

# Corporate Governance Practices in Bangladesh: An Overview of Pharmaceutical, Chemical and Ceramic Industry

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## Abstract

*This study investigates the impact of corporate governance practices on organizations in the emerging economies like Bangladesh. Data were collected from Chittagong Stock Exchange (CSE) Ltd. The sample sizes are 14 listed firms from the CSE. This study aims to highlight the corporate governance practices with particular reference to Pharmaceutical & Chemical, Ceramic and some miscellaneous sector/industry of Bangladesh. Given their role in financial development and economic progress, the pharmaceutical, chemical, and ceramic industries continue to place a high value on corporate governance. The corporate governance frameworks of Bangladesh's pharmaceutical, chemical, and ceramic industries have been the focus of this paper. These frameworks cover ownership structures, board issues, executive aspects, disclosure, audit practices, directors' reporting compliance percentages, and related weaknesses. The study also demonstrated how regulatory shortcomings and political meddling have exacerbated governance issues in the chemical, ceramic, and pharmaceutical industries. The study shows and finds out that corporate governance practices in Bangladesh is not satisfactory. There is significant lacking in good governance but no extreme fault in most of the companies. We still have some scopes of further improvements.*

**Keywords:** Corporate Governance, Stewardship, Stakeholder, Shareholders, Compliance.

## 1.0 INTRODUCTION

Corporate governance is the skill of leading and controlling a company by balancing the interests of its many stakeholders. In order to ensure that the organization is managed well—that is, that the processes, procedures, and policies are implemented in accordance with the principles of transparency and answerability—it is typically necessary to resolve conflicts of interest between the many stakeholders [1, 2]. When discussing company governance, it's important to remember that businesses have obligations to their stakeholders and shareholders. As such, they must be governed by the law, following guidelines established by regulatory bodies, and taking these parties' and shareholders' interests into consideration [3]. Good corporate governance suggests that disclosure and openness procedures are followed in order to provide regulators, shareholders, and the general public with accurate and up-to-date information about the financial, operational, and other aspects of the business. The word "corporate governance" refers to a comprehensive range of procedures, norms, laws, and establishments that guide businesses and organizations in how they manage, act, and administrate their activities [4, 5]. The Organization for Economic Corporation and Development (1999) defined this term in a way that introduced completely new democratic governments dedicated to property development and raising community standards of living. According to the OECD, corporate governance is the framework that governs how businesses are run and managed [6]. The corporate governance structure outlines the rights and duties that are assigned to various stakeholders, including the board, managers, shareholders, and other stakeholders, as well as the guidelines and processes for making decisions regarding the company's operations [7]. By doing this, it additionally provides the structure through that the corporate objectives are set, and therefore the suggests that of achieving those objectives and observance performance [8].

Clear Structure Strategy, Effective Risk Management, Discipline and Commitment, Fairness to Employees and Customers, Transparency and Data Sharing, corporate Social Responsibility, and Regular Self-Evaluation are the seven qualities of excellent corporate governance [9]. The following are the advantages or significance of good corporate governance: (1) it guarantees business success and the smooth operation of the economy; (2) it upholds investors' confidence, which enables the company to raise capital efficiently and effectively; (3) it reduces the cost of capital; (4) it has a positive effect on the value of the shares; and (5) it appropriately incentivizes homeowners while also assisting managers in achieving goals that serve the interests of shareholders and, consequently, the organization.

(6) Prudent corporate governance also reduces risks, corruption, waste, and direction, (7) It helps in complete formation and development.

(8) It ensures organization in managed in a very manner that matches the simplest interests of all. As everything has some deserves or demerits additional or less, there are also some disadvantages whereas maintaining sensible company governance these are terribly insignificant as compared with the benefits [10, 11]. These demerits are--Fiduciary Duty of Board, exaggerated prices, Maintenance of Separation and Principal Agent Conflict.

So company governance is that the law/guideline, implemented by the administrative unit of the country, of directional and choosing board of administrators, the way to disclose and what info to be disclosed to the all stakeholders, auditing, and relationship with freelance auditors, formation and activity of various committee, presenting money revealing to the businesses. Sensible company governance is maintaining the rule of law in such the simplest way wherever all the rights and interests of all stakeholders are ensured.

### 1.1 Research objectives

- i. To find out the significance impact of corporate governance practices on organizations;
- ii. To know the corporate Governance practice in pharmaceutical & chemical industry and Ceramic industry in Bangladesh;
- iii. To identify the faults lacking of good corporate governance practice in the management body.

### 2.0 LITERATURE REVIEW

The World Bank report [12] on corporate governance acknowledges the concept's complexity and concentrates on universally applicable principles including accountability, transparency, fairness, and responsibility. Maintaining equilibrium between social and economic objectives, as well as between personal and collective aspirations, is the focus of corporate governance. The purpose of governance frameworks is to ensure responsible management of resources while also promoting their efficient usage. The goal is to bring the interests of people, groups, and society as close to one another as feasible. Center of European Policy Studies or CEPS as it is called. Corporate governance, according to CEPS, is the entire set of internal and externally established rights, procedures, and controls over the operation of the company entity.

According to Oman [13], the phrase "corporate governance" refers to both public and private entities, including rules of conduct, laws, and regulations that control how corporate management interact with stakeholders. Corporate governance is seen by La Porta et al. [14, 15] as a collection of safeguards that outer investors (shareholders) use to defend themselves against inside investors (managers).

The definition of corporate governance is subject to global perspectives. From a more comprehensive angle, the corporate governance framework is made up of an intricate web of restrictions that influence the ex post negotiations over the quay rent that the company produces [16].

Corporate governance has been characterized by Dr. Dhiman Chowdhury [17], a professor of accounting and information systems at the University of Dhaka, as the foundation for effective use of company resources. It can be characterized as an organizational control tool that combines an external control framework with internal controls in order to achieve effective use of corporate resources.

Global Corporate Governance Forum and International Finance Corporation researched on emerging market of corporate governance. On that research, Melsa Ararat and George Dallas [18] explained about it. They discussed about emerging markets. Investors get attractive opportunity on products as well as they are engaged in risks. To reduce the level of risks investors, need to understand and know about firm level governance factors on different markets.

Fama and Jensen [19] refers Corporate governance as the control tools that protect and enhance the interest of the shareholder and they also referred CG combination of proper accounting and finance literature. Rosen and Wyailt [20] in their research paper they discussed about the framework or code of conduct that need to develop for the Corporate Governance that product the interest of stakeholders. They also provide structure of functioning boards and audit committees of such boards.

Another viewpoint is offered by the Organization for Economic Cooperation and Development, which defines corporate governance as the framework that governs how commercial corporations are managed and directed. The corporate governance structure delineates the allocation of rights and obligations among various stakeholders, including the Board, management, shareholders, and other relevant parties, and delineates the protocols and guidelines for reaching decisions concerning corporate matters. By doing this, it also offers the frameworks for establishing the goals of the organization and the ways to track progress toward achieving them.

The current assets to total assets ratio in Bangladesh is significantly impacted by corporate governance standards. Furthermore, corporate governance policies have a major impact on the ratio of current liabilities to total assets [21]. Bangladesh has historically had extremely poor levels of adherence to the financial regulations now in place [22]. About 55% of firms do not follow the good practice requirements, according to an independent survey conducted in late 2006

with assistance from the Securities and Exchange Commission of Bangladesh. Only about 33% of companies hired independent directors [23]. However, corporations in Bangladesh are not required to publish information on corporate governance in their financial reports [24]. The corporate governance practices were only made mandatory for the first time in Bangladesh following the SECB announcement of —Corporate Governance Notification in 2006.

### 3.0 METHODOLOGY

This is a deductive and qualitative research. All listed firms of pharmaceuticals/chemical industry, ceramic industry and some other firms from miscellaneous category. 7 firms from pharmaceuticals & chemical industry, 4 firms from ceramic industry and 3 firms from miscellaneous category of the list of Chittagong Stock Exchange Ltd. (CSE) are selected as samples. This study is based on Secondary data. Sources of data are: (a) 14 Annual Reports of different companies have been reviewed. (b) Different articles, books on corporate governance are reviewed. The main basis of data analysis, observations, and findings is —Corporate Governance Code newly revised and adopted on 03 June, 2018 by Bangladesh Securities and Exchange Commission. (BSEC). Descriptive statistics has been used to test the sample characteristics. For conclusion about population data inferential statistics has been used based only on sample data.

### 4.0 FINDINGS AND ANALYSIS

#### 4.1 Current Practices of Corporate governance (CG) in Bangladesh: CG Code:

The Bangladesh Securities and Exchange Commission released a newly amended CG code as guidelines for all listed companies on June 3, 2018. This code is not a legal requirement in Bangladesh [25]. It is advised to abide by the rules in order to get a competitive edge, receive listing benefits, and safeguard the interests of shareholders.

A brief summary of the conditions of that code is cited below—

Board of directors

1. Board size: The company's board should consist of no fewer than five members and no more than twenty.
2. Independent Directors: Independent directors must make up at least one-fifth of the board members of the company.
3. An independent director must be a reputable individual with experience in business, familiarity with financial, legal, and regulatory matters, and the ability to make a significant impact.
4. Chief Executive Officer and Chairman of the Board: Different people should hold the positions of chief executive officer and chairman of the board of the companies. The Directors' report to Shareholders- The directors of the companies shall be explained the detail report to the shareholders. It includes additional statement. These statements are considered as an important step in corporate governance, because the directors are liable for any type error or wrong information [26, 27].
5. The Board of Directors' meetings as long as the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) do not conflict with any requirement of this Code, the company shall conduct its Board meetings, record the minutes of the meetings, and maintain the necessary books and records. [28, 29]
6. Code of Conduct for the Chairperson, other Board members and Chief Executive Officer

Governance of Board of Directors of Subsidiary Company.

Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS).

1. Appointment
2. Requirement to attend Board of Directors' Meetings
3. The roles of the Chief Financial Officer (CFO) and Managing Director (MD), also known as the Chief Executive Officer (CEO)

Board of Directors' Committee.

For ensuring good governance in the company, the Board shall have at least following subcommittees:

1. Audit Committee; and
2. Nomination and Remuneration Committee.

**Audit Committee.**

1. Responsibility to the Board of Directors.
2. Constitution of the Audit Committee
3. Chairperson of the Audit Committee
4. Meeting of the Audit Committee
5. Role of Audit Committee
6. Reporting of the Audit Committee
7. Reporting to the Shareholders and General Investors

**Nomination and Remuneration Committee (NRC).**

1. Responsibility to the Board of Directors
2. Constitution of the NRC
3. Chairperson of the NRC
4. Meeting of the NRC
5. Role of the NRC

**External or Statutory Auditors.**

Maintaining a website by the Company.

**Reporting and Compliance of Corporate Governance.**

Researchers have taken 14 companies from 3 categories listed in Chittagong Stock Exchange Ltd. They studied and assessed those 14 company's latest annual reports emphasizing directors report portion because shareholders are badly dependent on Director's Report [30]. The companies I reviewed are as follows:

<b>Sl.</b>	<b>Company Name</b>	<b>Industry/ Category</b>
1	BERGER PAINTS BANGLADESH LTD (BERGERPBL)	Pharmaceuticals and Chemicals
2	BEXIMCO LIMITED (BEXIMCO)	Miscellaneous
3	BEXIMCO PHARMACEUTICALS LTD (BXPHARMA)	Pharmaceuticals and Chemicals
4	CENTRAL PHARMACEUTICALS LIMITED (CENTRALPHL)	Pharmaceuticals and Chemicals
5	FU-WANG CERAMIC INDUSTRY LIMITED (FUWANGCER)	Ceramics
6	KOHINOOR CHEMICAL CO (BD) LTD (KOHINOOR)	Pharmaceuticals and Chemicals
7	MONNO CERAMIC INDUSTRIES LTD (MONNOCERA)	Ceramics
8	ORION INFUSION LIMITED (ORIONINFU)	Pharmaceuticals and Chemicals
9	R.A.K. CERAMICS (BANGLADESH) LIMITED (RAKCERAMIC)	Ceramics
10	RECKITT BENCKISER (BANGLADESH) LIMITED (RECKITTBEN)	Pharmaceuticals and Chemicals
11	SK TRIMS & INDUSTRIES LTD. (SKTRIMS)	Miscellaneous
12	SQUARE PHARMACEUTICALS LIMITED (SQURPHARMA)	Pharmaceuticals and Chemicals
13	STANDARD CERAMIC INDUSTRIES LIMITED (STANCERAM)	Ceramics
14	YEAKIN POLYMER LIMITED (YPL)	Miscellaneous

Most of the company showed that they complied all the sections applicable to them in their CG compliance report portion of the annual report [31]. But the scenario is not like that. They didn't comply a few sections.

Below is a summary report on the compliance of the aforementioned 14 companies, created in accordance with CSE regulations using Microsoft Excel. (Not every portion of the code is reported. Only significant portions that our supervisor has marked are reported. These are the ones that are displayed here.

C=Complied

NC=Not Complied

Company Name	Size of Board	Independence Directors	Duality of chairperson of the board of directors & CEO/MD
<b>CG Code No:</b>	<b>1.1</b>	<b>1.2.a</b>	<b>1.4.a</b>
BERGER PAINTS BANGLADESH LTD (BERGERPBL)	C	C	C
BEXIMCO LIMITED (BEXIMCO)	C	C	C
BEXIMCO PHARMACEUTICALS LTD (BXPHARMA)	C	C	C
CENTRAL PHARMACEUTICALS LIMITED (CENTRALPHL)	C	C	C
FU-WANG CERAMIC INDUSTRY LIMITED (FUWANGCER)	C	C	C
KOHINOOR CHEMICAL CO (BD) LTD (KOHINOOR)	C	C	C
MONNO CERAMIC INDUSTRIES LTD (MONNOCERA)	C	C	C
ORION INFUSION LIMITED (ORIONINFU)	C	C	C
R.A.K. CERAMICS (BANGLADESH) LIMITED (RAKCERAMIC)	C	C	C
RECKITT BENCKISER (BANGLADESH) LIMITED (RECKITTBEN)	C	C	C
SK TRIMS & INDUSTRIES LTD. (SKTRIMS)	C	C	C
SQUARE PHARMACEUTICALS LIMITED (SQURPHARMA)	C	C	C
STANDARD CERAMIC INDUSTRIES LIMITED (STANCERAM)	C	C	C
YEAKIN POLYMER LIMITED (YPL)	C	C	C

## Percentage of Director's Report Compliance

Company Name	Directors report to Shareholders		
	Number of Applicable Sections Among 27 Sections	Complied	Complied (%)
BERGER PAINTS BANGLADESH LTD (BERGERPBL)	22	20	91%
BEXIMCO LIMITED (BEXIMCO)	22	17	77%
BEXIMCO PHARMACEUTICALS LTD (BXPHARMA)	22	20	91%
CENTRAL PHARMACEUTICALS LIMITED (CENTRALPHL)	25	24	96%
FU-WANG CERAMIC INDUSTRY LIMITED (FUWANGCER)	21	21	100%
KOHINOOR CHEMICAL CO (BD) LTD (KOHINOOR)	26	26	100%
MONNO CERAMIC INDUSTRIES LTD (MONNOCERA)	23	21	91%
ORION INFUSION LIMITED (ORIONINFU)	22	22	100%
R.A.K. CERAMICS (BANGLADESH) LIMITED (RAKCERAMIC)	23	19	83%
RECKITT BENCKISER (BANGLADESH) LIMITED (RECKITTBEN)	21	20	95%
SK TRIMS & INDUSTRIES LTD. (SKTRIMS)	23	23	100%
SQUARE PHARMACEUTICALS LIMITED (SQRPHARMA)	22	19	86%
STANDARD CERAMIC INDUSTRIES LIMITED (STANCERAM)	24	24	100%
YEAKIN POLYMER LIMITED (YPL)	25	25	100%

<b>Company Name</b>	<b>Number of Meetings of the board of directors</b>	<b>Code of conduct for chairperson, other board members and CEO web site posting</b>	<b>CFO, CS, HIA by different individual</b>
<b>CG Code No:</b>	<b>1.6</b>	<b>1.7</b>	<b>3.1.b</b>
BERGER PAINTS BANGLADESH LTD (BERGERPBL)	C	Not Available in A. Report	C
BEXIMCO LIMITED (BEXIMCO)	NC	Not Available in A. Report	C
BEXIMCO PHARMACEUTICALS LTD (BXPHARMA)	C	Not Available in A. Report	C
CENTRAL PHARMACEUTICALS LIMITED (CENTRALPHL)	C	Not Available in A. Report	C
FU-WANG CERAMIC INDUSTRY LIMITED (FUWANGCER)	Not Available	Not Available in A. Report	C
KOHINOOR CHEMICAL CO (BD) LTD (KOHINOOR)	C	C	C
MONNO CERAMIC INDUSTRIES LTD (MONNOCERA)	C	Not Available in A. Report	NC(no HIA)
ORION INFUSION LIMITED (ORIONINFU)	C	C	C
R.A.K. CERAMICS (BANGLADESH) LIMITED (RAKCERAMIC)	C	Not Available in A. Report	C
RECKITT BENCKISER (BANGLADESH) LIMITED (RECKITTBEN)	Not Available	Not Available in A. Report	C
SK TRIMS & INDUSTRIES LTD. (SKTRIMS)	C	Not Available in A. Report	C
SQUARE PHARMACEUTICALS LIMITED (SQURPHARMA)	C	Not Available in A. Report	C
STANDARD CERAMIC INDUSTRIES LIMITED (STANCERAM)	Not Available	C	C
YEAKIN POLYMER LIMITED (YPL)	C	Not Available in A. Report	NC(no HIA)

<b>Company Name</b>	<b>Certificate of MD/ CEO and CFO</b>	<b>No. of members in Audit Committee</b>	<b>Chairperson of the Audit Committee</b>	<b>No. of Meeting of the Audit Committee</b>
<b>CG Code No:</b>	<b>3.3.a</b>	<b>5.2.a</b>	<b>5.3.a</b>	<b>5.4</b>
BERGER PAINTS BANGLADESH LTD (BERGERPBL)	C	C	C	C
BEXIMCO LIMITED (BEXIMCO)	NC	C	C	C
BEXIMCO PHARMACEUTICALS LTD (BXPHERMA)	C	C	C	C
CENTRAL PHARMACEUTICALS LIMITED (CENTRALPHL)	C	C	C	C
FU-WANG CERAMIC INDUSTRY LIMITED (FUWANGCER)	C	C	C	Not Available
KOHINOOR CHEMICAL CO (BD) LTD (KOHINOOR)	C	C	C	C
MONNO CERAMIC INDUSTRIES LTD (MONNOCERA)	C	C	C	NC
ORION INFUSION LIMITED (ORIONINFU)	C	C	C	C
R.A.K. CERAMICS (BANGLADESH) LIMITED (RAKCERAMIC)	C	C	C	C
RECKITT BENCKISER (BANGLADESH) LIMITED (RECKITTBEN)	NC	C	C	C
SK TRIMS & INDUSTRIES LTD. (SKTRIMS)	C	C	C	C
SQUARE PHARMACEUTICALS LIMITED (SQURPHARMA)	C	C	C	C
STANDARD CERAMIC INDUSTRIES LIMITED (STANCERAM)	C	C	C	C
YEAKIN POLYMER LIMITED (YPL)	C	C	C	C



Company Name	Audit Committee Report	NRC Committee	Constitution of the NRC	Chairperson on of the NRC
<b>CG Code No:</b>	<b>5.7</b>	<b>6.1.a</b>	<b>6.2.a</b>	<b>6.3.a</b>
BERGER PAINTS BANGLADESH LTD (BERGERPBL)	C	C	NC	NC
BEXIMCO LIMITED (BEXIMCO)	C	NC	NC	NC
BEXIMCO PHARMACEUTICALS LTD (BXPBARMA)	C	NC	NC	NC
CENTRAL PHARMACEUTICALS LIMITED (CENTRALPHL)	C	NC	NC	NC
FU-WANG CERAMIC INDUSTRY LIMITED (FUWANGCER)	C	NC	NC	NC
KOHINOOR CHEMICAL CO (BD) LTD (KOHINOOR)	C	C	C	C
MONNO CERAMIC INDUSTRIES LTD (MONNOCERA)	C	NC	NC	NC
ORION INFUSION LIMITED (ORIONINFU)	C	C	C	C
R.A.K. CERAMICS (BANGLADESH) LIMITED (RAKCERAMIC)	C	NC	NC	NC
RECKITT BENCKISER (BANGLADESH) LIMITED (RECKITTBEN)	C	NC	NC	NC
SK TRIMS & INDUSTRIES LTD. (SKTRIMS)	C	C	C	C
SQUARE PHARMACEUTICALS LIMITED (SQURPHARMA)	C	NC	NC	NC
STANDARD CERAMIC INDUSTRIES LIMITED (STANCERAM)	C	C	C	C
YEAKIN POLYMER LIMITED (YPL)	C	NC	NC	NC

Company Name	Meeting of the NRC	Role of NRC Disclose in Annual report	Remuneration to NRC committee
<b>CG Code No:</b>	<b>6.4.a</b>	<b>6.5.c</b>	<b>6.2i</b>
BERGER PAINTS BANGLADESH LTD (BERGERPBL)	C	NC	Not available
BEXIMCO LIMITED (BEXIMCO)	NC	NC	NC
BEXIMCO PHARMACEUTICALS LTD (BXPBARMA)	NC	NC	NC

CENTRAL PHARMACEUTICALS LIMITED (CENTRALPHL)	NC	NC	NC
FU-WANG CERAMIC INDUSTRY LIMITED (FUWANGCER)	NC	NC	NC
KOHINOOR CHEMICAL CO (BD) LTD (KOHINOOR)	NC	NC	NC
MONNO CERAMIC INDUSTRIES LTD (MONNOCERA)	C	C	C
ORION INFUSION LIMITED (ORIONINFU)	NC	NC	Not available
R.A.K. CERAMICS (BANGLADESH) LIMITED (RAKCERAMIC)	NC	NC	NC
RECKITT BENCKISER (BANGLADESH) LIMITED (RECKITTBEN)	NC	NC	NC
SK TRIMS & INDUSTRIES LTD. (SKTRIMS)	C	C	C
SQUARE PHARMACEUTICALS LIMITED (SQURPHARMA)	NC	NC	NC
STANDARD CERAMIC INDUSTRIES LIMITED (STANCERAM)	NC	NC	C
YEAKIN POLYMER LIMITED (YPL)	NC	NC	NC

<b>Company Name</b>	<b>Any other Service by Statutory Auditors</b>	<b>Maintaining a website of the company</b>	<b>Auditor certificate on CG</b>
<b>CG Code No:</b>	<b>7.1</b>	<b>8.1</b>	<b>9.1</b>
BERGER PAINTS BANGLADESH LTD (BERGERPBL)	Not Available	C	C
BEXIMCO LIMITED (BEXIMCO)	Not Available	C	C
BEXIMCO PHARMACEUTICALS LTD (BXPBARMA)	Not Available	C	C
CENTRAL PHARMACEUTICALS LIMITED (CENTRALPHL)	Not Available	C	C
FU-WANG CERAMIC INDUSTRY LIMITED (FUWANGCER)	Not Available	C	C
KOHINOOR CHEMICAL CO (BD) LTD (KOHINOOR)	C	C	C

MONNO CERAMIC INDUSTRIES LTD (MONNOCERA)	Not Available	NC	NC
ORION INFUSION LIMITED (ORIONINFU)	Not Available	C	C
R.A.K. CERAMICS (BANGLADESH) LIMITED (RAKCERAMIC)	Not Available	C	C
RECKITT BENCKISER (BANGLADESH) LIMITED (RECKITTBEN)	Not Available	C	C
SK TRIMS & INDUSTRIES LTD. (SKTRIMS)	C	C	C
SQUARE PHARMACEUTICALS LIMITED (SQURPHARMA)	Not Available	C	C
STANDARD CERAMIC INDUSTRIES LIMITED (STANCERAM)	Not Available	C	C
YEAKIN POLYMER LIMITED (YPL)	Not Available	C	C

## 5.0 OBSERVATIONS

On the basis of the samples studied the following observations have been found from disclosure of annual reports---

Most of the companies I reviewed don't comply 100% CG.

- i. Situation of CG compliance in Bangladesh has been improved than that of previous and improving day by day.
- ii. Since the conditions of NRC committee related sections are newly enforced, a few company formed NRC Committee. That's why most of the companies have not complied this condition. (code no. 06)
- iii. Some companies didn't clear whether they appoint separate Head of internal control or not. We didn't found the person holding this post in a few companies.
- iv. External Auditor related conditions (code no. 07) are not cleared in Annual reports. That's why we can't say whether this is compiled or not. This is the matter of Auditing.
- v. Information about compulsory attendance of CFO and HIA in the board meeting has not been cleared in the annual reports. So we can't say anything about the compliance of this section.
- vi. Whether the meeting of board is conducted according to the rules of ICSB and BSEC or not is not mentioned in the annual reports. It's the matter of auditing.
- vii. Code of conduct of chairman, CEO/ MD is not presented in most of the company's annual reports. It is the matter of website posting.
- viii. Some sections of director's report have been complied partially by a few companies. In case of this partial compliance if this is 50% or more this has been taken as compliance otherwise none compliance to compute percentage of director's report compliance.
- ix. 14 companies have been taken in survey. 06 companies comply 100% director's report and the rest of the companies don't 100% director's report.
- x. We see that some big and renowned company's director's report compliance is very poor. Such as Square pharmaceuticals ltd. (86%) and BEXIMCO ltd. (miscellaneous) (77%).
- xi. Some company's annual reports are not sufficient with necessary information.
- xii. We see in some companies all the members of board of directors except independent director are their own family members. Though this is not the breach of CG, there might have been the breach of agency theory and might have been agency conflict. In that situation the activity and transparency of independent director are questionable.
- xiii. Most of the companies don't comply the section of interim dividend related statement and minority shareholders right related statement of director's report.
- xiv. Most of the company partially complied the section no. 25 of director's report.

- xv. From the sample studied it can be assumed that current CG compliance practices in Bangladesh have been improved than that of previous conditions. But present condition is not still so satisfactory comparing with the developed countries.
- xvi. In some companies we notice the unsatisfactory CG compliance due to high influence of political theory (such as BEXIMCO Ltd. Where director's report compliance is 77% and partial compliance has also been found). Political empowerment of corporate leaders and their bad interference for their own and party's interest are the common hindrance to good corporate governance in Bangladesh.
- xvii. Family oriented board of directors is also hindrance for good governance.

## 6.0 CONCLUSION AND RECOMMENDATIONS

Governance plays an important role in the performance of the firms. The developing countries adopted the idea of the corporate governance since 1980s [32]. Developing countries are differing from developed ones, regarding cultural, political and technological conditions. Therefore, there is need to develop the corporate governance practices in developing countries [33]. Bangladesh is now a developing country. A lot of new pharmaceuticals, chemical and ceramic companies are intended to run their operation. As a result, the investors will invest their capital on these sectors. So good corporate governance is crucial for a safe and risk free investment sector. Corporate governance is an important part for the firm. The need of good governance in Bangladesh arises with a global demand for a sound and transparent corporate world system. It is considered as control mechanisms [34]. Corporate governance ensures accountability of directors and other personnel who are important for the success of a firm. The rules and regulations must be formed for the benefit of those who are invested their capital in firms. Good corporate governance can make trust, faith and confidence on shareholders and it is very necessary. So the Securities Exchange commission has to play a vital rule to make a good corporate system in the firms for the wellbeing of participants as well as for the development and promotion of the nation. Finally we can say as per the language of Ch.Varalakshmi and Srivani [35]—(1) The company's performance and the board's performance; (2) the board's relationship with executive management; (3) the appointment and evaluation of the board's directors; (4) board membership and responsibilities; (5) the company's —ethical tone and its internal controls; (6) risk management, corporate compliance, and internal controls; (7) communication between the board and the C-suite; (h) communication with the shareholders; and (8) financial reporting are all aspects of good corporate governance.

In the long run, to fulfill one important objective of this study, some recommendations needed for further improvement of corporate management and sustainable economic growth of Bangladesh are being suggested here. The recommendations based on the observations mentioned above are cited below:

- i. Government should monitor the formation of Board of director and should enact framework for the rules of the presence of family members in board of directors.
- ii. Political empowerment of the business leaders should be restricted.
- iii. The Securities Exchange Commission should review the activities of all companies regularly.
- iv. Government companies should be more conscious about Good governance.
- v. All listed companies must form NRC committee quickly according to guideline.
- vi. All companies should appoint a separate person for the post of Head of Internal Audit & Control (HIAC)
- vii. Whether the CFO, HIAC and CS can maintain their compulsory attendance in the meetings of the board of directors or not, that has to be clearly stated in the annual report.
- viii. Code of conduct for Chairman, CEO/MD should be clearly presented in the annual report.
- ix. Statement and evidence on behalf of the compliance of board of directors meeting according to BSEC & ICSB rules have to be presented in the annual reports.
- x. CG auditors must audit the relationship between independent external auditors (CA) and management as per the condition no. 07 of CG guideline gazette and a statement or assurance about this should be specifically added in the CG compliance certificate.
- xi. Full compliance of the section no. 25 of director's report should be ensured in the annual report.
- xii. Directors are the representative of companies, so the directors' need to be more cautious on publishing report.
- xiii. Chartered Secretaries/ Chartered Accountant/ Cost and Management Accountant have to be liable for their report if they provide certification to the non-complied companies, and compliant to grant the penalties.

- xiv. SEC should monitor that the Independent director are able to work independently and able to give opinion willingly instead of forces.
- xv. Audit Committee should play a fair review in auditing.
- xvi. Financial reporting council, ICAB, ICMA and ICSB should be more controlling and watchful on their members for the transparency of the independent external Auditors and CG auditors.
- xvii. Punishment system should be introduced for the firm by SEC.
- xviii. Punishment system should also be introduced for auditors who help to make fraud.
- xix. Annual reports should be enriched with much more clear information.
- xx. Proper instructions should be provided to all companies.

## 7.0 RESEARCH LIMITATIONS

We had to depend on the Annual Reports given by the companies to assess their compliance. Companies might provide false information in their Annual Reports. We could not run internal auditing to collect primary data. We had to depend on secondary data. Corporate Governance auditors might engage in fraudulent activities while giving certificate. Some company's annual reports are not so enriched with necessary information.

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