent. As noted, **Carcello *et al* (2002)**, using US data from the early 1990s, find that board characteristics rather than audit committee characteristics are associated with higher audit fees. In contrast, **Abbott *et al* (2003)**, using more recent US data, report a significant positive association between audit committee independence and expertise and audit fees, but no significant association between meeting frequency and audit fees. In spite of these conflicting findings, we predict that a strong and active audit committee is positively associated with a higher quality audit, demonstrated by a higher level of audit fees. Concurrently, **Sharma (2003)**, using Australian data, finds a significant positive association between audit fees and a 3-way interaction between independence, expertise and meeting frequency.

Elliott and Korpi (1978) and Felix *et al* (2001) find a negative association between audit fees and the contribution of internal audit to the external audit. In both studies, the level of contribution is measured as a continuous variable based on the external auditor's subjective assessment. The findings of these studies suggest that internal audit can be regarded, at least in part, as a substitute for external audit, with a reduction in audit fee being apparent when the external auditor relies on the work of internal audit **(Wallace, 1984)**. The reduction in fees may also be due to a lower assessment of audit risk resulting from internal audit involvement in strengthening internal control.

In contrast to the findings of **Elliott and Korpi (1978) and Felix *et al* (2001), both Carey *et al* (2000a) and Stein *et al*. (1994)** do not find a significant association between audit fees and the external auditor's assessment of the level of internal audit contribution. Furthermore, studies which focus only on the use of internal audit rather than the level of contribution to the external audit tend to find a positive association between audit fees and the existence of an internal audit function **(Carey *et al*., 2000a; Hay and Knechel, 2002)**. Similarly, **Elliott and Korpi [1978]** use a continuous measure of internal audit contribution and report that the percentage reduction of audit scope due to internal audit contribution is significant in predicting audit fees, while these results provide support for an inverse relation between internal audit contribution and the external audit fee. However, **Felix et al.[1998]** stated that the greater the availability of the internal auditors to assist the external auditor, the greater the contribution the internal audit will make to the financial statement audit. Consistent with the expectations, the authors find that more competent IAFs are associated with lower unexpected external audit fees. In particular, we find that companies that have an IAF with a higher percentage of certified internal auditors have a lower unexpected external audit fee.

The Sarbanes-Oxley Act (2002) places important restrictions on the non-auditing services, such as consulting services by the external auditors. In reality, public accounting firms earn substantial profit by consulting services from the firms they audit. In such a way, the audit fee is compensated for by non-audit fee. Moreover, the auditor's independence may be jeopardized. Bangladesh Standards on Auditing (BSA) does not focus on anything in respect of internal audit function or the role played by them towards external audit.

Findings of the study

We identified four factors, viz, internal audit factors, business size and reputation, profitability and location and industry condition and hierarchy of audit team influencing the external audit fees. Table-1 on the next page presents a rotated component matrix where selected variables identify the influence of internal audit and audit committee characteristics over the four factors in determining external audit fees.

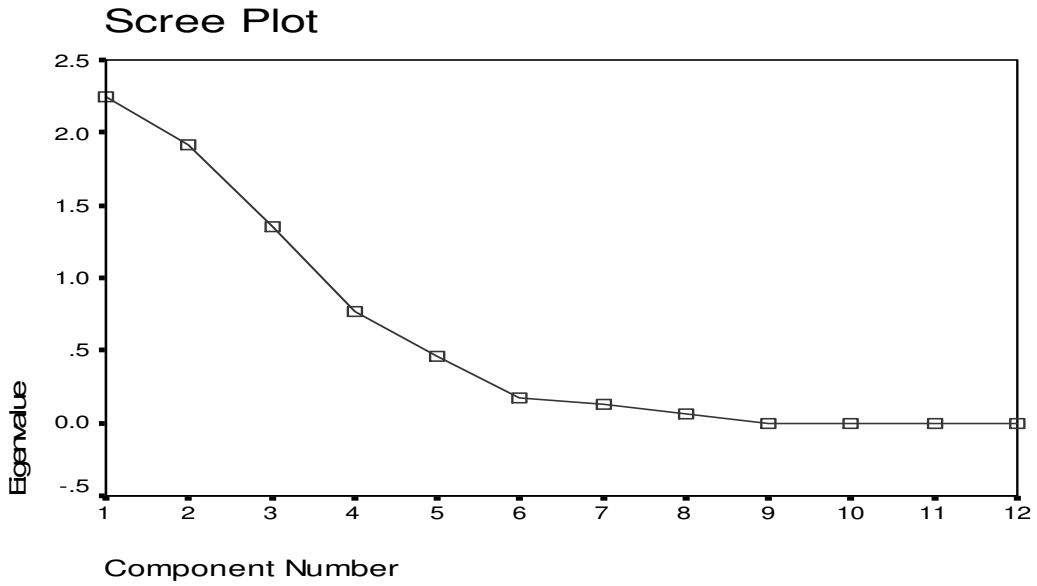
[Rotated Component Matrix (a)] Table -1

Variables	Factors			
	Internal audit factors	Business Size & reputation	Profitability & location	Industry condition & hierarchy of audit team
Use of internal audit	.801			
Coordination between internal and external audit	-.792			
Strength of internal control system	-.767			
Role of head of internal audit	.745			
High quality audit		.952		
Business size		.818		
Reputation of the audit firm		-.528		
Profitability of the firm			.946	
Directors' independence			.942	
Location of the business			-.572	
Industry condition				.896
Hierarchy of audit team				.713
% of variance explained	23.062	22.683	21.675	15.467
Cumulative %	23.062	45.745	67.421	82.887

Note: Only the loadings above 0.4 are presented in the component

A factor analysis (Table-1) of the 12 statements suggests that four factors were chosen in terms of eigen value of larger than 1.0. These four factors can explain 82.887% of the total variability. These four factors could have been selected in the scree plot given below in Table-2.

Table-2



As sample items are not sufficient to represent, Berlett's test of sphericity cannot be tested. The *first* factor can be called Internal Audit Factors as the highest loadings related to four variables pertaining to use of internal audit, coordination between internal and external audit, strength of internal control system, and the role of the head of internal audit. This factor can alone explain 23.062 % of the total variability. The *second* factor exhibits largely loadings for variables relating to business size and three reputation. This factor can alone explain 22.683% of the total variability and the first two factors, in combination, can explain 45.745% of the total variability. The *third* factor having defined by three variables is relating to profitability and location. This can stay 21.675% of the total variability. The *fourth* factor exhibits largely loadings for two variables relating to industry condition and hierarchy of audit team. It can explain 15.467% of the total variability. Here, it can be easily noticed that internal audit factors explained most of the total variance (23.062%), followed by business size and reputation (22.683%), profitability and location (21.675%) and industry condition and hierarchy of audit team (15.467%). Four factors extracted all together explained 82.887% of the total variability. This 82.887% is derived from the summation of total variance of the four factors of the component matrix. These four factors collectively depict the total influences (i.e. 82.887%) of the internal audit and audit committee characteristics in determining external audit fee of the surveyed banks in Bangladesh.

Audit Fee Model Specification for Computation of Unexpected Audit Fees through Regression Analysis

Following prior research, the authors estimate a cross-sectional regression model to generate external audit fees **(e.g., see DeFond, Raghunandan, and Subramanyam 2002).** The authors use internal audit and audit committee characteristics because of the relatively small sample size

surveyed to test the measures of external audit fees. By using Audit Committee Characteristics (ACC) and Internal Audit (IA), the authors can control for significantly more variables that are likely related to external audit fees and still have sufficient power in the unexpected audit fee model to test assumed expectations. The authors' measure of external audit fees is the residual from the following regression model:
CR=-222567, R square = .836, BSIZE= .576 , FRMEET = 37055.5, BMET =35255.325, NOEMP= 42812.946. sig=5%
Where external audit fees = constant +budget size(bsize)+frequency of audit meeting (frmeet)+board meeting(bmet)+number of employ(noemp) External audit fees= -222567 + .576(BSIZE)-37055.5(FRMEET)+35255.325(BMET) +42812.946(NOEMP)……(1)

From the table containing data we see that each organization has an audit committee (audcom), so it will not create any variation between internal audit and external audit fees. In addition, it is been observed that non executive in the audit committee (nonex) has also an insignificant contribution to determination of audit fees. For this reason we will not consider these two variables for analysis purpose.

Equation (1) implies that, if budget size increases by Tk. 1 then external audit fees will be -222567+(.576 x 1) =222566.42. In the same way if we increase the meeting number then the audit fees will 259622.5.in case of board meeting audit fees will be - 187311.675 and for the number of employee audit fees will be 179754.054. The value of R^2 shows that about 84% of the variation of audit fees is explained by several types of internal independent factors, so it is proved that the role of internal audit influences the external audit fees. .

Correlation analysis

It is revealed from the Appendix-2 that the correlation of audit fees in comparison with frequency of meeting, number of employees and business size & reputation are -.128, .275 and .635 respectively. These relative attachments among the aforesaid variables indicate a strong relationship to determine the external audit fees. Correlation matrix is given in the Appendix-2 to delineate the association among the variables considered. That matrix can also be used to identify the potential error associated with multi-co-linearity.

Scope for Further Research

The present study identifies several potential areas of research. They are as follows:

- The other relevant factors of internal audit and audit committee characteristics which indirectly impact in determining external audit fee can be explained for in-depth analysis through comparative studies between private local commercial banks and the foreign banks in Bangladesh.
- Global context about the parameters of determining external audit fee through internal audit and audit committee characteristics can be considered to compare the factors affecting external audit.
- Other financial institutions should be considered for analyzing the factors affecting the determinant of the external audit.

Concluding comments

This research's result in the context of Bangladeshi financial institutions exhibits that internal and audit committee characteristics are an indispensable determinant of the external audit fee (EAF). Most importantly, the higher the contribution of the internal auditors to the financial statement audit, the lower is the audit fee **(Abbott et al 2003)**. This examination explores regarding the factors influencing external audit fee. Concurrently this research finding suggests that internal audit contribution can bring in reduced EAFs, and that the client firm can potentially affect internal audit contribution by investing in internal audit quality, managing availability and facilitating coordination between the internal and external auditors.

The purpose of this study is to better comprehend the relation between IAF contributions and EAFs by ameliorating on the simple proxies for IAF contribution in previous archival studies. Particularly this study reveals that EAFs levy on characteristics of the IAF identified by auditing standards as being relevant to IAF quality. It is also discovered from the research findings that the more time internal auditors spend assisting the external auditor or performing financial– related tasks, the lower is the unexpected EAF earned.

This study is particularly important in view of the large corporate collapses which have demonstrated problems with the quality of financial reporting and auditing. It shows that companies with effective audit committees and internal audit functions also spend more on external auditing. Further, the findings indicate that it may not be appropriate to generalize the results of overseas studies to the Bangladesh environment. The tested results suggest additional opportunities for further research. For example, research that can provide insights into why the relation between audit fees and external auditor reliance on the client's internal controls appears to be significant **(Stein et al 1994)** would enhance understanding of the audit production process. Relatively, this research establishes an inverse relation between internal audit contribution and the external audit fee, but the authors cannot indicate whether the fee is decreased, because auditors have reduced the charges or the quantity of their services. Concurrently, the number of employees in internal audit may not be a good measure of the use of internal audit as it does not take into account the use of outsourcing or of secondment of employees into internal audit on a temporary basis. The size of the internal audit budget could be used in future research. There are also limitations with our measures of audit committee effectiveness. More refined measures of independence, expertise and diligence of audit committee members could be developed and used in future studies. Further, this research model does not indicate causality between the variables tested. Research is therefore needed to distinguish between supply-side and demand-side effects on audit fees and to unravel the complex interrelationships between the various monitoring mechanisms.

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Sarbanes-Oxley Act, 2002.

Bangladesh Standards on Auditing (BSA)

Appendix -1

Questionnaire

Please provide your comments in the boxes below and put tick marks where applicable:

1. Name of the employee

2. Professional qualification/Accounting or finance expertise of internal auditors:

3. Existence of audit committee — Yes/No

(If the answer is 'No' for question no. 3, you are not required to answer question nos. 4 & 5)

4. Presence of non-executives in the audit committee — Yes/No

5. Frequency of audit committee meetings in a year

6. Level of risk discharged by the internal auditors

7. No. employees in the internal audit function.

8. Size of internal audit budget:

9. Outsourcing/secondment of employees into internal audit — Yes/ No

10. External audit fees

11. Frequency of board meetings

Here given the following scale with five responses (1 = Strongly agree, 2 = Agree, 3 = Neutral, 4 = Disagree and 5 = Strongly disagree). Put a tick mark in the following level of agreement.

The use of internal auditor influencing the external audit fees

1. Works accomplished by the internal auditors reduce the work load of the external auditors.

1	2	3	4	5
Strongly agree	Agree	Neutral	Disagree	Strongly Disagree

2. Coordination between internal and external auditors reduces the risk of external audit.

1	2	3	4	5
Strongly agree	Agree	Neutral	Disagree	Strongly Disagree

3. Strength of the internal control system lessens the works of external auditor.

1	2	3	4	5
Strongly agree	Agree	Neutral	Disagree	Strongly Disagree

4. The Head of internal auditors can play role in determining the external audit fees.

1	2	3	4	5
Strongly agree	Agree	Neutral	Disagree	Strongly Disagree

5. Does the use of internal audit explain the increased demand for a higher quality audit indicated by higher audit fees?

1	2	3	4	5
Strongly agree	Agree	Neutral	Disagree	Strongly Disagree

6. Size of business can affect the external audit fees.

1	2	3	4	5
Strongly agree	Agree	Neutral	Disagree	Strongly Disagree

7. Audit fees depend on the selection of reputable auditors in the market.

1	2	3	4	5
Strongly agree	Agree	Neutral	Disagree	Strongly Disagree

8. Profitability of the firm positively affects the external audit fees.

1	2	3	4	5
Strongly agree	Agree	Neutral	Disagree	Strongly Disagree

9. Independent directors on the board who act diligently demand a higher quality audit.

1	2	3	4	5
Strongly agree	Agree	Neutral	Disagree	Strongly Disagree

10. The location of the company affects the external audit fees.

1	2	3	4	5
Strongly agree	Agree	Neutral	Disagree	Strongly Disagree

11. The industry condition affects the external audit fees.

1	2	3	4	5
Strongly agree	Agree	Neutral	Disagree	Strongly Disagree

12. The payment of external audit fees depend on the hierarchy of audit team based on hourly rate.

1	2	3	4	5
Strongly agree	Agree	Neutral	Disagree	Strongly Disagree

Appendix -2
Correlations

		FRMEET	NO.EMP	BSIZE	FEES	BOARD MET	AUDC OM1	NON EX1	OUTS OUR1
FRMEET	Pearson Correlation	1.000							
	Sig. (2-tailed)	.							
	N	33							
NO.EMP	Pearson Correlation	-.069	1.000						
	Sig. (2-tailed)	.701	.						
	N	33	33						
BSIZE	Pearson Correlation	.200	.282	1.000					
	Sig. (2-tailed)	.272	.118	.					
	N	32	32	32					
FEES	Pearson Correlation	-.128	.275	.635(**)	1.000				
	Sig. (2-tailed)	.478	.122	.000	.				
	N	33	33	32	33				
BOARDMET	Pearson Correlation	.200	-.525(**)	-.162	.203	1.000			
	Sig. (2-tailed)	.264	.002	.376	.257	.			
	N	33	33	32	33	33			
AUDCOM1	Pearson Correlation	.(a)	.(a)	.(a)	.(a)	.(a)			
	Sig. (2-tailed)	.	.	.	.	.	1.000.		
	N	33	33	32	33	33	33		
NONEX1	Pearson Correlation	-.029	.159	-.173	-.130	.000	.(a)	1.000	
	Sig. (2-tailed)	.873	.378	.343	.472		.	.	
	N	33	33	32	33	33	33	33	
OUTSOUR1	Pearson Correlation	-.239	.130	-.061	.357(*)	-.113	.(a)	-.238	1.000
	Sig. (2-tailed)	.181	.470	.739	.041	.531	.	.182	.
	N	33	33	32	33	33	33	33	33

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).
a Cannot be computed because at least one of the variables is constant.

Appendix 3
List of banks surveyed:

1. Dhaka Bank Ltd.
2. BRAC Bank Ltd.
3. Southeast Bank Ltd.
4. Bank Asia Ltd.
5. National Credit and Commerce Bank Ltd.
6. Shahjalal Bank Ltd.
7. HSBC
8. Prime Bank Ltd.
9. Commercial Bank of Ceylon
10. Uttara Bank