

Thesis Paper

On

“Implementing Good Governance in the Banking Sector in Bangladesh”



Sonargaon University Faculty of Arts and Humanities

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**Submission of Research Monograph on Implementing
Good Governance in the Banking Sector in Bangladesh**

Respected **Madam,**

I, Md. Saidul Haque, a student of the LL.M Program at Sonargaon University, humbly seek your kind approval to undertake my thesis on the following topic:

Thesis Title: “Implementing Good Governance in the Banking Sector in Bangladesh”

The objective of this research is to critically examine the existing governance framework in the banking sector of Bangladesh, identify key challenges and weaknesses in regulatory compliance, accountability, transparency, and risk management, and assess the role of legal and institutional mechanisms in promoting good governance. The study also aims to analyze recent governance failures in the banking industry and propose practical legal and policy-oriented recommendations to strengthen governance practices in line with international best standards.

I strongly believe that this topic is timely, academically significant, and aligned with the broader need for judicial reform in Bangladesh. I will be grateful if you kindly approve this topic as my LL.M thesis.

Thank you very much for your time and consideration.

With sincere regards,



Md. Saidul Haque

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DECLARATION

I hereby solemnly declare that the research work presented in this thesis report is the outcome of my own independent study and has not been previously submitted, either in whole or in part, to any other university or institution for any degree, diploma, or academic qualification.

I further declare that this research does not infringe upon any copyright. Wherever the works of others have been used, due acknowledgment has been made through proper citation and referencing. I also undertake full responsibility to indemnify the University against any loss or damage arising from any breach of the above declarations.

The views and opinions expressed in this research are entirely my own, except where otherwise acknowledged. I do not claim that the views expressed herein are correct from every perspective. Any errors, omissions, shortcomings, or inaccuracies that may remain are solely my responsibility.

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SUPERVISOR CERTIFICATION

This is to certify that the thesis paper entitled “**Implementing Good Governance in the Banking Sector in Bangladesh**” has been prepared and submitted by Md. Saidul Haque, ACS, bearing ID No: LLMP2401030008, in partial fulfillment of the requirements for the degree of Master of Laws (LL.M) under the course Research Monograph (Course Code: LAW 5408).

I further certify that this research work has been carried out under my direct supervision and guidance. To the best of my knowledge and belief, the thesis is an original work of the student and has not been submitted, either in whole or in part, to any other university or institution for any academic degree or qualification.

The thesis is found to be satisfactory in terms of its academic standard, research methodology, analysis, and presentation, and is hereby recommended for submission to the Department of Law, Sonargaon University (SU), for evaluation.

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ABSTRACT

Good governance in the banking sector is universally recognized as a fundamental prerequisite for ensuring financial stability, safeguarding depositor interests, promoting sustainable economic growth, and enhancing a country's credibility in the global financial system. A sound governance framework enables banks to operate in a transparent, accountable, and prudent manner, thereby reducing systemic risks and strengthening public confidence in the financial sector. In the context of Bangladesh, where banks constitute the backbone of the financial system, effective governance assumes even greater significance due to the sector's central role in mobilizing domestic savings, channeling credit to productive sectors, facilitating domestic and international trade, and supporting industrialization and inclusive socio-economic development.

Despite its critical importance, the banking sector in Bangladesh has historically faced persistent and multifaceted governance challenges. These include weak and ineffective board oversight, excessive political and familial influence in bank management, related-party and connected lending, inadequate risk management and internal control systems, frequent regulatory non-compliance, and limited transparency in disclosure and reporting practices. Such governance deficiencies have contributed significantly to the alarming growth of non-performing loans (NPLs), deterioration of asset quality, erosion of public and depositor trust, and the emergence of systemic vulnerabilities that threaten overall financial stability.

Against this backdrop, this thesis critically examines the concept, legal framework, and practical implementation of good governance in the banking sector of Bangladesh. It provides a comprehensive analysis of the existing regulatory architecture and institutional mechanisms governing banks, with particular emphasis on the roles and responsibilities of the Board of Directors, independent directors, audit committees, nomination and remuneration committees, corporate governance auditors, and the application of Bangladesh Secretarial Standards (BSS). The study evaluates how these governance instruments function in practice and whether they effectively promote accountability, transparency, and ethical conduct within banking institutions.

Employing a mixed-method research approach, this study draws upon both primary and secondary sources of data to ensure a comprehensive and balanced assessment of governance practices in the banking sector of Bangladesh. Primary sources include relevant statutes, banking and financial regulations, Bangladesh Bank circulars and guidelines, judicial decisions, and policy directives, while secondary sources comprise annual reports of banks, regulatory disclosures, audit and governance reports, academic literature, empirical research studies, policy papers, and publications of national and international financial institutions.

Through a systematic analysis of these sources, the research critically evaluates the existing governance framework and its practical application within banking institutions. It identifies and analyzes significant gaps between regulatory intent and actual implementation, with particular focus on weaknesses in enforcement, monitoring, and compliance mechanisms. Furthermore, the

study explores underlying structural, institutional, and cultural factors—such as board composition and independence, ownership concentration, political influence, organizational culture, and ethical standards—that impede the effective realization of good governance principles. This integrated analysis enables the research to present a nuanced understanding of governance failures and to formulate context-specific, legally sound, and policy-relevant recommendations for strengthening governance effectiveness in the banking sector.

The findings of the study reveal that although Bangladesh has undertaken notable regulatory reforms and supervisory initiatives to strengthen corporate governance in banks, the implementation of these measures remains inconsistent and uneven across the sector. Weak enforcement, limited board independence, capacity constraints, and an underdeveloped ethical culture continue to undermine governance effectiveness. The study concludes that achieving meaningful and sustainable improvements in banking governance requires sustained regulatory vigilance, professionalization and independence of boards, enhanced accountability mechanisms, stronger enforcement of compliance, and the cultivation of a robust ethical and risk-aware culture within banking institutions.

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Chapter-01

1.1 Introduction:

This report specifically focuses on **Implementing Good Governance in the Banking Sector in Bangladesh**. Corporate governance (CG) has increasingly attracted attention from regulatory bodies and practitioners in Bangladesh, although the corporate sector is still in its nascent stage. Compared to other Asian countries such as India, Sri Lanka, Pakistan, Thailand, and Malaysia, corporate governance practices in Bangladesh remain underdeveloped.

To facilitate corporate governance practices in Bangladesh, the following legal and regulatory measures are in place:

- a) Banking Companies Act, 1991 (amended)
- b) Companies Act, 1994
- c) BRPD Circular No.2 Dated 11 February 2024
- d) Financial Reporting Act, 2015
- e) Securities and Exchange Ordinance, 1969
- f) Securities and Exchange Commission Act, 1993
- g) Corporate Governance Code issued by the Bangladesh Securities and Exchange Commission (BSEC)
- h) Listing Regulations issued by Dhaka Stock Exchange (DSE) and
- i) Chittagong Stock Exchange (CSE)

In order to strengthen corporate governance for the benefit of investors and the capital market in Bangladesh, the Bangladesh Securities and Exchange Commission (BSEC) has taken several initiatives, including the issuance of the Corporate Governance Code. Exercising the power conferred by Section 2CC of the Securities and Exchange Ordinance, 1969 (XVII of 1969), BSEC issued the Corporate Governance Guidelines for publicly listed companies in 2006. These guidelines were subsequently updated and republished in 2012 and 2018, reflecting evolving regulatory requirements and best practices.

1.2 Objective of the study:

The objective of the study divided into two wings:

(i) Primary objective:

- To provide an analysis of corporate governance environment Banking Sector in Bangladesh.

(ii) Secondary objective:

- To acquire-in-depth practical knowledge about the Corporate Governance.
- To measure Corporate Governance and level of disclosures.
- To present the limitation in having good corporate governance in Bangladesh.

1.3 Methodology of the study:

To achieve the research objectives, this study follows a structured methodology covering research objectives, research design, sample selection, data collection, data analysis, formulation, and conclusion. The study employs a mixed-method approach, incorporating both descriptive and quantitative data.

For assessing the governance structure in the banking sector, the study considers relevant **acts, codes, guidelines, rules, regulations, notifications, circulars, and press releases**. Both primary and secondary sources of data are used to provide a comprehensive analysis.

The **detailed methodology** is presented in **Chapter Three**, where the research design, sampling techniques, data collection methods, and analytical procedures are elaborated. This approach ensures that the findings are well-grounded in both theoretical and practical perspectives of corporate governance in the banking sector of Bangladesh.

1.4 Origin of the Report

This report has been prepared as a requirement for the completion of my LL.M. degree. To fulfill this mandatory requirement, the thesis has been developed under the guidance and framework provided by the Department of Law, Sonargaon University.

During the preparation of this report, I received orientation and training on the Banking Companies Act, 1991, the Companies Act, 1994, and various rules, regulations, and guidelines issued by the Bangladesh Securities and Exchange Commission (BSEC) and the Dhaka Stock Exchange (DSE).

The report has been compiled in accordance with the prescribed academic standards and guidelines of the university, ensuring a comprehensive analysis of corporate governance practices in the banking sector of Bangladesh.

1.5 Rational of the Study

Since the independence of Bangladesh, the banking sector has experienced significant transformations and developments. With the process of industrialization, many businesses began to expand, often transitioning from private limited companies or partnership firms into public limited companies. This shift highlighted a clear separation between ownership and management, creating the need for professional expertise to operate and manage large organizations efficiently. The primary objective became maximizing the wealth of minority shareholders while ensuring the effective management of the company.

In Bangladesh, ownership of companies is distributed among a variety of stakeholders, including sponsor shareholders, the government, institutional investors, foreign investors, mutual funds, and the general public, who often represent minority shareholders. The diverse interests of these stakeholders make corporate management complex, especially for publicly listed companies. As a result, conflicts of interest can arise between owners and managers, giving rise to the classic agency problem.

Corporate governance has therefore emerged as a critical framework to ensure that companies operate in a legal, ethical, and efficient manner. The performance of a firm is influenced not only by its corporate governance mechanisms but also by its ownership structure, capital structure, agency issues, financial reporting systems, corporate social responsibility initiatives, and family involvement in management.

Despite its importance, a limited number of research studies have been conducted on corporate governance in Bangladesh, particularly in the banking sector. This lack of formal and recognized research underscores the need for an evaluative analysis of corporate governance policies and practices. Understanding these mechanisms is crucial for promoting transparency, accountability, and good governance in the banking sector. Therefore, this study aims to address this gap and provide insights into effective corporate governance implementation in Bangladesh.

1.6 Scope of the Study

This study focuses on the implementation of good governance practices in the banking sector of Bangladesh. It examines the corporate governance frameworks, policies, and practices adopted by banks, with special attention to how these mechanisms influence transparency, accountability, and overall organizational performance. The study explores the roles of different stakeholders,

including shareholders, management, regulators, and customers, in promoting effective governance.

The research also considers the impact of ownership structure, agency relationships, board composition, risk management, financial reporting, and corporate social responsibility on the governance practices of banks. While the study primarily emphasizes commercial banks listed under the stock exchanges, it also highlights lessons and challenges relevant to the wider financial sector in Bangladesh.

Furthermore, the study aims to identify gaps and limitations in current governance practices and provide recommendations to strengthen regulatory compliance and ethical standards in the banking sector. The findings are intended to assist policymakers, regulators, banking professionals, and researchers in understanding and improving corporate governance in Bangladesh.

1.7 Limitation of the study

Despite the limitations mentioned below, sincere efforts have been made to understand and analyze the response patterns of the subjects through consultations with relevant persons, as well as by examining records and documents, and incorporating all information deemed significant for this study.

Limitations:

1. Limited research has been conducted on corporate governance in Bangladesh, restricting the availability of prior studies.
2. Time constraints made comprehensive access to data challenging.
3. Credible and detailed information on real corporate governance practices is scarce.
4. Some respondents were not comfortable answering all survey questions, leading to partial data.
5. Busy schedules of bank officials sometimes hindered data collection.
6. Certain information could not be disclosed due to confidentiality and strategic concerns.
7. Secondary sources were insufficient, as very few studies exist on corporate governance in Bangladesh.
8. The study may contain errors due to the limited experience of the researcher.
9. Differences between theoretical concepts and practical implementation in banks may have affected analysis.

Despite these limitations, this study aims to provide meaningful insights into the current state and challenges of corporate governance in Bangladesh's banking sector, contributing to the promotion of transparency, accountability, and good governance practices.

Chapter-02

Review of the literature

2.1 Introduction

A literature review is an account and comprehensive summary of what has been published on a topic by qualified scholars and researchers. The literature is the review surveys scholarly articles, books, magazine and other sources related to a particular area of the research topic. This study has taken to find information on corporate governance in Bangladesh based on corporate governance practice in various listed company.

2.2 Literature Review

Governance is about accountability and responsibility on the other hand Corporate governance is not only about accountability and responsibility also the structures and processes for the direction and control of companies as concerning the relationships among the management, board of directors, controlling shareholders, minority shareholders and different stakeholders (Islam, M. D. 2015).

A research by Al Mamun, A (2006) explained the Corporate Governance is one of the most critical issue in the business world. Good corporate governance has become the most necessary to exist in global market. Good corporate governance affects in capital market. In this paper deals with corporate governance situation in Japan and also indicate some lessons that Bangladesh can derive from Japanese practice regard as corporate governance. Japanese capital raising is Bank centered and thus pattern of financing shows a high degree of dependence on banks of the country. Therefore, debt-equity ratio is very high in this dependence system. And this insider system” is not good always for corporate governance practice in japan. Thus Bangladesh can learn this lesson from Japan. Another research by Mamun et al., (2015) explained the corporate governance situation of Bangladesh with comparing Sri Lanka. Exploring the corporate governance background of two South Asian countries namely Bangladesh and Sri Lanka. Both are two south Asian emerging economic country. The studies measuring financial and economic environment of both countries. Interestingly both countries are related with bank based corporate governance. Outcomes of this research shows that both of the countries, with the same economic setting, legal origin and capital market infrastructure, are trying for improvement of their corporate governance practice in line with international standard. Capital Structure is a big part in corporate governance process. A research by Farooque et al., (2007) correlates corporate ownership with corporate

performance in line with corporate governance. Which indicates relation between corporate ownership and corporate performance is the key issue for a corporation. This paper exposed on the relationship between capital structure of the company and firm performance to an emerging market economy setting, Bangladesh. It indicates different types shareholders like foreigner, Institutional investors and ordinary shareholders may have a significant role in the corporate governance performance. However another recent study Meah (2019) explained that relation between the capital structure of the company and corporate governance. Capital structure is the most significant issue for a company. Capital structure is the combination of short and long term debt, preferred equity, common share, share money deposit and retained earnings of the company. The composition Board of directors consists of executive and nonexecutive directors. In this study also shows the requirement of female directors. Female directors have greater managing and decision making competence as well as they have also more sincerity and patience to the company than their male counterparts. Another study by Abobakr & Elgiziry (2016) found that female directors on board help the company to decrease firm's leverage leading a firm to depend on more equity. Agency problem is another obstacle of good corporate governance practice. Islam al., (2010) sated that one of the burning issue of corporate governance in Bangladesh as well as over the world is agency problem. In corporate governance system play a big role to comply compliance regarding corporate governance. In Bangladesh audit committee faces a lot of problem to ensure true and fair view in financial information presentation to stakeholders. In this respect audit committee can play a big role to mitigate agency problem. However Hasan et al., (2014) stated there is a key relationship between corporate governance and family ownership in the capital structure. Good corporate governance is really impossible under family based corporate culture in Bangladesh. The study found that corporate governance practice is not in line in Bangladesh. Family ownership have a negative influence at time of forming board of director size and controlling process by decision making. Another research by Islam (2015) described good corporate governance is not a single structure which depends on Board composition, board of directors, management also equity ownership and individually. All of this those are relies on each other directly and indirectly in a corporation's governance mechanism. Board composition includes the mix of director's expertise and experience. Directors are classified into three groups. Insider directors or management directors are salaried employees, such as the CEO, CFO or COO. Related or affiliated outside directors are those who have a pre-existing relationship with the company, such as family relatives

and retired executives of the company. Independent directors are directors who have no personal connections or business dealing or share capital with the firm. A good board of directors must be knowledgeable and experienced business leaders. Corporate governance is related to ensure sustainable development. Moudud-Ul-Huq (2015) refers to the rules by which the management of a company in a way by which management will be capable to maximize profit and keeping long term value in the capital market as well as sectoral field of the business. In Bangladesh the concept of corporate social responsibility (CSR) is new in banking sector. According to BB guidance circular issuing June 2008 for mainstreaming CSR practices in the financial sector in Bangladesh (Alam et al., 2010). A research by Mahmud & Ara (2015) exposed CG practices in Bangladesh banking sector in Bangladesh and the requirements of accountability, fairness and transparency in Bangladesh banking industry. Another studies on Corporate Governance Ferdous & Rahman (2017) exposed that listed banks of Bangladesh are highly compliant with the corporate governance Code provisions. Another very recent study on present corporate governance code in Bangladesh by Bala (2018) as stated, there are a lot of significant modifications and changes in the 2018 Corporate Governance guideline over the 2012 Corporate Governance Guidelines in Bangladesh. Ensuring the all compliance by bank company in Bangladesh in the new CGC by, then the management of the company is expected to stand on the four pillars of good corporate governance that are fairness, accountability, transparency, and responsibility. This way the sustainable development of the company will be improved. A very recent studies on Corporate Governance by Ferdous, C. S. (2018) exposed that listed companies of Bangladesh are on average, moderately compliant with the Code of corporate governance. The research based on 229 companies listed on the Dhaka Stock Exchange. This study was the first attempt to find out real scenario of corporate governance practice in Bangladesh.

2.3 Theoretical Framework

Corporate governance (CG) is a process of directing, monitoring and controlling. Corporate Governance Related International Bodies working for ensuring good corporate governance in the business world. The list of some Corporate Governance related international bodies are below:

- World Bank and IMF
- Global CG Forum
- International CG Network

- Commission on public trust and private enterprise.

The journey of corporate governance in the business world is not very old. Thus corporate governance practice in Bangladesh is initial stages. The theoretical framework of corporate governance based on a lot of theories regarding good corporate governance. Evolution of CG Evolution of Corporate Governance depends on some report, review and events.

1. Cadbury Report 1992, UK
2. Greenbury Report 1995, UK
3. Hampel Report 1998, UK
4. Combined Code 1998, UK
5. Turnbull Report 1999, UK
6. OECD Principles of CG, 1999
7. Basle Committee Guidelines 1999 (banks)
8. Myners Report 2001, UK
9. Cromme Report 2002, Germany
10. Higgs Review 2003, UK
11. Smith Report 2003, UK (Audit committees)
12. Revised Combined Code, 2003, UK
13. Kings Reports 1994, 2000, 2009, South Africa
14. Sarbanes Oxley Act 2002, USA

All this events, report, code, review and act make necessitate to practice corporate governance around various country of the world. Above all reports are the basic reference to make corporate governance for various countries by regulator and formulator as well as Bangladesh. The focusing issue and outcome of the significant events, report, code, review and act regarding to corporate governance given the below table:

Table: 1 (Corporate Governance Report)

Report	Focus	Outcome
Cadbury report 1992, UK	Board of Directors	Chairman & CEO role should be split, Chairmen should be independent
Greenburg report 1995, UK	Director's remuneration	Balance between salary & performance
Hampel report 1998, UK	Deal with Criticism of previous report.	Consolidation in a combined code
Combined code 1998, UK	Consolidation of previous code.	Final combined code.
Turnbull report 1999, UK	Need to director to review internal control system & report on them	Framework for establishing system on internal control,

OECD Principle of CG 1999	Economic Co-operation and development	Five main principles
Basle Committee Guidelines 1999	Enhancing corporate governance in the banking companies.	Development of corporate governance practices in the banks across the world.
Myners Report 2001, UK	On institutional investors.	Addressed this, in particular concerning pension fund trustees and fund managers.
Sarbanes-Oxley Act 2002, (USA)	Annual report, Independence of external auditor, The audit committees were required to have at least one financial expert, set up a new regulatory body.	Introduced reforms in the various areas of corporate management as well as listing requirements.

phases, reflecting the country’s gradual transition from compliance-driven regulation to principles-based governance culture. Of these, two governance frameworks are rule-based corporate governance guidelines/codes, while one represents a principles-based corporate governance code. These frameworks were primarily designed for listed companies and the broader corporate sector.

However, the banking sector in Bangladesh occupies a unique and systemically important position, as banks primarily operate with depositors’ funds and play a critical role in financial stability, economic growth, and public confidence. Consequently, the governance expectations for bank companies are significantly higher and more stringent than those applicable to non-financial corporations.

Recognizing this distinct nature of banks, Bangladesh Bank, as the central bank and primary regulator, has issued sector-specific corporate governance regulations, culminating in the issuance of BRPD Circular No. 02 dated February 11, 2025. This circular provides a comprehensive, rule-based corporate governance framework exclusively for bank companies, covering board composition, directors’ qualifications, tenure, duties and responsibilities, board committees, regulatory oversight, and enforcement mechanisms.

Table: 2 (Corporate Governance guideline/Code)

Issued by	Year	Based
BSEC	2006	Principle Based
BSEC	2012	Rule Based
BSEC	2018	Rule Based

2.4 Factors Affecting Corporate Governance in Banking Industry of Bangladesh.

Company Act, 1994:

The protection of minority shareholders within the domain of corporate activity constitute. This is one of the most difficult problem facing the business organization. The aim of Company Act 1994 is make a balance between the effective control of the company and protection the interest of minority shareholders. Thus Company Act 1994 ensures large number of protection to the minority shareholders which protects ate all interest of minority shareholders. To purpose of this provision is to exercise the power of minority shareholders regarding administrative activities of the company. Thus majority shareholders cannot prevails over minority. In this line, Company Act 1994 contains a lot of sections to protect the minority shareholders.

Bank Company Act, 1991:

The Bank Company Act, 1991 plays a pivotal role in shaping and strengthening corporate governance in the banking industry of Bangladesh. Unlike ordinary companies, banks deal directly with public deposits and play a crucial role in financial stability; therefore, they are subject to stricter regulatory oversight. The primary objective of the Bank Company Act, 1991 is to ensure sound management, depositor protection, financial discipline, and systemic stability of the banking sector.

The Act lays down comprehensive provisions regarding the formation, licensing, management, and supervision of bank companies. It prescribes qualifications, disqualifications, tenure, and responsibilities of directors, thereby promoting professionalism and integrity at the board level. By limiting the shareholding capacity of sponsors and restricting excessive influence of any single individual or group, the Act seeks to prevent concentration of power and conflicts of interest, which are common governance challenges in the banking sector.

Furthermore, the Bank Company Act, 1991 empowers Bangladesh Bank to exercise extensive regulatory and supervisory authority over bank companies. This includes the power to inspect banks, approve or remove directors and chief executive officers, impose penalties, and issue prudential guidelines. Such regulatory intervention acts as a critical governance mechanism to ensure transparency, accountability, and risk management within banks.

The Act also emphasizes the protection of depositors' interests, which is a cornerstone of banking governance. Provisions relating to capital adequacy, maintenance of statutory reserves, restrictions on loans and advances to directors and related parties, and mandatory disclosure of financial

information contribute significantly to reducing moral hazard and enhancing public confidence in the banking system.

In essence, the Bank Company Act, 1991 complements the Companies Act, 1994 by introducing sector-specific governance standards tailored to the unique nature of banking operations. Together, these laws form the legal foundation of corporate governance in the banking industry of Bangladesh.

Corporate Governance Code:

Corporate Governance in Bangladesh for listed company in Bangladesh shall follow Corporate Governance Code issuing by Bangladesh Securities and Exchange Commission. Corporate governance code contains Board of Directors, 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), Board of Directors' Committee, Audit Committee, Nomination and Remuneration Committee (NRC), External or Statutory Auditors, Maintaining a website by the Company, Reporting and Compliance of Corporate Governance.

BRPD Circular No. 02 (Dated: February 11, 2025):

For ensuring good governance in banks, it is essential to formulate relevant policies and to constitute the Board of Directors with suitable and professionally competent persons so that banking operations are conducted properly and efficiently. Since banking activities are mainly conducted with depositors' funds, safeguarding depositors' interests is imperative; therefore, the responsibilities of the Board of Directors of a bank company are more significant than those of other companies.

To ensure good governance in the banking sector, further amendments were made to the Bank Companies Act in 2023. As a result of these amendments, it has become necessary to newly formulate policies regarding the composition of the Board of Directors, directors' responsibilities and duties, qualifications, and other related matters. Accordingly, to ensure good governance in the banking sector, the following policy guidelines are hereby issued for compliance concerning board composition, directors' duties and responsibilities, and related matters.

Securities law:

Securities law in Bangladesh also focuses corporate governance compliance. Application for getting consent of IPO is submitted under Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015 and shall comply this rule properly. This rule ensure minority interest compliance for upcoming listed company under DSE and CSE.

Financial Presentation:

Accounting is a process of compiling all information for reporting the internal affairs of any entity to different stakeholders at the end of a certain interval of time. It is defined as the language of business and can play a big role for ensuring and continuing with Corporate Governance (Shil, N.C. 2008). Present corporate governance code 2018 in Bangladesh is influenced by International Financial Reporting Standard (IFRS) and International Accounting Standard (IAS). A statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed (Corporate Governance code 2018).

Agency Issue:

Agency means the agent who run the business. Owner of the business is called principle and executive directors/ managers are agent of the business. The agency problem between the agent and principle and agent is and will be there as long as there is the existence of corporate type of organization. Islam et al., (2010).An independent audit committee is one of the important mechanisms for minimizing these types of problems and such type of audit committee ensured by corporate governance code.

Capital and Ownership Structure:

Capital structure and good corporate governance is correlated. Capital structure of the company are formed by individual shareholders, sponsor shareholders, Institutional investors and foreign investors. Thus fund raising technique of the company affects corporate governance system.

Corporate Social Responsibility:

All corporation have some obligation to the society. This are corporate social responsibility (CSR). CSR indicates all social, environmental and economic issues. To promote CSR reduced tax rate is introduced by national board of revenue.

Company size, age and industry:

Corporate governance of the company depends size, tenure of business and which types of industry is it. The governance between the service and manufacturing industry is totally different. In our country Bank and Non-banking financial institute operates their operation by their selected rules and regulation. On the other hand corporate governance of manufacturing company are different.

2.5 Journey to Corporate Governance in Bangladesh: Implications for Good Governance in the Banking Sector

The evolution of corporate governance in Bangladesh has been gradual and largely driven by the need to enhance transparency, accountability, and investor confidence, particularly in regulated

and systemically important sectors such as banking. Given the fiduciary nature of banking business and its reliance on public deposits, the development of a robust corporate governance framework has been crucial for ensuring financial stability and public trust.

The Bangladesh Enterprise Institute (BEI) played a pioneering role in introducing the concept of corporate governance in Bangladesh. In August 2003, BEI initiated the process by forming a multi-stakeholder taskforce comprising representatives from the private sector, government, non-government organizations, and other relevant bodies. The objective of this taskforce was to formulate a Code of Corporate Governance for Bangladesh, which ultimately led to the publication of the country's first corporate governance guideline in 2004. Although voluntary in nature, this initiative laid the intellectual and policy foundation for governance reforms across corporate sectors, including banks.

A major regulatory milestone was achieved when the Bangladesh Securities and Exchange Commission (BSEC) first introduced Corporate Governance Guidelines on a “comply or explain” basis through a notification dated 20 February 2006. This marked the first formal and separate regulatory framework on corporate governance in Bangladesh, applicable to listed companies on the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). The 2006 Guidelines were principle-based and consisted of 37 conditions under five major heads, namely:

1. Board of Directors
2. Chief Financial Officer, Head of Internal Audit and Company Secretary
3. Audit Committee
4. External/Statutory Auditors
5. Reporting and Compliance of Corporate Governance

Although primarily applicable to listed companies, these guidelines had significant implications for listed banks, as they introduced structured board oversight, audit committee requirements, and enhanced disclosure obligations—key elements of good governance in the banking sector.

The 2006 Guidelines were replaced by a new notification dated 7 August 2012, which introduced a mandatory compliance regime. The Corporate Governance Guidelines, 2012 significantly expanded the governance framework, containing 95 conditions under five heads and one annexure. New governance dimensions were introduced, including provisions relating to subsidiary companies and explicit roles of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). This framework strengthened board independence, internal control systems, and management accountability—issues particularly critical for banks due to their exposure to credit, liquidity, and operational risks. The 2012 Guidelines were further amended on 21 July 2013, reinforcing their compulsory nature for all listed companies, including banking institutions.

A landmark reform occurred with the issuance of the Corporate Governance Code on 3 June 2018, which repealed the 2012 Guidelines. The Corporate Governance Code, 2018 represents a comprehensive and modern governance framework and is principle-based but mandatory in nature. The Code comprises 166 conditions under nine heads and three annexures, making it the most detailed governance instrument in the history of Bangladesh. The major heads include:

1. Board of Directors
2. Governance of Board of Directors of Subsidiary Company
3. Managing Director (MD) or Chief Executive Officer (CEO)
4. Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC), and Company Secretary (CS)
5. Board of Directors' Committees
6. Audit Committee
7. Nomination and Remuneration Committee (NRC)
8. External or Statutory Auditors
9. Maintaining a Website by the Company
10. Reporting and Compliance of Corporate Governance

The 2018 Code introduced significant reforms, particularly in areas of board professionalism, committee governance, director independence, risk oversight, and disclosure standards. Of particular relevance to the banking sector is the adoption of meeting standards issued by the Institute of Chartered Secretaries of Bangladesh (ICSB), which has enhanced procedural discipline, documentation quality, and decision-making transparency at board and committee levels of banks.

In conclusion, the journey of corporate governance in Bangladesh reflects a progressive shift from voluntary principles to a mandatory, structured, and sophisticated governance regime. For the banking sector, these developments when read in conjunction with the Bank Company Act, 1991 and Bangladesh Bank's Corporate Governance Guidelines have substantially strengthened institutional governance, protected depositor interests, and contributed to the overall stability and integrity of the financial system.

2.6 Current Scenario of Corporate Governance in Bangladesh.

Overall Scenario:

First and foremost, both public and private companies are required to comply with the Companies Act, 1994. The Act contains numerous provisions designed to protect the interests of minority shareholders. According to section 81 of the Companies Act, 1994, every company must hold a shareholders' meeting in each Gregorian calendar year. Provided that, a company shall hold its first Annual General Meeting (AGM) within 18 months from the date of its incorporation. The Act also prescribes penalties in cases where a company fails to convene such meetings in accordance with the law.

Through these meetings, shareholders are entitled to exercise their rights in relation to the administrative and managerial decisions of the company. In addition, shareholders possess the right to requisition and convene an Extraordinary General Meeting (EGM). All meeting-related rights of shareholders, including those of minority shareholders, are comprehensively addressed in sections 80 to 89 of the Companies Act, 1994.

The Act further contains provisions governing the role and conduct of directors, including non-executive directors, to ensure that minority shareholders are not deprived of their legitimate rights. Matters relating to the appointment, qualifications, disqualifications, ineligibility, duties, and obligations of directors are also explicitly stipulated under the Companies Act, 1994.

Beyond the Companies Act, 1994, several other laws, rules, and regulations contribute to ensuring corporate governance in Bangladesh. These include the Income Tax Ordinance, 1984, Income Tax Rules, 1984, Value Added Tax Act, 1991, Value Added Tax Rules, 1991, Customs Act, 1969, **and the Bangladesh Labour Act, 2006** (as amended in 2013).

For publicly listed companies, additional compliance obligations apply. These include adherence to the DSE and CSE Listing Regulations, 2015, Bangladesh Securities and Exchange Commission (BSEC) Ordinance, 1969, Securities and Exchange Rules, 1987, and various requirements relating to financial reporting and disclosure, including the BSEC Notification dated 3 June 2018, the Financial Reporting Act, 2015, and the adoption of International Financial Reporting Standards (IFRS) / International Accounting Standards (IAS) in Bangladesh.

At present, the corporate governance practices of publicly listed companies in Bangladesh are primarily governed by the Corporate Governance Code issued by the BSEC on 3 June 2018. This Code prescribes nine major governance heads.

Board of Directors:

The total board members number in Board of Directors minimum 5 (five) and maximum 20 (twenty). Number of independent director shall (1/5) of the total number of directors in the company's Board. Independent director don't have any own pecuniary benefits. He shall present AGM. The qualification of independent director also mentioned CG code 2018. The Chairperson of the Board of Directors and Managing Director or Chief Executive Officer shall be different individual. Every listed company shall contain a director report in annual report. This shall comply all contain of CG core 2018 as well as section 184 of company act. Meeting of the board should follow Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB). The Code of Conduct for the Chairperson, other Board members and Chief Executive Officer determined by the Nomination and Remuneration Committee (NRC).

Governance of Board of Directors of Subsidiary Company:

All conditions regarding the composition of the Board of the holding company shall be the same way to the composition of the Board of the subsidiary company. At least 1 (one) independent director shall be remain in the board of subsidiary company from holding company. The minutes of the Board meeting of the subsidiary company shall be placed in the board meeting of holding company.

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

The Board of Directors shall appoint a Managing Director or Chief Executive Officer a Company Secretary, a Chief Financial Officer and a Head of Internal Audit and Compliance. All of them shall be different individuals. They cannot held not hold any executive position in any other company at the same time. And all shall remain present in board meeting.

Board of Directors' Committee:

There are two committee under main board named audit committee and Nomination and Remuneration Committee (NRC). Both committee as the subcommittee of the Board and both committee shall be responsible to main Board. There shall be representative from board in both committee.

External or Statutory Auditors:

The duty, responsibility restriction of external or statutory auditors are very important for good corporate governance. The issuer company shall not engage auditors in appraisal or valuation, financial information systems design, book-keeping service, broker-dealer services, actuarial services, internal audit services, audit or certification services regarding compliance of corporate governance and any other service that arise conflict of interest in this regard.

Maintaining a website by the Company:

Every listed company shall have an official website which linked with the website of the stock exchange (DSE and CSE), this website shall be comply all requirements und DSE listing regulations 2015.

Reporting and Compliance of Corporate Governance:

Every listed company under DSE and CSE shall collect Corporate Governance compliance certificate in each financial year from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors in Bangladesh. This certificate shall disclose in annual report. This auditors shall appointed in AGM.

Current Scenario of BOD and Sub Committee under BOD is at a glance by the table below:

Table 3 (CG Code Comparisons)

Particulars	Board of Directors	Audit Committee Sub Committee of the Board	NRC Sub Committee of the Board
Board Size	5-20 directors	At least 3 members	At least 3 members
Independent Director (ID)	1/5 of total directors	1 Independent Director	1 Independent Director
Non-Executive Director	Minimum 3	Minimum 2	Minimum 2
Vacant shall fill	Within 90 Days	Within 30 Days	Within 180 Days
Chairman	Non-executive Directors	Independent Director	Independent Director
Meeting	At least 4 As required (Sec-96 of company act 1994)	At least 4	At least 1
Quorum	As per Article of the association of the company	2 members/two third (Whichever is higher) ID is must	2 members/two third (Whichever is higher) ID is must

Banking Sector:

To ensure good governance in the banking sector, Bangladesh Bank issued BRPD Circular No. 02 dated 11 February 2025. Under this regulatory framework, every bank company is required to comply with both the Corporate Governance Code, 2018 issued by the Bangladesh Securities and Exchange Commission (BSEC) and the provisions of BRPD Circular No. 02.

The Corporate Governance Code, 2018 prescribes several major governance heads, which are applicable to banks subject to necessary adaptations and additional prudential requirements imposed by Bangladesh Bank. These major governance heads are outlined below:

Composition of the Board of Directors of a Bank Company:

The Board of Directors of a bank company comprises shareholder directors, nominee directors of institutional shareholders, and independent directors, including alternate directors where applicable. The Board may have a maximum of 20 directors, with at least two independent directors, or three where the Board consists of 20 members. To prevent concentration of control, restrictions apply on family representation, institutional nominees, and individual shareholders' nomination rights. Directors may not serve for more than 12 consecutive years, followed by a

three-year cooling-off period. Directors retire by rotation at AGMs and may seek re-election in accordance with the law.

SL	Subject	Brief Summary
1	Maximum Number of Directors	Board members shall not exceed 20.
2	Independent Directors	Minimum 3 if total is 20; minimum 2 if less than 20.
3	Single Family Limit	Maximum 3 directors from 1 family at a time.
4	Family-Related Representatives	Up to 2 related or controlled institutions allowed.
5	Number of Institutional Representatives	Only 1 representative per institution.
6	Tenure of Directors	Maximum continuous tenure 12 years; 3-year break required.
7	Retirement and Reappointment	All retire at 1 st AGM; thereafter 1/3 retire each AGM.

Qualifications and Fitness for Appointment as Director:

To be appointed as a director of a bank company, a person must be at least 30 years old and possess a minimum of 10 years of relevant managerial, business, or professional experience. The individual must be fit and proper, with no criminal conviction, adverse court findings, regulatory penalties, bankruptcy, or tax default. The person must not be a loan defaulter, willful defaulter, or associated with failed or liquidated institutions, and must have no conflicting roles in other financial institutions or the same bank. Additional eligibility requirements apply for independent directors under relevant guidelines.

SL	Qualification/Condition	Brief Summary
1	Experience	Minimum 10 years (before 18 not counted).
2	Age	Minimum 30 years.
3	Former Officer	Minimum 5 years after leaving bank employment.
4	Wilful Defaulter	5 years after removal from wilful defaulter list.
5	Independent Director	Must follow Independent Director Appointment Policy.

Prior Approval of Bangladesh Bank for Appointment/Reappointment of Directors:

Under Section 15(4) of the Bank Companies Act, 1991, prior approval of Bangladesh Bank is mandatory for the appointment, reappointment, or nomination of bank directors. Such appointments become effective only from the date Bangladesh Bank grants its approval.

Appointment of Alternate Directors:

A bank company may appoint an alternate director when a director remains abroad continuously for at least three months. Subject to Section 101 of the Companies Act, 1994, such appointment may be made only once in a year and for a maximum consecutive period of three months, subject to compliance with all prescribed eligibility, documentation, reporting, and regulatory conditions.

Information Regarding Directors:

Banks are required to maintain an updated list of directors and promptly circulate any changes to Bangladesh Bank and other banks or financial institutions. They must publish and regularly update directors' profiles with photographs on their websites and submit updated information quarterly through the Rational Input Template (RIT) via Bangladesh Bank's EDW Portal.

Vacancy of Director's Office:

Provisions regarding vacancy of directorship under the Companies Act, 1994 and the Bank Companies Act, 1991 shall apply, including default in loan repayment, false declarations, lack of eligibility, and willful default status, with attendant restrictions and consequences.

Removal of Directors and Special Appointment of Directors:

Bangladesh Bank's prior approval is required for removal of directors (except in specialized banks). Bangladesh Bank may also remove directors, dissolve boards, or appoint directors/new boards in the public interest under Sections 45, 46, and 47 of the Bank Companies Act, 1991.

Duties and Responsibilities of the Board of Directors:

To ensure good governance, clear delineation of authority, responsibility, and accountability between the Board and management is essential. Under Sections 15B and 15C of the Bank Companies Act, 1991, the Board is responsible for policy formulation, implementation, risk management, internal audit and control, and compliance.

A. Duties and Powers of the Board

Includes responsibilities relating to:

- Strategic planning and annual action plans

- Credit and risk management
- Internal control and audit oversight
- Human resource management and development
- Financial management and budgeting
- Appointment of Managing Director/CEO
- Any other duties imposed by Bangladesh Bank

B. Duties and Responsibilities of the Chairman and Directors

Includes tenure, non-interference in daily operations, inspection rights, information access, investigation authority, and facilities for the Chairman as approved by the Board and Bangladesh Bank.

Formation of Board Committees

To promote strong corporate governance, effective oversight, and risk management, every bank company is required to establish specific **Board Committees**. These committees assist the Board of Directors in performing its fiduciary duties, ensuring transparency, accountability, and regulatory compliance in all aspects of the bank's operations. The primary committees that must be constituted by each bank include the following:

- Executive Committee
- Audit Committee
- Risk Management Committee

No other permanent or temporary committee shall be formed beyond these.

(Detailed structures, eligibility, duties, meeting procedures, and reporting requirements for each committee are fully preserved.)

Other Matters Relating to Board and Committee Meetings:

Includes provisions on frequency of meetings, quorum, agenda circulation, dissent notes, attendance, prohibition of outsiders, meeting venues, and requirement of Bangladesh Bank's prior approval for meetings held outside head office locations.

Chapter-03

Research Methodology

3.1 Introduction

A research methodology is such a framework, structure or blue print for conducting the research project. It details the procedures and process that are necessary for obtaining the required information, and the purpose of the research is to design the study that will determine possible answers and replies to the research problem and provide information needed for decision making. In this study, the methodology shows research objective, research design, sample of the research, data collection, data analyzing, formulation and conclusion. This is a study both descriptive and numerical data, the mixed method is used which is integrating qualitative and quantitative data from different source. Five independent variable was considered for the purpose of the study, they are Board of Director of the company, number of Independent director, Audit Committee and NRC Committee, Types of CG auditors, and Bangladesh secretarial Standard. For assessing the structure and potentiality of Corporate Governance the following items are considered to collection data and analysis Corporate Governance.

- Corporate Governance and level of disclosure in Bangladesh.
- Corporate Governance and risk analysis by companies.
- Corporate Governance and financial market economics.
- CEO accountability and Corporate Governance.
- Present corporate governance Code 2018.
- Corporate governance guideline in 2012.
- Corporate governance guideline in 2006.
- Corporate governance in Financial Institute.
- Company Act 1994
- Bank Company Act 1991.
- BRDP Circulars issued by Bangladesh Bank
- Rules, Regulation, Notification and code published by BSEC
- Rules, Regulation, Notification and code published by DSE
- Rules, Regulation, Notification and code published by CSE
- Bangladesh Secretarial Standard published by ICSB

3.1.1 Primary Sources

- Communicate with the company secretary of different company.
- Collecting data by conducting physical communication with different CG auditors.

3.1.2 Secondary Sources

- Annual Report of the Banks.
- Data collected from website of the company.
- Various different articles, journals, newspaper,

3.1.3 Data Analysis and Presentation:

After collection of data from the all respondents then data were analyzed through the use of Microsoft Excel. In analyzing the data chart, graph, tables and figures were used as analytical too

3.2 Sample Collection

The study was performed listed companies in Bangladesh. The aim of the study was to identify and examine the real scenario of corporate governance practice in Bangladesh. The survey was divided into two sections. In the first section data was collected and the second section several question was posted to respondents. A structured questionnaire was designed for this particular study. After data collection the data was inputted into the EXCEL to analyze the outcome. In this survey, the following questions were incorporated into the questionnaires:

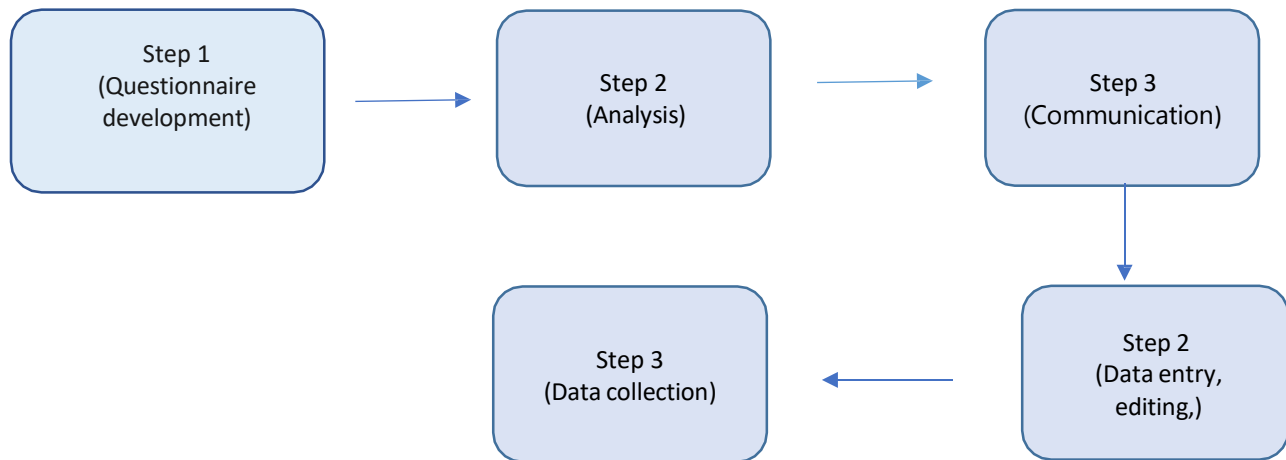
1. Has the Company adopted properly code of Corporate Governance code 2018?
2. Does the types of CG auditors as per CG code?
3. Does the procedure related to Corporate Governance audit as per CG Code?
4. Has company properly practice CG Code?
5. Has the number of independent director is 1/5th of total BOD?
6. Has the Bank havesub committees?
7. Are the meeting notice of AGM send properly to shareholders?
8. Does comply compliance regarding BSS regarding board meeting?
9. Does the company comply regarding External or Statutory Auditors?
10. Does the company maintaining official website?
11. Is there any Duality of Chairperson of the BOD and MD or CFO?
12. Does Governance of BOD of Subsidiary Company maintain properly?
13. Does the company properly maintain financial reporting as per IAS and IFRS?
14. Does MD or CEO, CS, CFO, HIAC participate in all board meeting?
15. Number of BOD?

- 16. Number of Independent Director and Female Directors.
- 17. Number of Board Meeting
- 18. Number of Audit Committee Meeting
- 19. Number of NRC Meeting
- 20. Related party Shareholding.
- 21. Family Shareholding
- 22. Director’s Shareholding in other bank

For this particular study purpose I communicated with 10 listed bank company in DSE.

3.3 Data Collection & Processing

Questionnaire was designed to gather data. Model of questionnaire development to data analyze data.



3.4 Data Analysis Process:

Data analysis was mainly done in EXCEL. The original plan was to collect the end line data from the baseline respondents.. In the line of above reference the study starts with the Overall sector analysis, then BOD, Independent director, Audit Committee, NRC, Types of CG Auditors, and BSS. Corporate Governance Certificate and annual report firstly collect from the website of the company.

- I. Overall sector analysis.
- II. BOD analyzed

- III. Next analyzed Independent director,
- IV. Executive, Audit and, Risk management Committee

Chapter-04

Analysis & Findings

After conducting the analysis, the study has reached several important conclusions regarding the practice of corporate governance in the banking sector of Bangladesh. The key findings are as follows:

1. **Skyrocketing NPLs:** Non-performing loans in banks have surged, straining financial stability, reducing profitability, and highlighting weaknesses in credit appraisal, risk management, and board oversight in Bangladesh's banking sector.
2. **Capital Shortfalls:** Many banks face inadequate capital buffers to meet regulatory requirements and absorb potential losses, undermining resilience and exposing the financial system to systemic risk.
3. **Liquidity Crunch:** Banks are experiencing liquidity shortages due to deposit concentration, poor asset-liability management, and delayed recovery of loans, affecting operational efficiency and overall financial stability.
4. **Eroding Confidence:** Public and investor trust in banks is declining due to governance lapses, rising bad loans, and opaque decision-making, threatening the credibility and reputation of the banking sector.
5. **Urgent Reforms Needed:** Immediate governance, risk management, and regulatory reforms are necessary to strengthen boards, improve oversight, address NPLs, enhance transparency, and restore confidence in Bangladesh's banking industry.
6. **Perception of Corporate Governance Audits:** The corporate culture in Bangladesh is largely indifferent to corporate governance (CG) audits. In many cases, a CG audit is perceived merely as a formality to obtain a corporate governance certificate, rather than a tool to assess and improve governance practices.
7. **Independent Director Remuneration:** Independent directors in banks receive a monthly remuneration of TK 50,000 plus board meeting fees, with no additional financial benefits. Considering the scope of their responsibilities, this compensation is relatively low. Board meeting fees in banking companies in Bangladesh are capped at TK 10,000. Many independent directors serve on three boards simultaneously, making their remuneration disproportionate to their duties.
8. **Activities of Independent Directors:** Independent directors are expected to ensure transparency and accountability within the board. However, in practice, many organizations do not provide them with adequate freedom or authority to perform their roles effectively.
9. **Number of Independent Directors:** The quota for independent directors is low, typically only one-fifth of the main board and a single member in the audit committee. This limited representation reduces their influence in decision-making. In comparison, the number of independent directors is significantly higher in several neighboring countries, allowing for stronger oversight.

10. **Number of Female Directors:** Corporate governance guidelines in Bangladesh require only one female director per board, which is insufficient to ensure gender diversity and inclusive decision-making.
11. **Family Ownership in the Board:** Many boards are dominated by family members, which undermines independent decision-making and poses challenges to implementing good governance practices.
12. **Professionalism of CG Auditors:** The professionalism of corporate governance auditors is often low. Auditors frequently verify compliance superficially without examining proper documentation. This may be due to low audit fees, which are not specified in any rules, regulations, circulars, or notifications. As a result, CG audits may not thoroughly reflect the true governance practices of banks.
13. **Non-Compliance Reporting in CG Audits:** Instances of non-compliance are often not adequately reported in CG audit reports. This diminishes the effectiveness of audits as a tool for accountability and transparency.
14. **Penalties for CG Auditors:** Corporate governance compliance reports are critical for public confidence, yet there is no explicit liability for professionals issuing corporate governance certificates. This lack of accountability can compromise the credibility of CG audits.

The analysis highlights significant challenges in the practice of corporate governance within Bangladesh's banking sector. Surging non-performing loans, capital shortfalls, and liquidity shortages have strained financial stability and eroded public and investor confidence. Governance weaknesses—including limited independence of directors, insufficient female representation, excessive family dominance on boards, and inadequate remuneration and authority for independent directors—further exacerbate these risks. Corporate governance audits are often treated as formalities, with low professionalism, incomplete reporting, and lack of accountability undermining their effectiveness. Collectively, these findings underscore the urgent need for comprehensive reforms in governance, risk management, regulatory oversight, and board practices to strengthen transparency, accountability, and the overall resilience of the banking sector.

Chapter-05

Conclusion

5.1 Introduction

This chapter summarizes the key findings of the study, highlights areas where corporate governance practices in the banking sector can be improved, and provides final conclusions based on the analysis. The study aimed to evaluate the current state of corporate governance in Bangladesh's banking sector, identify gaps, and suggest measures for strengthening governance frameworks to ensure transparency, accountability, and sustainable growth.

5.2 Areas of improvement

Although corporate governance practices have improved in Bangladesh, there are still significant areas requiring attention to ensure effective implementation. To strengthen board practices, control processes, transparency in reporting, shareholders' rights, and overall board commitment, the following improvements are recommended:

- **Maximization of Independent Directors:** Increasing the number of independent directors on bank boards to enhance objectivity and reduce potential conflicts of interest.
- **Active Participation of Independent Directors:** Independent directors should have a more prominent role in board discussions and decision-making processes.
- **Clarification of Executive Directors' Roles:** The roles and responsibilities of executive directors should be clearly defined to prevent overlap and improve accountability.
- **Focus on Corporate Social Responsibility (CSR):** Banks should enhance their CSR initiatives to align with ethical governance and societal expectations.
- **Enhanced Cost and Performance Auditing:** Strengthening audit processes to ensure better monitoring of financial performance, risk management, and compliance.

By addressing these areas, banks can improve board effectiveness, accountability, and stakeholder confidence.

5.3 Conclusion

The aim of this study was to gain a clear understanding of the practice of good governance in the banking sector of Bangladesh. Corporate governance in banks is guided by compliance with the Bank Company Act, relevant governance circulars, tax and VAT laws, labor laws, and other applicable regulations specific to the banking sector. While compliance mechanisms exist, there are notable differences between banks and other limited companies.

For example, banks are required to ensure the rotation of one-third of directors at every Annual General Meeting (AGM), and the board size and composition differ from those of private limited companies. In the case of public listed companies on the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE), corporate governance compliance is more comprehensive, requiring adherence to a wide range of rules, regulations, circulars, and statutory acts. The Securities and Exchange Commission of Bangladesh (BSEC) has issued corporate governance guidelines and codes in 2006, 2012, and 2018, specifically for listed companies. Upcoming listed companies must also comply with these regulations before entering the capital market.

This study demonstrates that the current practice of corporate governance in Bangladesh is not fully up to the desired standard. To establish a stronger corporate culture and ensure sustainable development in the banking sector, corporate governance codes and regulations in Bangladesh need to be more specific, detailed, and strictly enforced. Strengthening these governance mechanisms will contribute to transparency, accountability, and overall institutional stability in the sector.

Chapter-06

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6. Registrar of Joint Stock Companies And Firms (RJSC): <http://www.roc.gov.bd/>

Chapter-07

Acronym

Acronym	Elaboration
AGM	: Annual General Meeting
BB	: Bangladesh Bank
BEI	: Bangladesh Enterprise Institute
BOD	: Board of Director
BSEC	: Bangladesh Securities and Exchange Commission
BSS	: Bangladesh Secretarial Standards
CDBL	: Central Depository Bangladesh Ltd.
CEO	: Chief Executive Officer
CFO	: Chief Financial Officer
CG	: Corporate Governance
CGC	: Corporate Governance Code
CGG	: Corporate Governance Guideline
CSE	: Chittagong Stock exchange
Commission	: Bangladesh Securities and Exchange Commission
Companies Act	: Companies Act, 1994 (Act. No. XVIII of 1994)
CRAB	: Credit Rating Agency of Bangladesh Ltd.
CSE	: Chittagong Stock Exchange Limited
CG	: Corporate Governance
CGG	: Corporate Governance Guideline
DSE	: Dhaka Stock Exchange Limited
EPS	: Earnings Per Share
EGM	: Extraordinary General Meeting
FC Account	: Foreign Currency Account
FI	: Financial Institution
GOB	: The Government of People's Republic of Bangladesh
HIAC	: Head of Internal Audit and Compliance
IPO	: Initial Public Offering
ID	: Independent Director
Issuer Company	: Audited Company
ICAB	: The Institute of Chartered Accountants of Bangladesh
ICMAB	: The Institute of Cost and Management Accountants of Bangladesh
ICSB	: Institute of Chartered Secretaries of Bangladesh
Issue	: Public Issue
MD	: Managing Director
NAV	: Net Asset Value of the Company
NBR	: National Board of Revenue
NRC	: Nomination and Remuneration Committee
Registered Office	: Head Office of the Company
RJSC	: Registrar of Joint Stock Companies & Firms
SC	: Share Certificate
Share Market	: Market of the Securities
Stockholders	: Shareholders