

**AN ASSESSMENT OF FUNCTIONS OF FOREIGN EXCHANGE
INSPECTION AND VIGILANCE DEPARTMENT OF BANGLADESH
BANK-DRAWBACKS AND SOLUTIONS**

by

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A project submitted in partial fulfillment of the requirements for the
degree of Professional Master in Banking and Finance

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May 2012

ACKNOWLEDGEMENTS

I would like to give thanks to all those who helped me to complete the project. I want to thank AIT to commence this project and to give guideline. I give special thanks to Mr. Md. Zulker Nayn and some other colleagues of FEIVD who helped me by giving suggestions in questionnaire development. I also thank the employees of FEIVD and CB, customers of CB to fulfill the questionnaire and give their opinion. I am bound to Mr. Monju for his guideline to use factor analysis. I want to thank FEIVD's top management to support for the completion of the project and give their experienced opinion.

I am grateful to my supervisor Weerakoon Wijewardena (a former Senior Deputy Governor, Central Bank of Srilanka) whose support, thoughtful suggestions and encouragement were of immense value throughout this project.

Especially, I would like to give my special thanks to my wife Rima Pervin whose patient love enabled me to complete this project.

ABSTRACT

Foreign exchange inspection and vigilance department (FEIVD) of Bangladesh Bank is faced with the problem of modernising its systems and procedures to suit the requirements of the changing banking industry in the country. This work presents the functions of FEIVD, tries to identify the drawbacks and the mechanism through which those drawbacks could be resolved for the smooth functioning of FEIVD. Questionnaires were used to collect data from the employees of FEIVD, commercial banks (CB) and their customers. Factor analysis, mean and standard deviation is used to identify the major drawbacks. Discussions with employees of FEIVD and CB, customers of CB, higher officials of FEIVD, a retired senior officer of Central Bank of Sri Lanka and author's own experience are used to present the solution mechanism. FEIVD faces problem related to training, skill and number of inspectors; timely submission and proper implementation of the inspection report; good coordination among departments of Bangladesh Bank; supervision standard; guidelines; information technology and proper communication with the customers of CB. Proper monitoring, accountability, follow up, meeting with related parties, formation of committees, development of knowledge and experts opinion could be used to resolve identified problems of FEIVD for the smooth operation in the changing banking industry.

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List of Abbreviations

FEIVD: Foreign Exchange Inspection and Vigilance Department

CB: Commercial Bank

GM: General Manager

DGM: Deputy General Manager

JD: Joint Director

DD: Deputy Director

AD: Assistant Director

BB: Bangladesh Bank

IT: Information Technology

CBSL: Central Bank of Srilanka

RBI: Reserve Bank of India

CHAPTER 1

INTRODUCTION

1.1 Background

Foreign Exchange Inspection and Vigilance Department (FEIVD) of Bangladesh Bank (BB) is responsible for inspecting the foreign exchange related areas and resolving the complaint by the affected parties if there have been irregularities when banking regulations have been implemented by banks. For the stabilization of the foreign exchange market and the banking sector, FEIVD needs to operate efficiently. If Foreign exchange market operations could be improved, the foreign exchange reserves could be increased, remittances through proper channels could be enhanced and instances of money laundering could be checked. Again, when the affected party complaints against Banks and Non-Bank Financial Institutions are on the decline, the confidence which they place on the market will be built. Thus, the financial system will be strengthened facilitating it to generate overall economic development of the country. It would also help the Bangladesh Bank to perform its functions more efficiently.

From the experience of the author which runs into more than four years, it can be said that there are some areas in FEIVD which need improvements. But those drawbacks need to be identified in a structured way so as to find solutions for same. Hence, the current study has been undertaken by the author by following the research guidelines which AIT has prescribed for its students following the PMBF course. As per these guidelines, both qualitative and quantitative methods have been used.

1.2 Statement of Problem

FEIVD has to operate in an efficient manner in order to accomplish its mission of establishing a strong and a facilitating financial system in the country, but due to certain drawbacks it can not accomplish its mission effectively. These drawbacks have been identified through a survey as well as through the experience of the author.

1.3 Objective

The objective of this project is-

- To identify the functions of FEIVD
- To identify the drawbacks of the functions of FEIVD
- To identify the mechanisms through which those drawbacks could be resolved for the smooth operation of FEIVD and thus the foreign exchange market and banking industry. This in turn makes the financial system stable.

1.4 Methodology

To identify the drawbacks and solutions of the functions of FEIVD, factor analysis, mean and standard deviation were used. For this analysis, data from the employees of FEIVD and Commercial Banks (CB) and Customers of CB were collected by conducting a survey.

To survey on the employees of FEIVD and CB, two questionnaires were prepared by following Likert Five Scale where the value was given as 1 for 'Strongly Disagree', 2 for 'Disagree', 3 for 'Neither agree nor disagree', 4 for 'Agree', 5 for 'Strongly Agree'. Again, to survey on the customers of DCB, Likert Two Scale was used where the value was given as 1 for 'Yes' and 2 for 'No'. Here, Likert Scale was selected to express the analysis easily in a quantitative way. The survey was conducted on 29 experienced employees of FEIVD among 62 employees of FEIVD on 34 questions (See Appendix 01), 20 employees of 17 CB on 22 questions (See Appendix 02) and 29 customers of CB on 9 questions (See Appendix 03). At first the sample questionnaires were prepared. Then, the final questionnaires were prepared by taking the suggestions of the experienced employees of FEIVD.

For the analysis of the survey result, Excel was used for the determination of mean and standard deviation and SPSS was used for factor analysis. Factor analysis identified eight factors (25 questions among 34 questions) on employees of FEIVD survey and five factors (17 questions among 22 questions) on employees of CB survey. The mean and standard deviation were used to identify the most important variables that affected the FEIVD functions. Data were collected from the customers to get a clear picture about the performance of FEIVD. Opinions and suggestions were also collected from all of them on some important points about FEIVD functions.

Finally, based on the factor analysis, mean and standard deviation, the drawbacks of FEIVD functions were identified. Then suggestions were taken from the employees of FEIVD and CBs, Customers of CBs, Central Bank of Srilanka to reach the best solutions.

1.5 Scope and Limitation

The project could help to identify the problems of FEIVD and the mechanism to solve those problems to operate the FEIVD functions efficiently.

The study was conducted only on the employees of FEIVD of Head Office of BB, CBs in Dhaka City and a very few customers of CB. The study could also include economist, other related regulatory bodies of Bangladesh, more suggestions from other countries central bank, etc.

1.6 Structure of the Report

Chapter 1 discusses the introductory part of the project.

Chapter 2 discusses the functions of FEIVD.

Chapter 3 analyze the survey result and discusses the identified problems and solutions in different aspects.

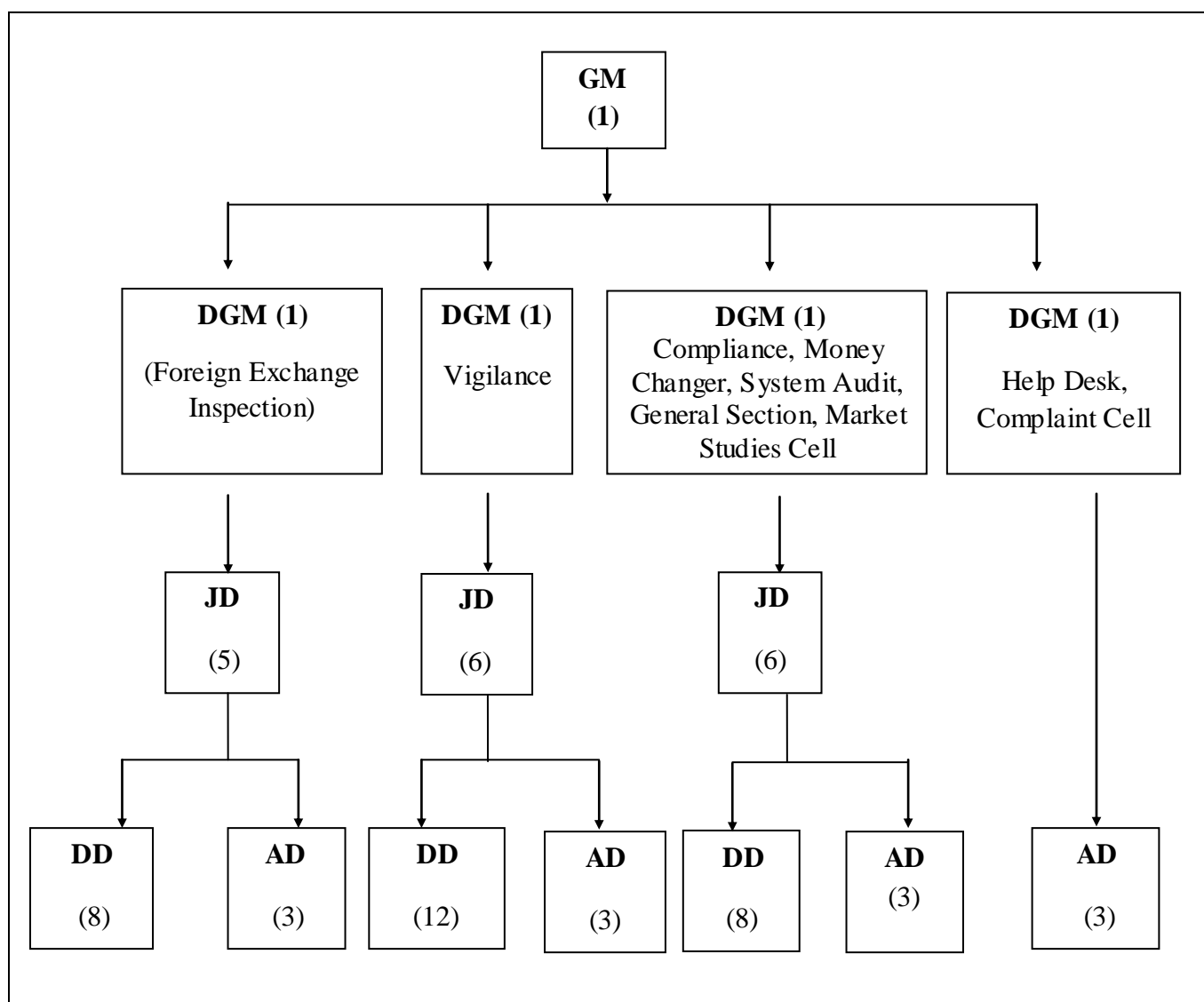
Chapter 4 ends up with a conclusion and recommendations and the limitations of the project.

CHAPTER 2

AN OVERVIEW OF FOREIGN EXCHANGE INSPECTION AND VIGILANCE DEPARTMENT (FEIVD)

Foreign exchange inspection and vigilance is a department of Bangladesh Bank (BB) in head office, Dhaka. According to citizen charter of BB, FEIVD is responsible for the inspection of the Authorized Dealers of Banks in Bangladesh to ensure whether they are following the Foreign Exchange Regulation Act 1947 or not in conducting the foreign exchange transactions. Inspection helps to protect the depositor's interest, financial sector's discipline and monetary policy's proper implementation¹.

Organogram: Foreign Exchange Inspection and Vigilance Department



The diagram shows that FEIVD is headed by a General Manager (GM) under which 04 Deputy General Manager (DGM) is now working. One DGM is responsible for

foreign exchange inspection under which 05 Joint Directors (JD), 08 Deputy Directors (DD) and 03 Assistant Directors (AD) are working. Another DGM is responsible for vigilance under which 06 JD, 12 DD and 03 AD are working. Compliance, money changer, system audit, general section, market studies cell are under another DGM. He has 06 JD, 08 DD and 03 AD to operate his responsibility. Help desk and complaint cell is under another DGM who has 03 AD for the operation.

The functions of FEIVD are described below:

Comprehensive Inspection on Foreign Exchange

On the basis of import and export volume, number of Letter of Credit, etc. the selected authorized dealer branches of the country are inspected under the annual program of FEIVD. The annual inspection program is approved by the higher authority of Bangladesh Bank. After the approval of the annual program, several inspection programs are approved by the GM of FEIVD to reach the target of the annual inspection program. Under this inspection, two/three inspectors headed by JD/ DD go to the authorized dealers branches and head offices of the banks for inspection. Before going on the inspection, the inspection team has to pass a directive from DGM as an instruction/request to respective banks/authorized dealers' branches about the inspection. The inspection is normally conducted for three to four days depending on the volume of work of the respective authorized dealers' branches/ head office of Banks.

The inspection team has a model report for inspection. This model report has been prepared by a committee made up of the department's experienced employees and passed by the higher officials of BB. This model report is a guideline for the inspectors. In the inspection, the inspectors inspect import, export, remittances, etc. on a sample basis as the model report. The inspectors verify whether authorized dealers branches/Head Office of Banks are following the rules and regulations of BB, different regulatory bodies of the Government, etc. They also verify whether the banks' customers are using the loans appropriately or not by making on-site examinations. After completing the inspection on the foreign exchange related parts of the AD branches/ Head Office of banks, the inspection team shares the findings with the Banks Manager/Managing Director.

The inspection report is written after the completion of the inspection by the team members and submitted normally by the junior most team members and then checked by the higher officials who pass the report with instruction for change, if needed. Then the approved report is sent to the respective banks with the instructions for adoption.

Vigilance

Complaints from members of the public about the irregularities of the banking and non banking institutions relating to their operations are regularly received by the department. The irregularities pertain to imports, exports, remittances, bribe taking, customer services, extra charges, etc. The complaints are received through post, by fax or by email.

The complaints are received by the higher officials of BB and referred to the responsible officials. Then, the officials prepare a report on the complaints and submit it to the higher officials. Normally, a letter is issued to the respective banks/other types of organizations to know their response too about the complaints. Then the respective banks give their comments about the complaint. If they fail to give comments, reminder letter is

issued against them. If the respective banks can satisfy about the complaint, then the case/complaint is closed. But, if they fail to satisfy the officials about the query, then another letter may be issued or an inspection team may go to respective banks to know the details about the complaint and try to find the facts. A junior officer normally puts a note about the necessity of the inspection and the DGM normally forms the inspection team by consulting with the others. Then the note is passed by the higher officials with the decision of which bank to inspect, the officials who will inspect and the number of days for inspection. The scope and the terms of reference of the inspection are also stipulated in the inspection approving note issued by higher officials. After the formation of the inspection team, they visit the respective bank or branch for inspection. There is no guiding model for this inspection like the comprehensive foreign exchange inspection because of its nature. Factors are different from inspection to inspection. Inspectors' skill and knowledge are very much important to find out the facts about the irregularities. This inspection is very much important for the stability of the financial sector. Sometimes inspection team shares the finding with the respective banks depending upon the nature, importance and feature of the findings.

The inspection report is normally written and submitted by the junior officer of the inspection team with the help/suggestion of the senior team members. Then the higher officials check the report and pass the report with necessary instructions. The necessary instructions are given to the inspected banks by mail.

System Audit

This inspection is done normally on the treasury department of the banks. Based on the inspection, the inspection team calculates a rating on the banks foreign exchange part and this rating is a requirement of Department of Offsite Supervision for the calculation of Banks CAMELS rating.

In this inspection, the foreign exchange market, money market activities, dealing room, dealing officers' expertise, open position, Nostro/Vostro accounts maintenance, exchange house, etc. are inspected. This inspection is almost similar to the head office inspection of FEIVD. Normally, two/three inspectors go for this inspection for two days. After the completion of this inspection, the inspection team shares their findings with the bank.

The inspection report with the rating is submitted by the junior team member as like other inspection report with the guidance of the senior team members. The rating is a critical issue. Some factors of the rating are easy to identify and some are qualitative which creates difficulty to measure. It sometimes differs among team members as well as different teams. But, after a long discussion with experience employees and higher officials, if any confusion arises or clarification is needed, inspection team obtain those and implement it in the inspection report as well as in the rating. After all the ratings are accumulated, the department sends it to Department of Offsite Supervision for their use of CAMELS rating. The inspection report sends to Foreign Exchange Policy Department to know them about the condition of the banks foreign exchange factors. Another report sends to Bank to implement the suggestions of the inspection report and develops their work as per the guideline of the Bangladesh Bank.

Money Changer/Exchange

In the money exchange, people can buy or sell foreign currency. Foreign Exchange Policy Department of BB gives the license to the money changer to do foreign currency transaction. It is normally very small in size like a shop. Two/three people can run the operation of this organization. It has to submit its transaction report to BB on a regular basis. It also maintains an account with an authorized dealer branch of a Bank to deposit the excess amount of their daily transaction. To facilitate the general people about the foreign currency transaction and to reduce the curb market activities, money changer plays an important role in the market. Bank has high charge about the foreign currency transaction but money changer could do it at a cheap rate because of their low operating cost.

All the money changers are inspected twice in a year. But, a portion of it inspected quarterly on a sample basis. Normally, two inspectors go to the money changer for the inspection for one day. There is a model report for the money changer inspection. In the inspection, the inspectors check the foreign currency balance with their records. They also check whether they are conducting their business as per the rule and regulation and whether they are conducting any illegal transaction or not. A major portion of the money changer license has been cancelled as they were not following the rule and regulation.

After the completion of the inspection, the report is prepared by as the junior officer of the team as like other inspection report and submitted to get the approval. The higher officials go through the report and ask questions about their query and pass the report. Then the passed report sends to the Foreign Exchange Policy Department for their necessary actions.

Market Studies Cell

Here information is collected through newspapers and other media about the irregularities of the financial market. No complaint about the irregularities is submitted to the department.

When information about the irregularities is collected, a note is put up about this and higher officials are informed about it and give decision about the necessary steps. A letter may be issued to the respective banks/non-bank financial institutions to know about their comments. Then the case may be closed or if necessary further clarification may be asked by issuing letter until the higher officials are satisfied. Again, an inspection team may be formed if the higher officials think that by issuing letter the fact may not be known accurately. Here, normally two inspectors go for inspection with a directive as the authorization for inspection. Like vigilance inspection, the inspectors inspect and give a report which is put up for the higher officials to pass.

Help Desk and Complaint Cell

Bank of India (RBI) introduced Banking Ombudsman Scheme (BOS) in India on June, 1995 to solve the customers' complaint (Reference). BOS has 15 offices across the country. This scheme administered several times to include new issues such as credit card, internet banking, etc. BOS wants to establish a visible and credible system of dispute resolution mechanism for common persons utilizing banking services. It wants to ensure redressing the complaints of users of banking services quickly, provide feedback/suggestions to RBI towards framing appropriate and timely guidelines to banks, and enhance the awareness of the BOS. BOS is fully stuffed and funded by RBI.

A committee is formed under the chairmanship of former Chairman, Securities and Exchange Board of India. This committee will look into the banking services provided to the retail and small customers and pensioners, structure and efficiency of the complaint redressal mechanism and will suggest measures for speedy resolution of complaints. The committee will also review the BOS (Reserve Bank of India, 2012)

Central Bank of Srilanka (CBSL) convinces its supervised banking and financial institutions to appoint a Banking Ombudsman at their own expense and all complaints against these member banks are referred to the Ombudsman for investigation and submit his judgment on the complaint. Banks are not legally bound to accept that judgment, but in practice, they honour the judgment and provide the necessary redress to the member of public who has made the complaint. The salary and other expenses of the Ombudsman are shared by banks but he performs his duty as an independent outsider and therefore, he has been able to maintain his reputation and credibility among the complaining members of the public.

Banking and financial institutions have set up a Credit Counselling Unit on the instructions of CBSL to educate the members of the public of the procedures and systems in banks and how members should effectively utilise their borrowings from banks. The cost of running the Credit Counselling Unit is being borne by banks themselves. It is a proactive measure of minimising the incidence of complaints by the members of the public in the future.

Accordingly, the complaints and requests for assistance made by members of the public to CBSL are also referred to the Ombudsman and Credit Counselling Unit respectively. This has relieved the bank's staff of unnecessary time devotion for non-core activities and thereby facilitated them to concentrate their work on core business of CBSL.

Help desk (Customers' Interests Protection Centre) in FEIVD was established recently with the following objectives:

- To protect the interests of the customers related to Banks & Financial Institutions (FI) within the legal and regulatory frame-works.
- To redress the grievances of the customers and to attend the complaints received against Banks/FIs or its any official.
- To improve banker-customer relationship.
- To ensure the standard of customer-services of the Banks/FIs².

This help desk will coordinate among the help desk in different branch offices of Bangladesh Bank and Complaint Cell of different banks/financial institutions. Branch offices of Bangladesh Bank will normally settle the complaint under their region. To facilitate the work, each bank/financial institution will open a regional Complaint Cell. This department's help desk will also solve the complaint.

Complaint will be received by telephone, cell phone, SMS, Fax, website, email, mail.

After the complaint received, help desk will try to solve the problem as early as possible. So, it will contact with the respective Bank/Financial Institution complaint cell by telephone. If it cannot be solved by phone then it will issue letter and inspection team may be sent if necessary³.

This help desk is established recently and all the above functions are not yet activated but in process. This help desk may contribute a lot to strengthen the confidence of the customers of financial sector and thus make the sound financial market.

Compliance

The main purpose of FEIVD is the inspection of the issues discussed above. After the inspection, there are some suggestions about the findings to the bank to follow which is given by issuing letter. After that the respective banks inform the department about the steps they have followed about the suggestions/instructions. Some officials of this department are responsible to verify whether the respective banks are following the suggestions/instructions accurately or not. It is an important task. Because, if they are not verifying whether the banks are following the instructions accurately or not, then there is no value to find out the irregularities by the inspectors. If the banks are not following the suggestions/instructions accurately, then another letter is issued to clarify the reason not to follow the instructions. The responsible officials of this department put a note on the banks response on the instructions to inform the higher officials and to get the decision about the further actions. Sometimes, special inspection team may go to inspect whether the banks actually followed the instructions or not.

Table 2.1: Functions of FEIVD at a glance

Subject	No. of Team Members	Inspection Period	Inspection Model Report	Inspection Area
Comprehensive Foreign Exchange Inspection	Normally 2/3	3/4 Days	Yes	Inspect all the foreign exchange related areas (import, export, remittance, etc).
Vigilance	Normally 2	2-5 Days	No	Inspect on the basis of complaint about the bank
System Audit	Normally 2	2 Days	Yes	Inspect Foreign Exchange Risk Management policies and practices
Money Changer	Normally 2	1 Day	Yes	Inspect the business activities of money changer about the foreign currency

CHAPTER 3

ANALYSIS

3.1 Discussion Based on Factor Analysis

Factor analysis tries to identify factors or underlying variables that describe the pattern of correlations contained by a set of observed variables. It is often used in data reduction to identify a small number of factors that explain most of the variance observed in a much larger number of manifest variables⁴.

Total Variance Explained Table shows the eigenvalues associated with each factor (linear component) initial eigenvalues and Extraction Sums of Squared Loadings. Initial eigenvalues has identified all data set. Each factor's eigenvalues represent the variance explained by that particular linear component. The table also shows the eigenvalues in terms of the percentage of variance explained. It should be clear that the first few factors explain relatively large amounts of variance and whereas subsequent factors explain small amounts of variance. SPSS then extracts all factors with eigenvalues greater than 1, which leaves up with 10 factors in FEIVD and 6 factors in CB. The eigenvalues associated with these factors are again displayed (and the percentage of variance explained) in the columns labelled Extraction Sums of Squared Loadings. The values in this part are the same as the values of initial eigenvalues, except that the values for discarded factors are ignored⁵.

In the Component Score Coefficient Matrix Table each number represents the correlation between the item and the unrotated factor (e.g. correlation between 'the way to select the no. of Banks for inspection is appropriate' and factor 1 is 0.601). These correlations help to formulate an interpretation of the factors or components. This is done by looking for a common thread among the variables that have large loadings for a particular factor or component⁴.

Factor Analysis on Foreign Exchange Inspection and Vigilance Department

To identify the related factors and reduce the number of variables affects the functions of FEIVD, only 10 factors are identified where 25 questions are correlated with the factors more than 0.5 (See Appendix 04 and 05). But two factors are ignored here as their identified variables are common to other factors variable with higher correlation (See Appendix 06). Table 2 shows that these 8 factors consist of 25 questions explain the 74.975% of the total variance. Factor 1 explains the highest variance (26.64%), included 15 questions. Only one question is included in Factor 2 which explained 10.498% variance. The variances explain by the subsequent factors are decreasing and factor 8 explains the lowest one (4.163% variance).

Factor	Total Variance Explained (%)	Questions/Variables
		The inspection reports are appropriately written
		The suggestions of the inspection reports are properly implemented.
		The inspection is properly monitored
		The inspection time is properly utilized
		The supervisors are qualified
		The supervisors are efficient
		The organization properly following the suggestion of the inspection report
		The various inspection guidelines are properly prepared
		The Bank Supervision Standard is as per Basel Core Principles
		There is good coordination among supervisory departments of BB
		There is good coordination among different regulatory bodies with BB
Factor 2	10.498	The number of People for inspection is enough
Factor 3	8.760	The types of Banks inspected fully covering the requirement
		The organizations timely respond to the query of inspection team
Factor 4	7.795	The time for the inspection is enough
		The inspectors do not need training
		The inspection reports are timely implemented
Factor 5	6.723	The guidelines require development, it can be done internally
Factor 6	5.822	You are familiar with the IT systems of banks
Factor 7	4.574	More than one supervisor hampers departments work
Factor 8	4.163	The inspection reports are timely submitted
Total= 74.975		

Table 3.1: Factors of FEIVD (Continued)

Based on the survey of employees of FEIVD, these 8 factors (25 variables) have been identified that affects the functions of FEIVD most. Now, further study is required to identify the way to remove the problem associate with these factors.

Table 3.2: Factors of FEIVD

Factor	Total Variance Explained (%)	Questions/Variables
Factor 1	26.64	The way to select the number of Banks for inspection is appropriate
		The inspection method is appropriate
		The inspectors are skilled enough
		The inspectors are effective

Factor Analysis on Commercial Banks

To identify the related factors and reduce the number of variables affects the functions of FEIVD on the survey result of CB, only 6 factors are identified where 17 questions are correlated with the factors more than 0.5 (See Appendix 07 and 08). But one factor is ignored here as their identified variables are common to other factors variable with higher correlation (See Appendix 09). Table 3 shows that these 5 factors consist of 17 questions explain the 70.589% of the total variance. Factor 1 explains the highest variance (24.203%), includes 9 questions. Two questions are included in Factor 2 which explains 18.128% variance. The variances explain by the subsequent factors are decreasing and factor 5 explains the lowest one (8.442% variance).

Table 3.3: Factors of CB

Factor	Total Variance Explained (%)	Questions/Variables
Factor 1	24.203	The inspection reports are properly implemented
		The organization co-operate with the inspection team
		The organizations timely respond to the query of inspection team
		The organization properly following the suggestion of the inspection report
		The various inspection guidelines are properly prepared
		The bank supervision standard is updated as per existing rule and regulations
		There is good coordination among supervisory departments of BB
		There is good coordination among different regulatory bodies with BB

		There is good coordination among team members when team work is there
Factor 2	18.128	The IT of the bank is sufficient enough to support the department's function
		The guidelines require development, it can be done internally
Factor 3	11.242	The inspectors do not need training
		The complaint in Vigilance is timely solved
Factor 4	8.574	The inspection method is appropriate
		The inspection reports are appropriately written
Factor 5	8.442	The frequency of inspection is sufficient
		The inspection reports are timely implemented
Total= 70.589		

Based on the survey of employees of CB, these 5 factors (17 variables) have been identified that affects the functions of FEIVD most. Now, further study is required to identify the way to remove the problem associate with these factors.

The questionnaire of CB excluded some questions which are not significant from the questionnaire of FEIVD. Here, the factor analysis identified 25 questions from FEIVD questionnaire and 17 questions from CB questionnaire that affect the functions of FEIVD most. If we consider both of them, then we could exclude only the following questions:

- The way to select the types of the banks is appropriate
- You know the goal of the department
- You know the action plan of the department to achieve its goal

From this discussion of factor analysis, we could see that it could not reduce the data that much if we consider both factors variables. But, if we consider only the FEIVD or Banks then it excluded more variables.

3.2 Discussion Based on Mean and Standard Deviation

Mean and standard deviation are used to identify the questions (variables) on survey result of FEIVD and CB that affects the functions of FEIVD most (See Appendix 10 and 11). Here, the mean value below 3 (neither agree nor disagree) is taken as standard to identify the most important variables. The mean value below 3 is taken as standard because it indicates that most of the people expressed their opinion as 3 (neither agree nor disagree) or below 3 (2= disagree, 1= strongly disagree). The standard deviations of both the survey results are below 1 in most of the cases and exceed 1 in some cases which is considered as negligible in this analysis.

With the standard of below 3, twelve questions from both the FEIVD and CB

Table 3.4 : Survey Results of FEIVD and CB with Mean Value Lower than 3

Sl No.	Question	Mean (FEIVD)	Mean (CB)
01	The inspectors do not need training	1.41	2.2
02	The time for the inspection is enough	2.03	2.8
03	The number of People for inspection is enough	2.24	>3
04	There is good coordination among supervisory departments of BB	2.52	>3
05	The bank supervision standard is updated as per existing rule and regulations	2.59	>3
06	The inspection reports are timely implemented	2.62	>3
07	You are familiar with the IT systems of banks	2.69	>3
08	IT support is sufficient for you	2.69	>3
09	The suggestions of the inspection reports are properly implemented	2.79	>3
10	The inspectors are skilled enough	2.83	>3
11	The inspection reports are timely submitted	2.86	>3
12	The guidelines require development, it can be done internally.	>3	2.65

survey results were identified which are stated in the Table 4:

Table 4 shows that only three questions were identified below 3 (neither agree nor disagree) mean value on CB survey result, one of which is not below 3 mean values in the FEIVD survey result.

Detailed discussions were conducted by the author during survey with employees of FEIVD and CB. Then, discussions were made with higher officials of FEIVD and opinion was taken from a retired senior officer (a former Senior Deputy Governor) of the Central Bank of Srilanka (CBSL) by email on the identified questions by the author. All these discussions and author's own opinion as an employee of FEIVD on the identified questions are summarized below:

01. The inspectors do not need training

Both the employees of FEIVD and CB think that inspectors need training as the banking sector is always changing with new concepts. Training could increase the employees' quality and could adjust with the changing atmosphere.

Higher Officials Opinion: GM and two DGM also think that inspectors need training.

CBSL'S Opinion: As a regional central bank which has successfully implemented a modernisation program, the author consulted a retired senior officer of the Bank (a former Senior Deputy Governor) regarding the training requirements of its officers. The author is informed that under a modernisation program which the CBSL implemented during 2000-05, the entire Bank was converted to a learning organisation and training and learning were made mandatory for all officers to acquire the required talents and skills on a continuous basis. A special Management Development Centre was established within the Bank and special training programs were conducted in-house to facilitate the officers to keep in touch with the modern trends in bank supervision, central bank management and other core areas of the Bank.

The Author's Opinion: The inspectors always need training to adjust with the changing atmosphere of the banking industry. BB arranges training in its training center and sends outside for training when required. In-house training facility should be increased and individually necessary area of training for the inspectors should be identified. Like CBSL training and learning could be made mandatory for all officers to acquire the required talents and skills on a continuous basis.

02. The time for the inspection is enough

Normally for the comprehensive foreign exchange inspection 3-4 days is given. But, both the employees of FEIVD and CB think that it is not enough.

Higher Officials Opinion: GM and one DGM think that time for inspection is enough but another DGM disagreed with them. They say that for more time requirement, the inspection team could put a note for time extension.

CBSL's Opinion: The author was informed that even at CBSL the inspection teams had always complained of the inadequacy of the time period for conducting the inspection work by the inspection teams. To overcome this problem, CBSL had introduced a thorough pre-preparatory work program for the teams so that when they visited banks and branches, they knew exactly what type of information and data should be collected and what type of additional information should be sought verbally. In this way, the needed time was cut drastically and the teams were able to prepare reports in time.

The Author's Opinion: When inspection team put the note for time extension of inspection, they get it. But, normally inspectors try to avoid it, because if they could not find out any irregularities what they were suspecting, they would be in an embarrassing situation. To avoid this, FEIVD's higher officials may ask the inspection team during the inspection time whether they need more time or not for the successful completion of the inspection. Like CBSL a thorough pre-preparatory work program for the teams could be conducted so that when they visits banks and branches, they know exactly what type of information and data should be collected and what type of additional information should be sought verbally. More discussion is required to set up the time period of the inspection.

03. The number of people for inspection is enough

The inspection team are formulated normally by two members. FEIVD's employees think that there should be more team members.

Higher Officials Opinion: GM and two DGM think that the number of people for inspection is enough.

CBSL's Opinion: The author is informed that this is a perennial problem relating to any inspection work and CBSL is not an exception. However, CBSL has assembled multi-disciplinary teams with specific responsibilities assigned to each party and with that organisational strategy, it has been possible to prepare the required reports in time.

The Author's Opinion: The number of people for inspection is enough, but inspectors have to engage in many inspections which creates problem. They have to prepare the report within the inspection period in most of the cases. So, when the inspectors go to inspection, they feel hurry to complete the work and can not concentrate on inspection properly. Multi-disciplinary teams with specific responsibilities assigned to each party could be developed like CBSL to overcome this problem. But, more in depth knowledge about multi-disciplinary team is required and need to verify whether it is suitable or not for FEIVD.

04. There is good coordination among supervisory departments of BB

One of the main functions of BB is to supervise the Banks. For the supervision, various departments of BB are working. The employees of FEIVD think that there is lack of coordination among supervisory departments of BB.

Higher Officials Opinion: GM and two DGM also think that there is not good coordination among the supervisory departments of BB.

CBSL's Opinion: The author is informed that in every beaucracy which functions as separate bureaus managed by beaucrats who seek to maximise their own self-interest, this type of non-cooperation among bureaus is unavoidable. To get the necessary cooperation for an exercise involving multi-bureaus, the core functions of the CBSL have been organised under different deputy governors, for instance, price stability under one deputy governor, financial system stability under another deputy governor and corporate services under a third deputy governor. All deputy governors are members of key committees; the monetary policy committee is chaired by the deputy governor handling monetary policy but all other deputy governors are also member of the committee; similarly, it is the deputy governor handling the financial system stability chairing the financial system stability committee with all deputy governors as members. So are the arrangements for the other committees such as the HR and Training Committees, Corporate Management Committees etc. This has enabled CBSL to coordinate work relating to every area of the bank without undue friction among different departments.

The Author's Opinion: For proper coordination among the supervisory departments of BB regular meeting within the departments employees and the departments top management should be conducted to fulfill the enter departments need. Again, the top management of BB should have regular meeting to monitor the coordination of the supervisory departments. A central data receiving center could be set where the banks could send the data from where the supervisory departments could collect it.

05. The bank supervision standard is updated as per existing rule and regulations

BB uses different rule and regulations for the supervision. The employees of FEIVD think that they are not following the existing rule and regulations properly for supervision in some cases.

Higher Officials Opinion: GM and two DGM think that they are following it properly.

CBSL's Opinion: It is learned that CBSL too updates its procedures and regulations continuously to be in line with the best international practice. This has been the particular subject matter coming under the financial system stability committee and risk management committee of the bank. However, the adequacy is a matter of opinion since these procedures are continuously updated globally and all central banks in emerging economies are lagging behind.

The Author's Opinion: To some extent, the employees of FEIVD are true because it sometimes takes time to incorporate the new rule and regulations and in some cases the employees are not aware of the new rule and regulations. But, when the inspectors know the new rule and regulation, they implement it as early as possible. If the higher officials of the department are conscious about this, then this problem could be solved easily.

06. The inspection reports are timely implemented

FEIVD's employees think that there is problem related to timely implementation of the inspection reports. FEIVD's employees engaged in other desk job but most of the cases the banks try to delay the instructions by various ways. CB's employees also think that there are problems for the timely implementation of the inspection reports because they are always in a huge job pressure for which the unwilling delay occurred in some cases.

Higher Officials Opinion: GM thinks that inspection reports are timely implemented but the other two DGM differs with this.

CBSL's Opinion: At CBSL, there is a lag in the implementation of inspection reports since the follow up mechanism does not work effectively. Banks and financial institutions need to be reminded constantly to have them implemented and any lapse on the part of CBSL results in banks giving low priority for those reports.

The Author's Opinion: Both the employees of FEIVD and CB are correct. The timely implementation of inspection report should be seriously taken into consideration otherwise the fruitfulness of the inspection decrease. Proper monitoring and accountability should be there.

07. You are familiar with the IT systems of banks

CBs are using the different IT systems for implementing the quick service to the customers and centralization. For this, software differs with bank to bank. FEIVD's inspectors go to different banks where they face different software and the process and product name also vary. The inspectors' are not familiar with the IT systems of CBs which creates huge difficulty for them.

Higher Officials Opinion: GM and the two DGM also think that the inspectors are not familiar with the IT systems of banks.

CBSL's Opinion: This is a common weakness pertaining to all central banks because commercial banks continuously go for new technology to cut costs, make operations efficient and compete with rival banks by giving a more efficient and satisfying service to customers. CBSL officers have a fair IT knowledge, but it is not adequate to handle real world problems like deliberate frauds or information distortion by banks. CBSL has encouraged its staff to acquire IT based audit qualifications.

The Author's Opinion: To solve this problem BB should be fully aware of the software the CBs are using. The CBs should take prior approval to use the software, a common format could be used about the final output and training should be given to the related employees of BB about the software. The inspectors should also be encouraged to learn the changing IT system by their own interest.

08. IT support is sufficient for you

FEIVD's employees are regularly using the computer basically for typing the report, note put up. Some of them also use it to know the different circulars and other important information. But, both the employees of FEIVD and CB think that IT support is not sufficient for FEIVD's employees. Because, they face a continuous problem to use the computer.

Higher Officials Opinion: GM thinks that it is sufficient and the two DGM neither agreed nor disagreed.

CBSL's Opinion: The IT support within CBSL is sufficient for most of the inspections done on banks and if any particular inspection needs additional support, CBSL always consults proper IT experts in the market and uplifts its own capabilities.

The Author's Opinion: The banking sector is now using IT rigorously. To conduct the FEIVD's functions efficiently, its employees also need to know and use the IT. For that they need a continuous training on IT and technical support.

09. The suggestions of the inspection reports are properly implemented

FEIVD's employees think that there is problem related to the proper implementation of the inspection reports. Sometimes banks try to avoid the proper implementation of the inspection reports suggestions. Banks also think that there is problem for the proper implementation of the inspection reports because it might affect their career, their customers, banks profit, etc.

Higher Officials Opinion: GM and one DGM think that inspection reports are not properly implemented but the other DGM neither agree nor disagree with this.

CBSL's Opinion: Sometimes, the reports are not implemented properly as have been recommended in the reports. The blame goes to the inadequacy of the follow up mechanism in CBSL.

The Author's Opinion: It should be seriously taken about the proper implementation of inspection report otherwise the fruitfulness of the inspection decrease. Proper monitoring should be there.

10. The inspectors are skilled enough

FEIVD's employees think that some of the inspectors are not skilled enough with which the CB's also agree.

Higher Officials Opinion: GM and two DGM also think that some of the inspectors are not skilled enough.

CBSL's Opinion: The CBSL has recognised that the knowledge base needed for conducting effective inspections is changing and staff should be continuously trained for that purpose. Therefore, CBSL has allocated sufficient funds in its annual budget for training of staff.

The Author's Opinion: Some of the inspectors are not skilled enough because they do not have the experience, proper educational background and also the personal interest to learn. So, proper monitoring, training and selection of the right employee for inspection are very much important.

11. The inspection reports are timely submitted

FEIVD's employees think that the inspection reports are not timely submitted. Because, they are engaged in different desk job.

Higher Officials Opinion: GM think that inspection reports are timely submitted but two DGM think that in some cases inspection reports are not timely submitted.

CBSL's Opinion: The urgent reports are submitted on time, but the non-urgent reports are normally delayed.

The Author's Opinion: Proper monitoring is required to avoid the claim of the FEIVD's employees. Otherwise, the inspections ultimate target could be difficult to achieve.

12. The guidelines require development, it can be done internally

The FEIVD's employees think that the development for guideline could be done internally, but the CB's employees think that combination of BB employees and experts from outside would give the best output.

The Author's Opinion: Combination of BB employees and experts from outside would give the best output. Outsiders are facing the reality and could understand more about the necessity of required changes.

3.3 Other Suggestions from Employees of FEIVD and CB

The author made a discussion with each respondent on each questions during the survey. There were options in the questionnaire to give the opinion by the respondent if they disagreed with some points. Again, at the end there was an option to give opinion about the functions of FEIVD. Based on those suggestions and author's experience the following discussion is given-

The way to select the no. of Banks Branches for inspection is appropriate: Some bank branches are always remain outside the inspection for several years. Exposure

to foreign exchange, composite rating, and other criteria could be used to select the branches for inspection properly.

The inspection method is appropriate: Comprehensive foreign exchange inspection and money changer inspection are based on a model report and statement. Sometimes the inspectors are only following these model reports and statement where manipulation could be occurred. Again, some new areas may remain untouched. To overcome these problems and make the inspection more effective, inspection should be modernized to adjust with the changing banking industry.

The inspectors are effective: Inspectors need to know IT, banking transaction procedure, the present banking rule regulations, etc. They must be updated on the banking industry and not to be very casual and biased. To adjust with the changing banking industry continuous training and learning is required.

The inspection reports are appropriately written: Some inspectors are not efficient to write a quality report. Shortage of time and manpower also hampers the report quality in some cases. The reports are sometimes loose its quality because of biased inspectors and undue pressure. Proper monitoring, scheduling of task, accountability and independence of the inspectors could solve these problems for appropriate report writing.

The inspection is properly monitored: The number of banks branches for inspection is huge compare to the number of inspectors of FEIVD. The target of the number of branches for inspection in a year could not be achieved for this. FEIVD's employees are always busy to reach the target. High officials of the department are much more concern to reach the target. They do not have enough time to monitor and guide the inspectors to find out the loopholes as required because of extreme pressure of workload.

The inspection time is properly utilized: Inspectors are not properly utilizing the inspection time because of desk job, traffic jam, unnecessary discussion with the bank officials, site visit, etc. Inspectors could avoid the unnecessary discussion with the bank officials and site visit. Proper monitoring and job management can be fruitful to overcome these problems.

The complaint in Vigilance is timely solved: Some of the vigilance complaints can not be solved timely because of huge workload and delay response of the banks. Some employees of FEIVD also have lack of responsibility to do the job timely. So, proper distribution of work, monitoring, accountability, the number of employees increase, etc could be used to solve the delay in vigilance complaint solution.

Others: To solve the problems in many areas of the department adequate manpower is required. It should focus more on risk based audit. The inspectors should avoid the unfair means and should be highly professional to operate the departments function successfully.

3.4 Discussion Based on Survey Result of Customers Response

FEIVD receives complaints from customers of CB and other financial institutions about their services. FEIVD takes necessary actions to solve those complaints. It is important to build confidence of the customers on the financial sector. Any fraud, forgery and dissatisfaction may create a great problem in financial sector. Bank run is always a

critical issue for the banking sector. To reduce the fraud, forgery and dissatisfaction in the financial sector, its customers should be well informed about the way to submit complaints to BB if the complaints are not solved by CB.

The survey on the CB's customers was conducted by the author to find out whether they were well informed about the way of solution of their complaints or not. The survey result shows that CB's customers have very limited knowledge about this service BB. The survey was conducted on Banker, Teacher, Engineer, Retail shop owner, Farmer, Service holder, Business man, Police, Student and House wife. All of them heard the name of BB. Among them, 79% knew about some activities of BB. Supervision activities of BB were known by 76% of them. Only 48% knew that they could complaint against CBs to BB. And very few (7%) knew the various ways to complaint against CBs to BB.

The survey was conducted on the educated persons who had bank account. Some of them (48%) knew that they could complaint against CBs to BB and only few of them (7%) knew the ways to complaint. So, there is lack of communication about this activity of BB. This service of BB should be communicated to the CB's customers so that they could solve the problem by submitting the complaint to BB if they could not solve it at CBs. Again, when the CBs know that their customers are well informed about the solution of their irregularities by complaining to BB, then they might be more conscious about their services to customers and give better service. Through this way, the soundness of financial sector could be developed.

The customers of CB gave suggestions during the survey about the way BB could inform them. Those are as follows:

1. **Notice in the Bank premises:** The way to complain against CB to BB could be written in the notice board of the CB.
2. **Short Message Service (SMS):** Now a day, almost all account holders of CB have the cell phone. So, the way of complaint related information could be given to them through SMS.
3. **News paper:** Information could be easily conveyed to the people about the way of complain by newspaper.
4. **Attach the information with Account Opening Form, Cheque Book, etc:** When customers open account, CBs is used to give some documents like cheque book, rules and regulations of account operation, etc. Information could be conveyed in this time about how they could solve their complaint by communicating to BB.
5. **Electronic media:** Information could be easily conveyed to the people about the way of complain by Television, Radio, etc.
6. **Internet:** In the BB website, CBs website, etc. the complaint related information could be conveyed. At present, customers complaint facility in BB Website exists.

FEIVD recently open a help desk to give better services to the CB's customers. Now, complain is received through email, mail, phone, fax, etc as the previous ways

except phone. But, the customers should be well informed about this. FEIVD should take the lacking of communication seriously to give better services to the customers of banking sector for the sake of stabilization of financial sector.

The Process of CBSL

A retired senior officer of CBSL (a former Senior Deputy Governor) has informed the author about this activity of CBSL. CBSL has adopted two measures in this regard:

1. The banking and financial institutions which are being supervised by CBSL have been persuaded to appoint a Banking Ombudsman at their own expense and all complaints against these member banks are referred to the Ombudsman for investigation and submit his judgment on the complaint. Banks are not legally bound to accept that judgment, but in practice, they honour the judgment and provide the necessary redress to the member of public who has made the complaint. The salary and other expenses of the Ombudsman are shared by banks but he performs his duty as an independent outsider and therefore, he has been able to maintain his reputation and credibility among the complaining members of the public.

2. Banking and financial institutions have set up a Credit Counselling Unit on the instructions of CBSL to educate the members of the public of the procedures and systems in banks and how members should effectively utilise their borrowings from banks. The cost of running the Credit Counselling Unit is being borne by banks themselves. It is a proactive measure of minimising the incidence of complaints by the members of the public in the future.

Accordingly, the complaints and requests for assistance made by members of the public to CBSL are also referred to the Ombudsman and Credit Counselling Unit respectively. This has relieved the bank's staff of unnecessary time devotion for non-core activities and thereby facilitated them to concentrate their work on core business of CBSL.

The identified problems and solution mechanism regarding the functions of FEIVD are discussed above. But, for more in depth study and solution mechanism, a powerful committee could be formulated who could solve these by conducting further in depth study and also solve the problems arises continuously in the changing banking industry.

CHAPTER 4

CONCLUSIONS AND RECOMENDATIONS

4.1 Conclusions

FEIVD operates the comprehensive foreign exchange inspection, vigilance, system Audit, money changer inspection, market studies cell, help desk and complaint cell, compliance functions. To conduct the operation, FEIVD has 62 employees (1 GM, 4 DGM, 17 JD, 28 DD and 12 AD). The functions are distributed among 4 DGM under which JD, DD and AD are working. GM is the head of the department.

Development of the functions and adjust with the changing environment of banking sector is a continuous process. FEIVD also has to develop the functions and adjust with the changing environment of banking sector as its functions are directly related with it. The areas where FEIVD should focus more are-

1. Training of the inspectors
2. Enough time for inspection
3. Enough inspectors for inspection
4. Good coordination among supervisory departments of BB
5. Updated bank supervision standard as per existing rule and regulations
6. Timely submission and implementation of the inspection report
7. Proper knowledge about the IT systems of banks
8. Proper IT support for the employees of FEIVD
9. Proper implementation of the suggestions of inspection report
10. Skilled Inspectors
11. Development of the guidelines by combining the experts from outside with employees of BB
12. Proper communication with the customers of CB about the available services for them by FEIVD

However, concentrating more on the above mention areas and taking proper action for the improvement of these areas are not the ending of the development of the functions of FEIVD. But this project tries to show the ways to identify the required development areas. Again, proper development of the above mentioned issues are very difficult to implement as they are qualitative factors and a continuous process for development. But, effort should be taken to solve these areas as much as possible so that FEIVD's functions could be operated efficiently. FEIVD should always be prepared to solve the new areas for its efficient functioning.

4.2 Recommendations

A number of actions could be taken by FEIVD on the focus areas:

1. Training and learning should be mandatory for all officers to acquire the required talents and skills on a continuous basis. In-house training program could be conducted to facilitate the officers to keep in touch with the modern trends in bank supervision, central bank management and other core areas of the Bank.

2. To overcome the problem of shortage of time for inspection, a thorough preparatory work program could be taken for the teams so that when they visited banks and branches, they knew exactly what type of information and data should be collected and what type of additional information should be sought verbally. In this way, the needed time could be cut drastically and the teams could submit the reports in time. Again, top management could consult with the inspection team whether they need more time or not for the successful completion of the inspection.

3. Inspectors are engaged in different inspection and desk job. Proper management of the job distribution could solve the problem of the multiple tasks of the inspectors. Multi-disciplinary teams with specific responsibilities assigned to each party could be developed like CBSL to overcome this problem. But, more in depth knowledge about multi-disciplinary team is required and need to verify whether it is suitable or not for FEIVD.

4. For proper coordination among the supervisory departments of BB regular meeting within the departments employees and the departments top management should be conducted to fulfill the enter departments need. Again, the top management of BB should have regular meeting to monitor the coordination of the supervisory departments. A central data receiving center could be set where the banks could send the data from where the supervisory departments could collect it.

5. The top management of FEIVD should monitor and take necessary steps so that the inspectors should be updated about the existing rule and regulations necessary for proper inspections.

6. Top management of FEIVD should monitor its employees to ensure the timely submission and implementation of reports. The CB's employees should be accountable for the timely submission and implementation of the report. Reminder could be given to CB's employees for the timely implementation of the inspection report.

7. The changing environment of banking sector creates difficulty to know their IT. Knowledge about the IT systems of banks could be acquired by the inspectors by proper training and their own interest to learn the always changing banking industry.

8. To adjust with the changing banking industry inspectors have to know and use IT rigorously. Proper training, increasing inspectors own interest, consultant's opinion regarding special cases could be fruitful to adjust with the changing banking industry.

9. Adequate follow up mechanism should be taken to overcome the problem of proper implementation of the suggestions of inspection report.

10. Proper training, monitoring the development of the skill and selection of the right employee for inspection could help to get the skilled inspectors.

11. Experts from different CBs and other organizations could be taken as required when the guidelines are prepared. It could help to get the most realistic and fruitful guidelines.

12. Notice in the bank premises, short message service (SMS), news paper, attachment of information with account opening form, cheque book, etc., electronic media, internet could be used to inform the customers about the available ways to submit the complain against CB's to FEIVD. Banking Ombudsman and Credit Counselling Unit could be

introduced like CBSL to transfer the function to another body to concentrate more on the core functions of Central Bank.

A powerful steering committee (See Appendix 12) could be formulated to solve these problems by conducting further in depth study and also solve the problems arises continuously in the changing banking industry.

4.3 Limitations of the Project

This project gathers data by using questionnaire and discussions with employees of FEIVD and CBs, customers of CBs, higher officials of FEIVD, authors own experience and a former senior deputy governor of CBSL. It does not gather data from the top management of BB, other offices of BB and other organizations related the functions of FEIVD.

The information collected only from some CB's employees and from few customers of CB, though it tries to collect different types of CB and different types of customers as per professions. This project only compares with CBSL but not several other central banks.

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APPENDICES

Appendix: 01

Questionnaire for the employees of Foreign Exchange Inspection and Vigilance Department of Bangladesh Bank

1.	The no. of banks inspected is sufficient.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
2.	The way to select the no. of Banks for inspection is appropriate.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
	If not agree, write your comment:				
3.	The types of Banks inspected fully covering the requirement.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
4.	The way to select the types of the banks is appropriate.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
	If not agree, write your comments:				
5.	The no. of People for inspection is enough.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
6.	The time for the inspection is enough.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
7.	The inspection method is appropriate.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
	If not agree, write your comments:				

Appendix: 01

8.	The inspectors are skilled enough.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	4. Strongly agree
9.	The inspectors are effective.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
	If not agree, write your comments:				
10.	The inspectors do not need training.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
11.	The inspection reports are appropriately written.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
	If not agree, write your comments:				
12.	The inspection reports are timely submitted.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
13.	The suggestions of the inspection reports are properly implemented.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
14.	The inspection reports are timely implemented.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
15.	The IT of the bank is sufficient enough to support the department's function.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree

Appendix: 01

16.	The inspection is properly monitored.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
	If not agree, write your comments:				
17.	The inspection time is properly utilized.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
	If not agree, write your comments:				
18.	The supervisors are qualified.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
19.	The supervisors are efficient.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
20.	More than one supervisor hampers departments work.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
21.	The organization inspected properly co-operate with the inspection team.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
22.	The organizations timely respond to the query of inspection team.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree

Appendix: 01

23.	The organization properly following the suggestion of the inspection report.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
24.	The various inspection guidelines are properly prepared.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
25.	The guidelines require development, it can be done internally.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
	If not agree, write your comments:				
26.	You know the goal of the department.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
27.	You know the action plan of the department to achieve its goal.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
28.	The Bank Supervision Standard is as per Basel Core Principles.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
29.	The bank supervision standard is updated as per existing rule and regulations.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree

30.	You are familiar with the IT systems of banks.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
31.	There is good coordination among supervisory departments of Bangladesh Bank.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
32.	There is good coordination among different regulatory bodies with Bangladesh Bank.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
33.	There is good coordination among team members when team work is there				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
34.	The complaint in Vigilance is timely solved.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
If not agree, write your comments:					
<u>Any Other Comments:</u>					

**Questionnaire to Employees of Commercial Banks
to Find Out the Problem & Suggestions**

01.	The no of banks inspected is sufficient.
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Appendix: 02

	1. Strongly Disagree	2. Disagree	6. Neither agree nor disagree	7. Agree	8. Strongly agree
02.	The frequency of inspection is sufficient.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
03.	The no. of People for inspection is enough.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
04.	The time for inspection is enough.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
05.	The inspection method is appropriate.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
	If not agree, write your comments:				
06.	The inspectors are skilled enough.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
07.	The inspectors are effective.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
	If not agree, write your comments:				
08.	The inspectors do not need training.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree

Appendix: 02

09.	The inspection reports are appropriately written.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
	If not agree, write your comments:				
10.	The inspection reports are properly implemented.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
11.	The inspection reports are timely implemented.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
12.	The IT of the bank is sufficient enough to support the department's function.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
13.	The organization co-operate with the inspection team.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
14.	The organizations timely respond to the query of inspection team.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
15.	The organization properly following the suggestion of the inspection report.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
16.	The various inspection guidelines are properly prepared.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
17.	The guidelines require development, it can be done internally.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
	If not agree, write your comments:				

Appendix: 02

18.	The bank supervision standard is updated as per existing rule and regulations.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
19.	There is good coordination among supervisory departments of Bangladesh Bank.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
20.	There is good coordination among different regulatory bodies with Bangladesh Bank.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
21.	There is good coordination among team members when team work is there				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
22.	The complaint in Vigilance is timely solved.				
	1. Strongly Disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5. Strongly agree
	Any Other Comments:				

01.	Have you heard the name of Bangladesh Bank?
-----	---

Questionnaire to Customers of Commercial Banks

	1. Yes	2. No
02.	Do you know about the activities of Bangladesh Bank?	
	1. Yes	2. No
03.	Do you know about the supervision activities of Bangladesh Bank?	
	1. Yes	2. No
04.	Do you know that you can complaint against the Banks to Bangladesh Bank?	
	1. Yes	2. No
05.	Do you know that there are various ways to complaint?	
	1. Yes	2. No
06.	Did you Complaint?	
	1. Yes	2. No
07.	If Complained, how/which way?	
	1. E- mail	2. Mail
08.	Did you receive any feedback?	
	1. Yes	2. No
09.	Did you get your problem solved promptly?	
	1. Yes	2. No
Any Comments:		

Appendix: 04

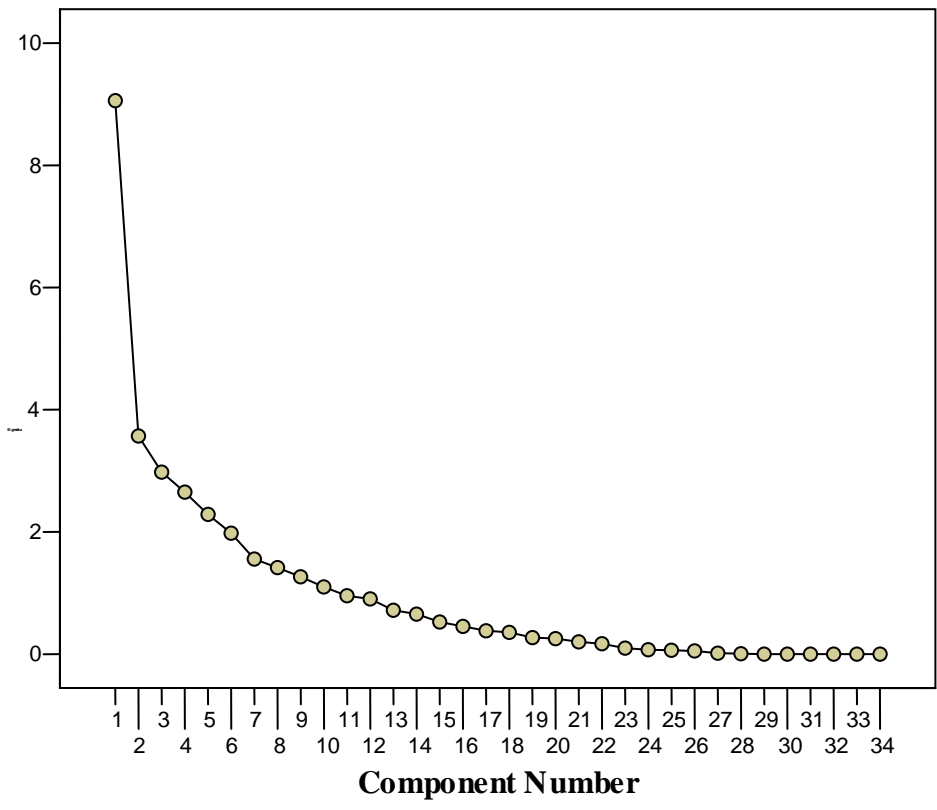
**Total
Variance
Explained of
FEIVD
Survey**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9.057	26.640	26.640	9.057	26.640	26.640
2	3.569	10.498	37.137	3.569	10.498	37.137
3	2.978	8.760	45.897	2.978	8.760	45.897
4	2.650	7.795	53.693	2.650	7.795	53.693
5	2.286	6.723	60.416	2.286	6.723	60.416
6	1.979	5.822	66.237	1.979	5.822	66.237
7	1.555	4.574	70.811	1.555	4.574	70.811
8	1.415	4.163	74.975	1.415	4.163	74.975
9	1.266	3.724	78.698	1.266	3.724	78.698
10	1.098	3.230	81.928	1.098	3.230	81.928
11	.954	2.806	84.733			
12	.903	2.657	87.390			
13	.717	2.109	89.499			
14	.655	1.927	91.426			
15	.526	1.546	92.971			
16	.454	1.335	94.306			
17	.383	1.126	95.432			
18	.355	1.045	96.478			
19	.271	.798	97.276			
20	.253	.745	98.021			
21	.200	.589	98.610			
22	.168	.496	99.106			
23	.098	.290	99.395			
24	.071	.207	99.603			
25	.063	.185	99.788			
26	.051	.149	99.937			
27	.015	.046	99.982			
28	.006	.018	100.000			
29	.000	.000	100.000			
30	.000	.000	100.000			
31	.000	.000	100.000			
32	.000	.000	100.000			

33	.000	.000	100.000			
34	.000	.000	100.000			

Extraction Method: Principal Component Analysis.

Scree Plot of FEIVD Survey



Component Matrix of FEIVD Survey Result

	Component									
	1	2	3	4	5	6	7	8	9	10
no.banks.inspected	.018	.373	.267	.043	.486	-.035	.299	-.071	.442	-.271
Way.select.banks.inspected	.601	.358	.142	-.149	.374	.159	-.283	.041	-.136	.092
Types.banks.inspected	.087	.406	.594	.199	.132	-.203	.332	.197	-.127	-.062
Way.select.types.banks	.429	.269	.334	-.529	.105	-.352	-.176	.076	-.028	.243
No.people.inspection.sufficient	.368	.789	-.021	.190	-.077	-.021	-.030	-.027	-.052	-.078
Time.for.inspection.enough	.309	.507	.000	.564	.118	-.019	-.229	-.026	-.362	-.152
Inspection.method.appropriate	.744	-.016	.094	-.100	.343	-.080	.087	-.090	-.348	-.018
Inspectors.skilled.enough	.662	-.403	.120	.269	.106	-.061	-.054	-.139	-.035	-.201
Inspectors.effective	.818	-.374	-.043	.011	-.100	-.117	.040	-.155	.159	.050
Inspectors.dont.need.training	.056	-.034	-.048	.552	.239	-.171	-.254	-.073	.280	.516
Inspections.reports.appropriately.written	.609	.057	-.324	-.304	.389	.016	.126	-.293	-.030	.002
Inspections.reports.timely.submitted	.312	.028	-.502	.194	.414	.100	-.242	.548	-.078	.085
Suggestions.inspection.report.properly.implem	.692	-.012	.047	.100	-.386	.148	.368	.067	.239	-.018
Inspection.report.timely.implemented	.466	-.092	-.213	.589	-.218	-.255	-.010	.336	.162	.073
IT.of.Bank.sufficient.to.support.dept.function	.495	.165	-.340	.282	.145	-.130	.288	-.178	.006	-.166
Inspection.properly.monitored	.675	.239	.371	.021	.311	.030	.004	-.012	.208	.009
Inspection.time.properly.utilized	.713	-.094	-.225	.134	-.021	-.413	-.116	-.191	-.061	-.161
Supervisors.qualified	.802	-.257	.172	.102	.098	-.001	-.223	.051	.050	-.182
Supervisors.efficient	.682	-.301	.092	-.106	-.220	.175	-.226	-.204	.034	-.035
More.than.one.supervisors.hampers.dept.work	.182	.249	-.202	.165	.093	.372	.548	.221	-.253	.031

Component Matrix of FEIVD Survey Result (continued)

	1	2	3	4	5	6	7	8	9	10
Inspected.org.cooperate.inspection.team	.219	-.651	.483	-.053	.171	.076	.223	-.023	-.136	.231
Timely.response.inspection.team.query	.376	-.481	.519	-.069	.051	-.224	-.043	.396	-.112	-.088
Org.properly.following.inspection.report.suggestion	.651	-.110	.052	.346	-.227	-.255	.210	.022	.243	.160
Inspection.guideline.properly.prepared	.551	.005	-.360	.025	-.071	.402	-.141	-.310	.051	-.070
Guideline.dev.can.be.done.internally	-.103	-.075	.453	.010	.571	.294	-.090	-.084	.268	.011
Know.goal.dept	.386	.228	-.526	-.449	.141	-.257	-.022	-.046	.122	.019

Know.action.plan.dept	.445	.185	-.219	-.315	.034	.491	.155	.305	.265	.232
Supervision.std.Basel.core.prin	.549	.248	.021	-.517	-.226	-.088	-.216	.191	.085	-.066
Supervision.std.as.per.existing.rule.regulation	.498	.402	.195	-.364	-.454	-.304	.084	.151	-.015	-.091
Familiar.Banks.IT.systems	.132	.049	.271	.198	-.235	.517	-.398	.239	.142	-.364
Good.coordination.among.supervisory.dept.BB	.713	.215	.182	-.004	-.319	.328	.038	-.121	.089	.123
Good.coordination.among.diff.regulatory.body.with.BB	.521	.274	.240	.171	-.266	.244	-.044	-.157	-.347	.439
Good.coordination.among.team.members.of.inspection	.494	-.524	-.019	-.128	.012	.261	.199	.000	-.252	-.116
Complaint.vigilance.timely.solved	.479	-.418	-.487	-.140	.204	-.031	.063	.360	-.041	-.030

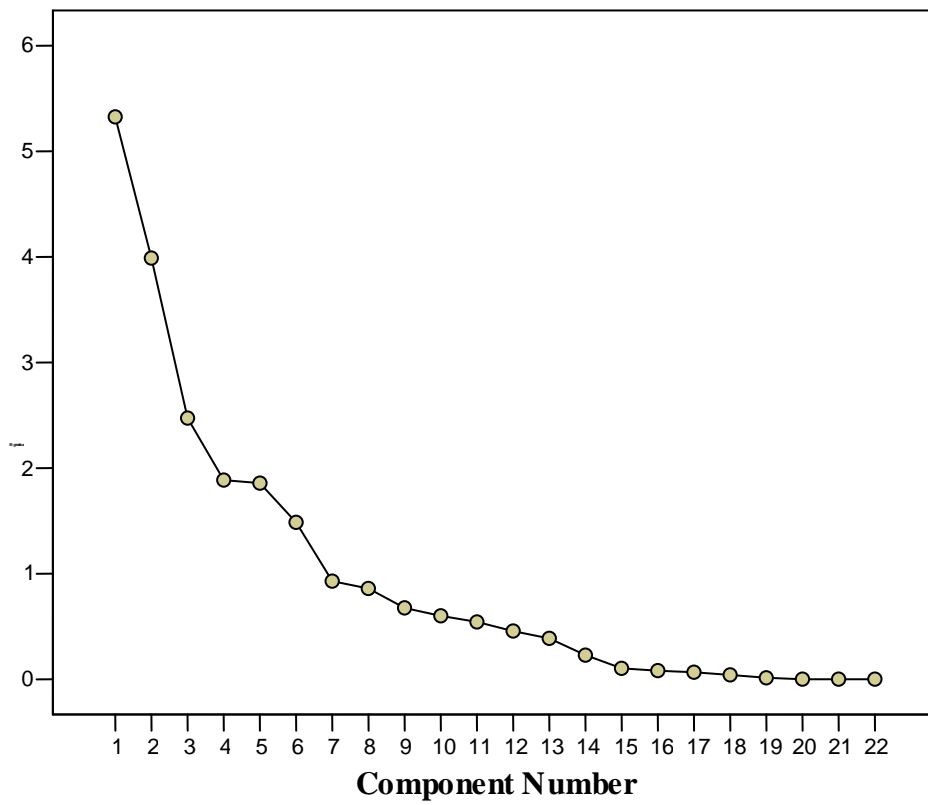
Extraction Method: Principal Component Analysis.
a 10 components extracted.

Total Variance Explained of Commercial Banks Survey

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.325	24.203	24.203	5.325	24.203	24.203
2	3.988	18.128	42.331	3.988	18.128	42.331
3	2.473	11.242	53.573	2.473	11.242	53.573
4	1.886	8.574	62.147	1.886	8.574	62.147
5	1.857	8.442	70.589	1.857	8.442	70.589
6	1.485	6.751	77.340	1.485	6.751	77.340
7	.929	4.223	81.563			
8	.860	3.909	85.472			
9	.676	3.071	88.543			
10	.601	2.730	91.273			
11	.543	2.468	93.741			
12	.456	2.073	95.813			
13	.387	1.758	97.571			
14	.229	1.039	98.610			
15	.103	.470	99.079			
16	.081	.367	99.446			
17	.067	.303	99.750			
18	.041	.187	99.937			
19	.014	.063	100.000			
20	.000	.000	100.000			
21	.000	.000	100.000			
22	.000	.000	100.000			

Extraction Method: Principal Component Analysis.

Scree Plot of Commercial Banks Survey



Component Matrix of Commercial Banks Survey

	Component					
	1	2	3	4	5	6
no.banks.inspected	.452	.425	-.550	.091	.303	-.109
Fre.insp	.562	.326	-.010	-.027	.303	.564
No.peo.insp.sufficient	.242	-.416	-.526	.252	-.309	.456
Time.for.insp.enough	.373	-.475	-.136	.437	-.355	-.177
Insp.method.appro	.344	-.150	-.105	.614	.127	-.056
Insp.skilled	.314	-.661	-.569	.163	.193	.002
Insp.effective	.397	-.646	-.223	-.221	.015	-.012
Insp.training	-.084	-.127	.737	.373	.098	.241
Insp.rep.appro.written	-.016	.005	.299	.527	.451	-.005
Ins.rep.pro.imp	.572	.534	-.243	.054	-.324	.048
Insp.rep.timely.implement	.543	.108	.134	.128	-.364	.547
IT.suf.to.sup.dept.function	.370	.625	-.253	.257	-.270	-.270
Org.coop	.632	.072	.048	-.600	-.192	-.195
Org.timely.resp	.664	.549	.120	-.253	-.095	.162
Org.pro.sug	.654	-.207	.389	.073	-.143	-.460
Guid.pro.pre	.715	-.449	.127	-.008	-.275	-.157
Guid.dev.internally	-.084	.728	-.145	.267	.027	-.338
Sup.std.rule	.600	-.457	.202	.033	.260	-.238
Good.co.sup.dep	.634	.253	.226	-.115	.444	.000
Good.co.reg.body	.657	.398	-.084	.177	.366	-.015
Team.work	.669	-.402	.259	-.246	.276	.084
Vig.timely.solved	.191	.221	.588	.249	-.508	.021

Extraction Method: Principal Component Analysis.

b. 6 components extracted.

Survey Result of FEIVD

Sl. No.	Question	Mean	Standard Deviation	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
01	The no. of banks inspected is sufficient	3.03	0.98	0%	45%	7%	48%	0%
02	The way to select the no. of Banks for inspection is appropriate.	3.14	1.06	3%	34%	10%	48%	3%
03	The types of Banks inspected fully covering the requirement.	3.52	0.83	0%	21%	7%	72%	0%
04	The way to select the types of the banks is appropriate.	3.59	0.91	3%	14%	7%	72%	3%
05	The no. of People for inspection is enough.	2.24	1.02	17%	62%	3%	14%	3%
06	The time for the inspection is enough.	2.03	0.91	21%	69%	0%	7%	3%
07	The inspection method is appropriate.	3.14	0.99	7%	21%	24%	48%	0%
08	The inspectors are skilled enough.	2.83	0.89	3%	38%	31%	28%	0%
09	The inspectors are effective.	3.10	0.86	0%	31%	28%	41%	0%
10	The inspectors do not need training.	1.41	0.50	59%	41%	0%	0%	0%
11	The inspection reports are appropriately	3.62	0.56	0%	3%	31%	66%	0%

Survey Result of FEIVD (Continued)

SL No.	written		Question			Mean	Standard Deviation	Strongly Disagree	Disagree	
18	The inspection reports are timely submitted.	2.86	The supervisors are qualified.	0.95	7%	31%	3.52	0.74	0%	10%
19	The supervisors are efficient.					3.28	0.75	0%	17%	
20	More than one supervisor hampers departments work					3.45	1.02	0%	28%	
21	The negotiation inspected properly co-operate with the inspection team.					3.55	0.63	0%	7%	
22	The organizations timely respond to the query of inspection team.	2.79		0.98	3%	45%	3.41	0.73	0%	14%
23	The organization properly following the suggestion of the inspection report					3.07	0.96	0%	38%	
24	The various inspection guidelines are properly prepared.					3.48	0.78	0%	14%	
25	The guidelines require development, it can be done	2.62		0.86	0%	62%	3.97	0.50	0%	3%
26	You know the goal of the department.					3.86	0.44	0%	3%	
27	You know the action plan of the department to achieve its goal.					3.55	0.78	0%	17%	
28	The Bank Supervision Standard is as per Basel Core Principles.					3.17	0.80	0%	24%	
29	The bank supervision standard is updated as per existing rule and regulations.					3.45	0.74	0%	14%	
30	You are familiar with the IT systems of banks.	3.07		1.07	3%	38%	2.39	0.58	3%	10%
31	There is good coordination among supervisory components of Bangladesh Bank.					2.69	1.00	7%	48%	
32	There is good coordination among different regulatory bodies with Bangladesh Bank.					2.52	0.91	3%	7%	
33	There is good coordination among team members when time is team work is there					3.66	0.55	0%	3%	
34	The complaint in Vigilance is timely solved.	3.31		0.97	0%	28%	3.21	0.86	0%	28%
	utilized.							45%	7%	

Survey Result of CBs

Sl. No.	Question	Mean	Standard Deviation	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
01	The no. of banks inspected is sufficient	3.75	1.01	5%	5%	10%	70%	10%
02	The frequency of inspection is sufficient	3.9	1.02	5%	10%	5%	50%	30%
03	The no. of People for inspection is enough.	3.7	1.01	5%	20%	0%	50%	25%
04	The time for the inspection is enough.	2.8	1.00	5%	50%	10%	30%	5%
05	The inspection method is appropriate.	3.2	0.98	0%	25%	30%	45%	0%
06	The inspectors are skilled enough.	3.35	0.98	5%	15%	25%	50%	5%
07	The inspectors are effective.	3.7	0.98	0%	0%	35%	60%	5%
08	The inspectors do not need training.	2.2	1.01	20%	55%	10%	15%	0%
09	The inspection reports are appropriately written	3.7	0.94	0%	5%	20%	75%	0%
10	The inspection reports are	3.6	0.96	0%	10%	30%	50%	10%

	properly implemented							
11	The inspection reports are timely implemented.	3.65	0.97	0%	15%	20%	50%	15%

Survey Result of CBs (Continued)

Sl. No.	Question	Mean	Standard Deviation	Strongly Disagree	Disagr
12	The IT of the bank is sufficient enough to support the department's function.	3.2	0.98	0%	40%
13	The organization co-operate with the inspection team.	4.6	0.95	0%	0%
14	The organizations timely respond to the query of inspection team.	4.05	0.94	0%	10%
15	The organization properly following the suggestion of the inspection report	4.05	0.93	0%	0%
16	The various inspection guidelines are properly prepared.	3.6	0.95	0%	10%
17	The guidelines require development, it can be	2.65	0.98	5%	60%

	done internally.				
18	The bank supervision standard is updated as per existing rule and regulations.	3.9	0.86	0%	0%
19	There is good coordination among supervisory departments of Bangladesh Bank.	3.6	0.91	5%	10%
20	There is good coordination among different regulatory bodies with Bangladesh Bank.	3.05	0.89	5%	20%
21	There is good coordination among team members when team work is there	4.2	0.68	0%	0%
22	The complaint in Vigilance is timely solved.	3.8	0.70	0%	5%

