Sonargaon University (SU)

Research Monograph

On

"Corporate Governance in Bangladesh: An Analytical Study"

Research Monograph Submitted for the partial fulfillment of the award of the degree

in

LL.B (Hon's)
Department of Law
Sonargaon University (SU)

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Date of Submission: 25th June, 2026

Letter of Transmittal

To

Professor Dr. A. S. M. Tariq Iqbal

Professor of Law & Dean

Faculty of Arts and Humanities

Sonargaon University

Subject: Submission of Research Monograph on “**Corporate Governance in Bangladesh: An Analytical Study”**

Dear Sir,

This is a great pleasure to submit the Research Monograph on **“Corporate Governance in Bangladesh: An Analytical Study”** as a partial requirement for the fulfillment of my LL.B course under the Department of Law of the Sonargaon University (SU).

I have given due efforts to make this Research Monograph as fruitful one and to make it as informative as possible. I hope that this paper will not be the formality of academic course completion rather it will be a source of information for other purpose on this topic.

Yours sincerely

....

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Declaration

I do hereby declare that the Research Monograph Title **"Corporate Governance in Bangladesh: An Analytical Study"** prepared solely by me and which has been submitted to the department of Law, Sonargaon University (SU) for achieving the LL.B (Hon's) Degree. This is an original work of nine. No part of this research, in any way of or in from, has been submitted to any University or Institution for any Degree, Diploma or for other similar purposes.

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Supervisor Certificate

This is to certify that the work presented in this dissertation is based on the work, carried out by the author herself under my supervision in Department of Law, Sonargaon University (SU).

It is also certifying that the work presented here is original and suitable for submission as the style and contents, for fulfillment of LL.B. program.

....

Professor Dr. A. S. M. Tariq Iqbal

Professor of Law & Dean

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Acknowledgement

***In the name of Allah, the Beneficent, the Merciful".** Praise by Allah & thanks to Allah for patronizing me to finish this Research Monograph. I am very happy to finish it. It is a great Research of my life. It is a long cherished hope of my life to become a great lawyer. That's why I have admitted in the Department of Law in Sonargaon University (SU) to fulfill my dream. But through my whole study life in this field, I did not get much more opportunities to examine and show my knowledge and skill in this wide field. Lastly I have got a great chance to make my study meaningful when I got the chance to prepare a Research Monograph on **Corporate Governance in Bangladesh: An Analytical Study**

I acknowledge my grateful to respected course teacher **Professor Dr. A. S. M. Tariq Iqbal** for instructing me how to prepare a Research Monograph and his famous Books lectures on this subject help me to complete my task sincerely.

I am also thankful to my classmate as they help me to complete the Research Monograph. I am extremely paying my solitude to all the authors and writers whose works help me to draft this original Research Monograh.

We are indeed thanks to everyone who inspired us to write this Research Monograh.

Thank you

Shakib Hossen Emon

Abstract

Corporate governance is a fundamental framework that ensures accountability, transparency, fairness, and responsibility in corporate decision-making. It plays a vital role in protecting the interests of shareholders and stakeholders while promoting sustainable business growth and economic stability. In developing economies like Bangladesh, effective corporate governance is particularly important due to rapid industrialization, expansion of the capital market, and increasing participation of private and multinational companies.

This study provides an analytical examination of corporate governance practices in Bangladesh, focusing on its legal and regulatory framework, institutional mechanisms, and practical implementation. The research explores key governance laws and regulations such as the Companies Act, 1994, the Securities and Exchange Ordinance, 1969, the Financial Reporting Act, 2015, and the Corporate Governance Code 2018 issued by the Bangladesh Securities and Exchange Commission (BSEC). It also evaluates the roles of regulatory bodies such as BSEC, Bangladesh Bank, and the Financial Reporting Council in ensuring compliance and improving governance standards.

The study identifies several challenges affecting corporate governance in Bangladesh, including concentrated ownership structures, weak board independence, limited transparency, inadequate disclosure practices, and insufficient enforcement of regulations. A comparative analysis with countries such as India, Malaysia, and Singapore reveals that Bangladesh still lags behind in terms of enforcement efficiency, board professionalism, and investor protection. However, the study highlights that ongoing reforms and increased regulatory attention are contributing positively to the governance environment.

The findings suggest that strengthening regulatory enforcement, enhancing board independence, improving transparency, and adopting international best practices are essential for improving corporate governance in Bangladesh. Effective governance is crucial for attracting investment, ensuring financial stability, and promoting long-term economic development.

In conclusion, this study emphasizes that while Bangladesh has developed a formal corporate governance framework, its effectiveness largely depends on practical implementation and institutional strengthening.

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Chapter One
Introduction

1.1 Background of the Study

Corporate governance refers to the system of rules, practices, and processes through which a company is directed and controlled. It establishes a framework that balances the interests of shareholders, management, employees, creditors, customers, and other stakeholders. Effective corporate governance promotes transparency, accountability, fairness, and responsibility in corporate decision-making. In the contemporary global economy, good governance has become a crucial factor in attracting investment, enhancing corporate performance, and ensuring sustainable economic growth.[1]

In Bangladesh, corporate governance has gained increasing importance due to the rapid expansion of the corporate sector and the development of the capital market. The country's economic growth has been accompanied by a growing number of public limited companies, financial institutions, and multinational corporations. However, concerns regarding weak regulatory enforcement, inadequate disclosure practices, lack of board independence, and protection of minority shareholders have highlighted the need for stronger governance mechanisms.[2]

Corporate governance is a fundamental framework that defines how corporations are directed, controlled, and managed. It encompasses the systems, principles, and processes through which the interests of shareholders, management, and other stakeholders are balanced. In modern economies, corporate governance has become a critical factor in ensuring transparency, accountability, fairness, and long-term sustainability of business organizations. It plays a vital role in strengthening investor confidence, improving corporate performance, and promoting economic stability.

The concept of corporate governance emerged primarily due to the separation of ownership and control in modern corporations. Shareholders, who provide capital, are often not directly involved in daily management, which is handled by professional managers. This separation can lead to conflicts of interest, commonly referred to as

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[1] Bob Tricker, *Corporate Governance: Principles, Policies and Practices* (4th edn, Oxford University Press 2019) 3.

[2] Bangladesh Securities and Exchange Commission, *Corporate Governance Code 2018* (Dhaka: BSEC, 2018) 1.

agency problems. Effective corporate governance mechanisms are therefore necessary to ensure that managers act in the best interests of shareholders and stakeholders.

In the global context, corporate governance has evolved significantly over the last few decades, especially following major corporate scandals and financial crises. International organizations such as the OECD have developed governance principles emphasizing transparency, accountability, responsibility, and fairness. These principles have become global benchmarks for assessing corporate behavior and regulatory effectiveness.

In Bangladesh, corporate governance has gained increasing importance with the expansion of the private sector, capital market development, and the growth of financial institutions. The country has adopted several legal and regulatory frameworks, including the Companies Act 1994, securities laws, and the Corporate Governance Code 2018 issued by the Bangladesh Securities and Exchange Commission (BSEC). These frameworks aim to improve board accountability, strengthen financial reporting, ensure investor protection, and enhance transparency in corporate operations.

Despite these developments, corporate governance practices in Bangladesh face several challenges. Many companies are characterized by concentrated ownership structures, where family control dominates board decisions. This often results in weak board independence, limited protection of minority shareholders, and potential conflicts of interest. In addition, issues such as inadequate disclosure practices, weak internal control systems, and limited enforcement capacity of regulatory bodies continue to hinder effective governance.

The importance of corporate governance in Bangladesh is further highlighted by its role in attracting both domestic and foreign investment. Investors prefer transparent and well-governed companies as they reduce risks and ensure accountability. Therefore, strengthening corporate governance is essential for sustainable economic development, financial market stability, and improved corporate performance.

This study aims to provide an analytical examination of corporate governance in Bangladesh by exploring its legal framework, institutional mechanisms, current practices, and major challenges. It also compares Bangladesh's governance system with international best practices to identify gaps and propose recommendations for improvement. By doing so, the study contributes to a better understanding of how corporate governance can be strengthened to support long-term economic growth and corporate

Recognizing these challenges, regulatory authorities such as the Bangladesh Securities and Exchange Commission (BSEC) have introduced various governance reforms, including the Corporate Governance Code 2018. These reforms aim to improve corporate accountability, strengthen investor confidence, and align Bangladesh's corporate sector with international standards. Despite these efforts, governance failures continue to occur, indicating a gap between legal requirements and practical implementation. Therefore, an analytical study of corporate governance in Bangladesh is essential to evaluate the effectiveness of the existing framework and identify areas for improvement.

1.2 Statement of the Problem

Although Bangladesh has established several legal and regulatory mechanisms to ensure corporate governance, many corporations continue to face governance-related challenges. Issues such as concentrated ownership structures, family dominance in management, lack of transparency, inadequate financial disclosures, and ineffective board oversight often undermine the principles of good governance. Moreover, regulatory agencies frequently encounter difficulties in enforcing compliance due to institutional weaknesses and resource constraints.

These governance deficiencies negatively affect investor confidence, corporate performance, and economic development. Consequently, there is a need to critically examine the existing corporate governance framework in Bangladesh and assess whether it effectively addresses the challenges faced by modern corporations.

1.3 Objectives of the Study

General Objective

To analyze the corporate governance framework and practices in Bangladesh and evaluate their effectiveness in promoting accountability, transparency, and corporate sustainability.

Specific Objectives

- To examine the concept and principles of corporate governance.
- To analyze the legal and regulatory framework governing corporate governance in Bangladesh.
- To identify the challenges and weaknesses of corporate governance practices.
- To evaluate the role of regulatory authorities in ensuring compliance.
- To recommend measures for improving corporate governance standards in Bangladesh.

1.4 Research Questions

The study seeks to answer the following questions:

1. What is the concept and significance of corporate governance?
2. What legal and regulatory frameworks govern corporate governance in Bangladesh?
3. What are the major challenges affecting corporate governance practices in Bangladesh?
4. How effective are existing regulatory mechanisms in ensuring compliance?
5. What reforms can strengthen corporate governance in Bangladesh?

1.5 Significance of the Study

The significance of this study lies in its contribution to understanding the effectiveness of corporate governance practices in Bangladesh. The study will assist policymakers, regulators, corporate managers, investors, and academic researchers by providing insights into governance-related issues and challenges.

The significance of this study lies in its comprehensive examination of corporate governance practices in Bangladesh and their impact on corporate performance, transparency, and accountability. In an emerging economy like Bangladesh, where the corporate sector is rapidly expanding, effective governance mechanisms are essential to ensure sustainable economic growth, investor confidence, and financial stability.

This study is important because it highlights both the strengths and weaknesses of the existing governance framework and provides insights for future improvements.

First, the study is significant for policymakers and regulatory authorities such as the Bangladesh Securities and Exchange Commission (BSEC), Bangladesh Bank, and the Financial Reporting Council. It provides an analytical understanding of how existing laws, regulations, and governance codes are being implemented in practice. By identifying gaps between policy formulation and practical execution, the study can assist regulators in strengthening enforcement mechanisms and improving regulatory efficiency.

Second, the study is valuable for corporate managers and boards of directors. It emphasizes the importance of adopting good governance practices, including board independence, transparency, accountability, and ethical conduct. Understanding these principles can help corporate leaders improve decision-making processes, reduce conflicts of interest, and enhance organizational performance. It also encourages companies to align their practices with international standards to remain competitive in global markets.

Third, the study is beneficial for investors and shareholders. In capital markets, investment decisions are largely influenced by the level of transparency and governance quality of companies. This study helps investors understand the corporate governance environment in Bangladesh, enabling them to make more informed investment decisions. It also highlights the importance of protecting minority shareholders and ensuring fair treatment in corporate activities.

Fourth, the study is significant for academic researchers and students. Corporate governance is a continuously evolving field, and this research contributes to the existing body of literature by providing an updated and context-specific analysis of Bangladesh. It also identifies research gaps that can be explored in future studies, thereby supporting academic development in the areas of business administration, finance, and corporate law.

Fifth, the study is important for the overall economic development of Bangladesh. Strong corporate governance contributes to efficient resource allocation, reduced corruption, improved financial reporting, and enhanced trust in corporate institutions. These factors collectively support sustainable economic growth and stability in the financial system.

Finally, this study is significant because it compares Bangladesh’s corporate governance practices with international standards and best practices. Such comparative analysis helps identify areas where Bangladesh lags behind and suggests practical reforms to bridge these gaps. By adopting better governance systems, Bangladesh can improve its global competitiveness and attract more foreign direct investment.

In conclusion, this study is not only academically relevant but also practically important for multiple stakeholders, including regulators, corporations, investors, and policymakers. It contributes to improving governance standards and strengthening the overall corporate environment in Bangladesh.

It will also contribute to the development of recommendations aimed at strengthening transparency, accountability, and investor protection within the corporate sector. Furthermore, the study may serve as a valuable reference for future research on corporate governance and corporate law in Bangladesh.

1.6 Scope of the Study

The study focuses on the corporate governance framework applicable to public limited companies, listed companies, financial institutions, and selected corporate entities operating in Bangladesh. It examines relevant laws, regulations, governance codes, and regulatory institutions. The study also considers practical challenges in implementing governance principles and compares Bangladesh's governance practices with international standards. However, the research primarily emphasizes legal and institutional aspects rather than detailed financial performance analysis.

1.7 Methodology of the Study

This study is primarily based on doctrinal and analytical research methods. Data and information have been collected from both primary and secondary sources.

Primary Sources

- Companies Act, 1994.
- Corporate Governance Code 2018.
- Financial Reporting Act, 2015.
- Securities laws and regulations.
- Regulatory guidelines issued by BSEC and Bangladesh Bank.

Secondary Sources

- Books on corporate law and governance.
- Academic journals and research articles.
- Reports published by international organizations.
- Government publications and official websites.
- Relevant case studies and newspaper reports.

The collected information has been critically analyzed to assess the effectiveness of the corporate governance framework in Bangladesh.

1.8 Literature Review

Corporate governance has been widely discussed by scholars, policymakers, and international organizations. According to the Organisation for Economic Co-operation and Development (OECD), corporate governance provides the structure through which corporate objectives are established and monitored.[3] Research conducted by scholars such as Monks and Minow emphasizes that good governance improves corporate accountability and reduces agency conflicts between managers and shareholders.[3]

Corporate governance has been widely studied by scholars and international organizations due to its importance in ensuring accountability, transparency, and efficiency in corporate management. A review of relevant literature shows diverse perspectives on its concept, evolution, and application, particularly in developing economies like Bangladesh.

Bob Tricker (2019), in his book *Corporate Governance: Principles, Policies and Practices*, explains corporate governance as a system that directs and controls corporations through structures and processes. He emphasizes the role of boards of directors in ensuring accountability and balancing stakeholder interests. Tricker argues that effective governance improves organizational performance and investor confidence.

Jill Solomon (2020), in *Corporate Governance and Accountability*, highlights the importance of transparency and ethical behavior in corporate management. She states that governance is not only about compliance with laws but also about building trust with stakeholders through responsible decision-making and disclosure practices.

[3] Robert A.G. Monks and Nell Minow, *Corporate Governance* (5th edn, John Wiley & Sons 2011) 12.

Robert Monks and Nell Minow (2011), in *Corporate Governance*, focus on the agency problem between shareholders and managers. They argue that strong governance mechanisms such as independent boards and shareholder activism are essential to reduce managerial opportunism and protect investors' rights.

Brian Cheffins (1997), in *Company Law: Theory, Structure and Operation*, discusses the legal foundations of corporate governance. He explains how company law structures the relationship between directors and shareholders and provides mechanisms for accountability and control.

Mizanur Rahman (2018), in *Constitutional Law of Bangladesh*, indirectly contributes to governance literature by explaining the constitutional principles of equality, rule of law, and accountability, which form the legal basis for corporate regulation in Bangladesh.

M Shahidul Islam (2017), in *Capital Market Regulation in Bangladesh*, analyzes the regulatory framework of the Bangladeshi capital market. He identifies weaknesses in enforcement mechanisms and highlights the need for stronger regulatory oversight to improve corporate governance practices.

Mohammad Hossain (2021), in *Family Business Governance in Bangladesh*, focuses on governance challenges in family-owned enterprises. He notes that concentrated ownership structures often lead to weak board independence and conflicts of interest.

Archie B. Carroll (1999), in his article on Corporate Social Responsibility, emphasizes the broader responsibilities of corporations toward society. He argues that modern governance should include social and environmental responsibilities in addition to profit maximization.

The Organisation for Economic Co-operation and Development (OECD, 2015) in its *Principles of Corporate Governance* provides international standards for effective governance. It highlights transparency, accountability, fairness, and responsibility as core principles that should guide corporate behavior globally.

Finally, Mohammad Hossain and Mahfuzur Rahman (2021) in their study *Corporate Governance Practices in Bangladesh: Current Status and Challenges* examine the practical situation in Bangladesh. They conclude that although regulatory frameworks exist, weak enforcement and ownership concentration remain major challenges.

In the context of Bangladesh, several studies have identified weaknesses in governance practices, particularly concerning board independence, transparency, and enforcement mechanisms. Researchers have argued that although legal reforms have improved the governance framework, implementation remains inconsistent due to institutional and cultural challenges. Existing literature highlights the need for stronger regulatory oversight, enhanced shareholder protection, and greater corporate transparency. However, comprehensive analytical studies examining both legal and practical dimensions remain limited, creating a need for further research.

1.9 Limitations of the Study

Despite efforts to conduct a comprehensive analysis, the study has certain limitations. First, it relies primarily on secondary data and published materials, which may not fully reflect current corporate practices. Second, access to confidential corporate information is limited. Third, the rapidly evolving nature of corporate governance regulations may affect the long-term relevance of some findings. Finally, time and resource constraints have restricted the scope of empirical investigation. Nevertheless, the study provides a meaningful assessment of corporate governance practices and challenges in Bangladesh.

Chapter Two
Historical Background

2.1 Concept of Corporate Governance

Corporate governance refers to the system of rules, principles, policies, and processes through which corporations are directed, controlled, and managed. It establishes a framework that defines the relationships among a company's shareholders, board of directors, management, employees, creditors, and other stakeholders. The primary objective of corporate governance is to ensure accountability, transparency, fairness, and responsibility in corporate decision-making and operations.[4]

The concept of corporate governance gained prominence due to the separation of ownership and management in modern corporations. While shareholders provide capital and own the company, managers are responsible for its day-to-day operations. This separation often creates conflicts of interest, known as agency problems, where managers may prioritize their personal interests over those of shareholders. Corporate governance mechanisms are designed to minimize such conflicts and ensure that management acts in the best interests of the company and its stakeholders.[5]

The Organisation for Economic Co-operation and Development (OECD) defines corporate governance as a system by which business corporations are directed and controlled. According to the OECD, corporate governance specifies the distribution of rights and responsibilities among different participants in the corporation and lays down the rules and procedures for decision-making.[6]

Good corporate governance encompasses several fundamental principles, including accountability, transparency, responsibility, independence, and fairness. Accountability requires directors and managers to be answerable for their actions and decisions. Transparency ensures that accurate and timely information is disclosed to stakeholders. Responsibility emphasizes compliance with laws and ethical standards,

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[4] Bob Tricker, *Corporate Governance: Principles, Policies and Practices* (4th edn, Oxford University Press 2019) 15.

[5] Michael C Jensen and William H Meckling, 'Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure' (1976) 3 *Journal of Financial Economics* 305.

[6] Organisation for Economic Co-operation and Development, *OECD Principles of Corporate Governance* (OECD Publishing 2015) 11.

while fairness promotes equal treatment of all shareholders, including minority investors.[7]

Effective corporate governance contributes significantly to organizational success by improving operational efficiency, reducing corruption, attracting investment, enhancing investor confidence, and ensuring long-term sustainability. In developing countries such as Bangladesh, corporate governance is increasingly recognized as an essential component of economic growth and corporate development. As businesses become more complex and integrated into global markets, strong governance frameworks become indispensable for maintaining corporate integrity and competitiveness.

2.2 Historical Development of Corporate Governance

The concept of corporate governance has evolved over several centuries alongside the development of modern corporations. The origins of corporate governance can be traced back to the establishment of joint-stock companies in Europe during the seventeenth and eighteenth centuries. As businesses expanded and ownership became dispersed among numerous investors, concerns emerged regarding the accountability of managers and directors entrusted with corporate resources.[8]

The modern discussion of corporate governance gained momentum following the publication of Adolf Berle and Gardiner Means' influential work, *The Modern Corporation and Private Property* (1932). The authors highlighted the separation of ownership and control in large corporations and emphasized the potential conflicts between shareholders and managers. This work laid the foundation for the development of agency theory, which remains one of the most important theoretical frameworks in corporate governance.[9]

During the latter half of the twentieth century, several major corporate scandals exposed weaknesses in governance systems and prompted significant reforms. In the United Kingdom, the collapse of companies such as Polly Peck and Maxwell Communications led to the establishment of the Cadbury Committee, which published

[7] Jill Solomon, *Corporate Governance and Accountability* (5th edn, Wiley 2020) 24.

[8] Brian R Cheffins, *Company Law: Theory, Structure and Operation* (Oxford University Press 1997) 33.

[9] Committee on the Financial Aspects of Corporate Governance, *The Cadbury Report* (London 1992) 14.

the Cadbury Report in 1992. The report introduced important principles concerning board accountability, independent directors, and financial reporting.[10]

Similarly, in the United States, corporate failures involving companies such as Enron, WorldCom, and Tyco International revealed serious deficiencies in corporate oversight and financial disclosure. In response, the United States enacted the Sarbanes-Oxley Act of 2002, which strengthened corporate accountability, auditor independence, and financial reporting requirements.[11]

At the international level, the OECD introduced its Principles of Corporate Governance in 1999, which were subsequently revised in 2004 and 2015. These principles have become globally recognized standards for promoting effective governance practices and have influenced governance reforms in many countries, including Bangladesh.[12]

Today, corporate governance has evolved from a narrow focus on shareholder protection to a broader framework that incorporates stakeholder interests, sustainability, environmental responsibility, social accountability, and ethical business conduct. The increasing globalization of business activities has further emphasized the importance of adopting internationally accepted governance standards.

2.3 Corporate Governance in Bangladesh

The development of corporate governance in Bangladesh is closely associated with the growth of the country's corporate and financial sectors. Following independence in 1971, Bangladesh initially adopted a state-led economic model. However, economic liberalization policies introduced during the 1980s and 1990s encouraged private sector growth and increased participation in the capital market. As a result, concerns regarding corporate accountability, transparency, and investor protection gained prominence.[13]

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[10] Joseph A Grundfest, 'General Overview of the Sarbanes-Oxley Act of 2002' (2003) 57 *Business Lawyer* 1223.

[11] OECD, *G20/OECD Principles of Corporate Governance* (OECD Publishing 2015) 9.

[12] Adolf A Berle and Gardiner C Means, *The Modern Corporation and Private Property* (Transaction Publishers 1932) 7.

[13] M S Uddin and A K Choudhury, *Corporate Governance in Bangladesh: Issues and Challenges* (Dhaka University Press 2014) 41.

The legal foundation of corporate governance in Bangladesh is primarily based on the Companies Act, 1994, which regulates company formation, management, shareholder rights, and corporate responsibilities. Additional governance requirements are imposed through securities laws, banking regulations, accounting standards, and regulatory guidelines issued by the Bangladesh Securities and Exchange Commission (BSEC) and the Bangladesh Bank.

A significant milestone in governance reform was the introduction of the Corporate Governance Guidelines by BSEC in 2006. These guidelines were subsequently revised and replaced by the Corporate Governance Code 2018, which established comprehensive requirements concerning board composition, independent directors, audit committees, nomination and remuneration committees, risk management, and disclosure obligations.[14]

Despite these reforms, corporate governance in Bangladesh continues to face numerous challenges. Many companies remain family-controlled, resulting in concentrated ownership structures and limited board independence. Minority shareholders often experience difficulties in protecting their interests, while regulatory enforcement remains inconsistent. Additionally, weaknesses in internal control systems, financial reporting, and corporate disclosure practices continue to undermine governance effectiveness.[15]

Nevertheless, significant progress has been made in recent years. Regulatory authorities have strengthened disclosure requirements, improved financial reporting standards, and enhanced monitoring mechanisms. The adoption of Bangladesh Financial Reporting Standards (BFRS) and Bangladesh Accounting Standards (BAS), aligned with international standards, has also contributed to improved corporate transparency. Furthermore, increasing awareness among investors, regulators, and corporate leaders has encouraged greater compliance with governance principles.

[14] Bangladesh Securities and Exchange Commission, *Corporate Governance Code 2018* (Dhaka 2018) 3.

[15] Mohammad Hossain and Mahfuzur Rahman, 'Corporate Governance Practices in Bangladesh: Current Status and Challenges' (2021) 12 *Bangladesh Journal of Management Studies* 55.

As Bangladesh aspires to achieve higher levels of economic development and attract greater foreign investment, strengthening corporate governance remains a critical priority. Effective governance practices are essential for enhancing investor confidence, ensuring sustainable business growth, and promoting overall economic stability.

Chapter Three

Legal and Regulatory Framework of Corporate Governance in Bangladesh

3.1 Constitutional Basis of Corporate Regulation

The Constitution of the Bangladesh serves as the supreme law of the country and provides the fundamental legal framework within which all corporate laws and regulations operate. Although the Constitution does not specifically address corporate governance, several constitutional provisions indirectly support the regulation of corporate activities and economic affairs. The Constitution recognizes the rule of law, equality before the law, protection of property rights, and accountability in public administration, all of which contribute to a sound corporate governance environment.[16]

Article 11 of the Constitution emphasizes democracy, human rights, and accountability, while Articles 27 and 31 guarantee equality before the law and protection under the law. These constitutional principles form the basis for ensuring fair treatment of shareholders, investors, and stakeholders. Furthermore, Article 13 recognizes different forms of ownership, including private ownership, thereby providing constitutional legitimacy for private corporations and business enterprises.[17]

The Constitution also empowers Parliament to enact laws regulating trade, commerce, industry, and corporate activities. Consequently, various statutes governing company formation, securities regulation, financial reporting, and corporate governance have been enacted under constitutional authority. Therefore, the Constitution functions as the foundational source of legal authority for corporate regulation in Bangladesh.

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[16] Mizanur Rahman, *Constitutional Law of Bangladesh* (3rd edn, Mullick Brothers 2018) 45.

[17] The Constitution of the People's Republic of Bangladesh, arts 11, 13, 27 and 31.

3.2 Companies Act, 1994

The Companies Act, 1994 is the principal legislation governing companies in Bangladesh. It provides the legal framework for the incorporation, management, operation, and dissolution of companies. Enacted to replace earlier company laws, the Act seeks to ensure accountability, transparency, and legal compliance within corporate organizations.[18]

The Act contains provisions relating to company formation, memorandum and articles of association, share capital, directors, meetings, accounts, audits, and winding up. It establishes the legal rights and obligations of shareholders, directors, and corporate officers. Corporate governance principles are reflected through requirements for annual general meetings (AGMs), maintenance of statutory records, preparation of financial statements, and appointment of auditors.[19]

The Act also imposes fiduciary duties upon directors, requiring them to act honestly, in good faith, and in the best interests of the company. Directors may be held liable for fraudulent conduct, misrepresentation, or breaches of statutory obligations. Furthermore, shareholders are granted important rights, including participation in meetings, voting on significant corporate matters, and access to company information.[20]

Despite its importance, the Companies Act, 1994 has been criticized for being outdated in certain areas and lacking provisions addressing modern governance concerns such as independent directors, board committees, and risk management systems. Consequently, supplementary regulations and governance codes have been introduced to strengthen the corporate governance framework.

3.3 Bangladesh Securities and Exchange Commission (BSEC) and Its Role

The Bangladesh Securities and Exchange Commission (BSEC) is the primary regulatory authority responsible for overseeing the capital market and ensuring good corporate governance among listed companies. Established under the Securities and Exchange Commission Act, 1993, BSEC aims to protect investors, maintain fair and efficient markets, and facilitate capital formation.[21]

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[18] Companies Act, 1994 (Act No XVIII of 1994), Preamble.

[19] Companies Act, 1994, ss 81–233.

[20] M Yahia, *Company Law in Bangladesh* (University Publications 2019) 112.

[21] Securities and Exchange Commission Act, 1993, s 3.

One of the Commission's key responsibilities is regulating securities markets, stock exchanges, and publicly listed companies. BSEC formulates rules and regulations concerning disclosure requirements, financial reporting, corporate governance practices, and investor protection. It also monitors compliance with securities laws and may impose penalties for violations.[22]

BSEC plays a vital role in promoting corporate governance by requiring listed companies to comply with governance standards concerning board composition, independent directors, audit committees, and disclosure obligations. The Commission regularly issues directives, notifications, and guidelines to improve transparency and accountability within the corporate sector.[23]

Furthermore, BSEC investigates allegations of insider trading, market manipulation, and corporate misconduct. Through its enforcement powers, the Commission contributes significantly to maintaining investor confidence and promoting integrity within Bangladesh's capital market. However, challenges such as limited resources, enforcement constraints, and growing market complexity continue to affect its effectiveness.

3.4 Corporate Governance Code 2018

The Corporate Governance Code 2018 issued by BSEC represents one of the most significant governance reforms in Bangladesh. The Code replaced the earlier Corporate Governance Guidelines and established a comprehensive governance framework for listed companies.[24]

The Code seeks to enhance transparency, accountability, and investor protection by prescribing standards relating to board structure, independent directors, audit committees, nomination and remuneration committees, risk management, and corporate disclosures. It requires listed companies to maintain an appropriate balance between executive and non-executive directors and to appoint independent directors capable of providing objective oversight.[25]

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[22] M Shahidul Islam, *Capital Market Regulation in Bangladesh* (Dhaka Law House 2017) 76.

[23] Bangladesh Securities and Exchange Commission, Annual Report 2024, 18.

[24] Bangladesh Securities and Exchange Commission, *Corporate Governance Code 2018* (Dhaka 2018) 1.

[25] Corporate Governance Code 2018, Conditions 1 and 2.

The Code further mandates the formation of an Audit Committee responsible for monitoring financial reporting, internal control systems, and compliance activities. Additionally, companies must establish a Nomination and Remuneration Committee to ensure transparent and merit-based appointments and compensation policies.[11]

Disclosure requirements under the Code are designed to provide shareholders and investors with accurate, timely, and comprehensive information regarding corporate performance and governance practices. Companies are also required to submit annual compliance reports demonstrating adherence to governance standards.

The Corporate Governance Code 2018 has significantly improved governance awareness and reporting practices among listed companies. Nevertheless, effective implementation remains dependent upon regulatory enforcement, corporate commitment, and continuous monitoring by stakeholders.

3.5 Securities and Exchange Ordinance, 1969

The Securities and Exchange Ordinance, 1969 constitutes one of the foundational legal instruments governing securities transactions and capital market activities in Bangladesh. Although enacted prior to independence, the Ordinance continues to play an important role in regulating securities markets alongside subsequent legislation and regulatory directives.[26]

The Ordinance empowers regulatory authorities to supervise securities issuance, trading activities, stock exchanges, and market participants. It establishes mechanisms for investor protection, prevention of fraudulent practices, and maintenance of market integrity. Through its provisions, the Ordinance seeks to ensure that investors receive adequate information before making investment decisions.[27]

Corporate governance objectives are supported through disclosure obligations imposed upon listed companies and issuers of securities. Companies must provide accurate financial information and material disclosures to regulators and investors. Failure to comply with these requirements may result in penalties, sanctions, or other enforcement actions.

[26] Corporate Governance Code 2018, Conditions 3 and 6.

[27] Securities and Exchange Ordinance, 1969, Preamble.

The Securities and Exchange Ordinance, 1969 continues to serve as a key component of Bangladesh's securities regulatory framework and complements other governance-related legislation aimed at strengthening market confidence and transparency.

3.6 Financial Reporting Act, 2015

The Financial Reporting Act, 2015 was enacted to improve the quality, reliability, and transparency of financial reporting in Bangladesh. The Act reflects the growing recognition that accurate financial information is essential for effective corporate governance, investor protection, and economic development.[28]

A major contribution of the Act was the establishment of the Financial Reporting Council (FRC), an independent regulatory body responsible for overseeing accounting, auditing, and financial reporting practices. The FRC is entrusted with monitoring compliance with financial reporting standards and ensuring the professional competence of auditors and accounting professionals.[29]

The Act seeks to promote high-quality financial reporting by requiring companies to comply with recognized accounting and auditing standards. It enhances accountability by subjecting auditors and reporting entities to greater regulatory oversight. Furthermore, the FRC possesses investigative and disciplinary powers to address misconduct and professional negligence.[30]

The Financial Reporting Act, 2015 strengthens the corporate governance framework by improving transparency, reducing opportunities for financial misrepresentation, and increasing stakeholder confidence in corporate financial statements. As reliable financial reporting constitutes a cornerstone of good governance, the Act plays a crucial role in enhancing corporate accountability and market integrity in Bangladesh.

[28] M H Rahman, *Securities Law and Investor Protection in Bangladesh* (Dhaka Publishers 2020) 94.

[29] Financial Reporting Act, 2015, Preamble.

[30] Financial Reporting Act, 2015, ss 9–15.

Chapter Four
Corporate Governance Practices in Bangladesh

4.1 Board Structure and Composition

The board of directors is the central governing body of a company and serves as the cornerstone of corporate governance. The board is responsible for formulating corporate policies, overseeing management, safeguarding shareholders' interests, and ensuring compliance with applicable laws and regulations. A well-structured board contributes significantly to organizational accountability, transparency, and long-term sustainability.[31]

In Bangladesh, the board structure of listed companies is primarily governed by the Companies Act, 1994 and the Corporate Governance Code 2018 issued by BSEC. The Code requires companies to maintain an appropriate balance between executive and non-executive directors to ensure objective decision-making and effective oversight. The inclusion of directors possessing diverse professional expertise, knowledge, and experience enhances the board's ability to address complex corporate challenges.[32]

However, many Bangladeshi companies continue to experience governance challenges due to concentrated ownership structures and family dominance. In numerous cases, board members are selected based on family relationships rather than professional competence, which may limit independent oversight and weaken governance effectiveness. Consequently, strengthening board diversity, professionalism, and independence remains a key objective of corporate governance reforms in Bangladesh.

The board of directors is the highest governing authority within a corporate organization and plays a central role in ensuring effective corporate governance. It is responsible for setting the company’s strategic direction, overseeing management activities, safeguarding shareholders’ interests, and ensuring compliance with legal and regulatory requirements. A well-structured board is essential for maintaining transparency, accountability, and long-term organizational sustainability.

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[31] Bob Tricker, *Corporate Governance: Principles, Policies and Practices* (4th edn, Oxford University Press 2019) 85.

[32] Bangladesh Securities and Exchange Commission, *Corporate Governance Code 2018* (Dhaka 2018) Condition 1.

In Bangladesh, the structure and composition of the board of directors are primarily governed by the Companies Act, 1994 and the Corporate Governance Code 2018 issued by the Bangladesh Securities and Exchange Commission (BSEC). These legal frameworks require listed companies to maintain a balanced board structure that includes executive directors, non-executive directors, and independent directors. The aim is to ensure that no single group dominates decision-making and that the board functions with fairness and objectivity.

An effective board typically consists of members with diverse qualifications, professional experiences, and expertise in areas such as finance, law, management, accounting, and industry-specific knowledge. Diversity in board composition enhances decision-making quality and allows companies to respond effectively to complex business challenges. In addition, separation of the roles of Chairman and Chief Executive Officer (CEO) is considered an important governance practice, as it reduces the concentration of power and improves oversight functions.

The Corporate Governance Code 2018 emphasizes that the board should include a sufficient number of non-executive and independent directors to ensure impartial decision-making. Independent directors are expected to bring unbiased judgment, monitor management performance, and protect the interests of minority shareholders. This structure is designed to reduce conflicts of interest and strengthen accountability within corporate organizations.

However, in practice, the board structure of many companies in Bangladesh is influenced by concentrated ownership patterns. A significant number of firms are controlled by family members or a small group of shareholders, which often leads to dominance in board decision-making. In such cases, board independence may be compromised, and strategic decisions may reflect the interests of controlling shareholders rather than all stakeholders.

Another challenge in board composition is the limited availability of qualified independent directors with sufficient expertise and independence. In some cases, independent directors are appointed due to personal or business relationships rather than professional merit, which weakens the effectiveness of their oversight role.

Despite these challenges, improvements have been observed in recent years. Regulatory reforms and increased awareness of corporate governance have encouraged companies to adopt more structured and professional boards. The inclusion of independent directors, establishment of board committees, and improved disclosure practices have contributed to strengthening governance standards in Bangladesh.

In conclusion, board structure and composition are critical components of corporate governance. While Bangladesh has made significant progress in establishing regulatory requirements, effective implementation remains a key challenge. Strengthening board independence, promoting diversity, and ensuring merit-based appointments are essential for improving governance quality and enhancing corporate accountability in the country.

4.2 Independent Directors

Independent directors play a crucial role in ensuring objective and impartial decision-making within corporate organizations. Unlike executive directors, independent directors are not involved in the day-to-day management of the company and are expected to act free from conflicts of interest. Their primary responsibility is to protect the interests of shareholders, particularly minority shareholders, and promote transparency and accountability.[33]

Independent directors are a key element of modern corporate governance systems, designed to ensure objectivity, transparency, and accountability in corporate decision-making. An independent director is a member of the board who does not have any material or financial relationship with the company, its management, or controlling shareholders. This independence allows them to provide unbiased judgment and protect the interests of minority shareholders and other stakeholders.

In Bangladesh, the concept of independent directors has been formally introduced and strengthened through the Corporate Governance Code 2018 issued by the Bangladesh Securities and Exchange Commission (BSEC). According to the Code, listed companies are required to appoint at least one-fifth of the total number of directors as independent directors, depending on board size and structure. This requirement aims to ensure that boards are not entirely dominated by executive or controlling family members.

[33] Jill Solomon, *Corporate Governance and Accountability* (5th edn, Wiley 2020) 142.

The primary role of independent directors is to enhance board effectiveness by bringing external perspectives, professional expertise, and impartial oversight. They are expected to monitor management performance, evaluate strategic decisions, review financial statements, and ensure that the company complies with legal and regulatory requirements. Independent directors also play a significant role in reducing agency problems by ensuring that managers act in the best interests of shareholders.

Another important responsibility of independent directors is their participation in board committees, particularly the audit committee, nomination committee, and remuneration committee. Their involvement in these committees strengthens internal control systems, improves financial transparency, and ensures fair executive compensation policies. This contributes significantly to enhancing investor confidence and corporate credibility.

Despite their importance, the effectiveness of independent directors in Bangladesh faces several challenges. In many cases, independent directors are selected based on personal connections, business relationships, or influence of controlling shareholders rather than true independence and professional competence. This reduces their ability to act objectively and limits their oversight function.

Additionally, independent directors may lack access to sufficient information or resources needed to effectively evaluate company performance. In some organizations, their role is largely symbolic, with limited influence over major strategic or financial decisions. These issues weaken the intended purpose of independent directorship in corporate governance.

However, awareness of the importance of independent directors has increased in recent years. Regulatory authorities and institutional investors are encouraging companies to appoint qualified and experienced independent directors who can contribute meaningfully to governance processes. Training programs and governance guidelines have also been introduced to enhance their effectiveness.

In conclusion, independent directors are essential for ensuring accountability, transparency, and fairness in corporate governance. While Bangladesh has made significant progress in formalizing their role through regulatory reforms, practical challenges remain in ensuring their true independence and effectiveness. Strengthening appointment criteria, enhancing transparency, and empowering independent directors are necessary steps toward improving corporate governance standards in Bangladesh.

The Corporate Governance Code 2018 requires listed companies to appoint a specified number of independent directors based on the size of the board. Independent directors contribute to corporate governance by monitoring management performance, evaluating strategic decisions, overseeing financial reporting, and ensuring compliance with legal obligations.[34]

Despite legal requirements, practical challenges remain. In some instances, independent directors may lack the authority, resources, or independence necessary to perform their duties effectively. Family-controlled companies often exert significant influence over board appointments, reducing the effectiveness of independent oversight. Nevertheless, the inclusion of qualified independent directors has gradually improved governance standards and strengthened investor confidence in the corporate sector.

4.3 Audit Committees

Audit committees are essential governance mechanisms designed to enhance financial accountability and integrity. An audit committee is generally composed of non-executive and independent directors who oversee the company's financial reporting processes, internal controls, risk management systems, and external audit functions.[35]

The Corporate Governance Code 2018 mandates the establishment of audit committees in listed companies. These committees are responsible for reviewing financial statements, monitoring compliance with accounting standards, evaluating internal control systems, and communicating with external auditors. They also investigate financial irregularities and recommend corrective actions where necessary.[36]

An effective audit committee strengthens investor confidence by ensuring the reliability and accuracy of financial information disclosed by companies. In Bangladesh, audit committees have contributed to improved financial reporting practices. However, challenges such as inadequate expertise, insufficient independence, and limited enforcement mechanisms continue to affect their overall effectiveness.

[34] Corporate Governance Code 2018, Condition 1(2).

[35] Roman Tomasic, *Corporate Governance and Financial Markets* (Butterworths 2018) 201.

[36] Corporate Governance Code 2018, Condition 3.

4.4 Nomination and Remuneration Committees

The Nomination and Remuneration Committee (NRC) is an important governance body responsible for ensuring transparency and fairness in the appointment, evaluation, and compensation of directors and senior executives. The committee seeks to promote merit-based appointments and establish remuneration policies that align management incentives with corporate objectives.[37]

Under the Corporate Governance Code 2018, listed companies are required to establish a Nomination and Remuneration Committee consisting primarily of independent and non-executive directors. The committee identifies suitable candidates for board positions, evaluates board performance, and recommends compensation structures that support corporate sustainability and long-term growth.[38]

The existence of an effective NRC reduces the risk of favoritism, nepotism, and excessive executive compensation. In Bangladesh, the introduction of mandatory NRCs has strengthened governance practices by promoting greater transparency in corporate appointments and remuneration decisions. However, challenges persist in ensuring complete independence and objectivity in family-controlled companies.

4.5 Internal Control Mechanisms

Internal control mechanisms refer to policies, procedures, and systems designed to safeguard corporate assets, ensure operational efficiency, prevent fraud, and maintain compliance with legal and regulatory requirements. Effective internal controls are fundamental to sound corporate governance because they enhance organizational accountability and risk management.[9]

Internal control systems typically include financial controls, operational controls, compliance controls, risk assessment procedures, and internal audit functions. These mechanisms enable management and the board of directors to monitor corporate activities and identify potential weaknesses before they develop into significant problems.[10]

In Bangladesh, regulatory authorities emphasize the importance of strong internal control systems, particularly within listed companies, banks, and financial institutions. Nevertheless, weaknesses in internal control mechanisms remain a concern in certain

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[37] OECD, *G20/OECD Principles of Corporate Governance* (OECD Publishing 2015) 47.

[38] Corporate Governance Code 2018, Condition 6.

organizations due to insufficient resources, inadequate monitoring, and lack of professional expertise. Strengthening internal controls is therefore essential for improving governance effectiveness and preventing corporate misconduct.

4.6 Transparency and Disclosure Practices

Transparency and disclosure are fundamental principles of corporate governance. Transparency requires companies to provide accurate, reliable, and timely information regarding their financial condition, performance, ownership structure, governance practices, and business activities. Effective disclosure enables shareholders and investors to make informed decisions and promotes market confidence.[11]

The Corporate Governance Code 2018, Companies Act 1994, and securities regulations impose various disclosure obligations on listed companies. These obligations include the publication of annual reports, audited financial statements, governance compliance reports, and information regarding directors, executives, and significant transactions.[12]

Although disclosure practices have improved significantly in recent years, concerns remain regarding the quality, completeness, and timeliness of information disclosed by some companies. Inadequate transparency may create opportunities for fraud, insider trading, and market manipulation. Consequently, enhancing disclosure standards remains a priority for regulators and corporate stakeholders in Bangladesh.

4.7 Accountability and Ethical Conduct

Accountability refers to the obligation of directors, managers, and corporate officers to explain and justify their decisions and actions to shareholders and other stakeholders. Ethical conduct involves adherence to principles of honesty, integrity, fairness, and professionalism in all business activities. Together, accountability and ethical behavior constitute the foundation of effective corporate governance.[39]

Corporate governance frameworks in Bangladesh require directors and executives to act in good faith and in the best interests of the company. Regulatory bodies such as BSEC and the Financial Reporting Council promote ethical standards through

[39] Financial Reporting Council, *Corporate Reporting and Governance Guidelines* (Dhaka 2022) 34.

disclosure requirements, auditing regulations, and compliance monitoring mechanisms.[40]

However, instances of corruption, conflicts of interest, insider trading, and financial irregularities continue to challenge governance effectiveness. Promoting ethical corporate culture, strengthening enforcement mechanisms, and enhancing corporate accountability are therefore essential for improving governance standards and protecting stakeholder interests.

4.8 Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) refers to the voluntary commitment of businesses to contribute positively to society while conducting their operations responsibly and ethically. CSR extends corporate responsibilities beyond profit maximization to include social welfare, environmental sustainability, employee well-being, and community development.[41]

In Bangladesh, CSR has become increasingly important, particularly among banks, financial institutions, multinational corporations, and large business groups. Corporate entities frequently engage in activities related to education, healthcare, environmental protection, disaster relief, poverty reduction, and social development. Bangladesh Bank has also encouraged financial institutions to integrate CSR initiatives into their business operations.[42]

CSR contributes to corporate governance by strengthening stakeholder relationships, enhancing corporate reputation, and promoting sustainable business practices. Companies that actively engage in CSR activities often enjoy greater public trust and improved long-term performance.

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[40] COSO, *Internal Control—Integrated Framework* (2013) 15.

[41] Archie B Carroll, 'Corporate Social Responsibility: Evolution of a Definitional Construct' (1999) 38 *Business & Society* 268.

[42] Bangladesh Bank, *Guidelines on Corporate Social Responsibility for Banks and Financial Institutions* (2023) 7.

4.9 Governance Practices in Listed Companies

Listed companies are subject to the most comprehensive governance requirements in Bangladesh due to their public accountability and involvement in the capital market. These companies must comply with the Corporate Governance Code 2018, securities regulations, accounting standards, and disclosure requirements imposed by BSEC.[43]

Governance practices in listed companies generally include board oversight, appointment of independent directors, establishment of audit committees and nomination committees, maintenance of internal controls, and preparation of governance compliance reports. These mechanisms are designed to enhance transparency, protect investors, and promote market integrity.

Listed companies in Bangladesh operate under a comparatively stricter regulatory framework than private limited companies due to their public accountability and involvement in the capital market. These companies are primarily regulated by the Companies Act, 1994, the Securities and Exchange Ordinance, 1969, and the Corporate Governance Code 2018 issued by the Bangladesh Securities and Exchange Commission (BSEC). The main objective of these regulations is to ensure transparency, accountability, and protection of investors' interests.

One of the most important governance requirements for listed companies is the establishment of a structured and independent board of directors. The Corporate Governance Code 2018 emphasizes the inclusion of independent directors and non-executive directors to ensure unbiased decision-making. Listed companies are also required to separate the roles of Chairman and Chief Executive Officer (CEO) to prevent excessive concentration of power and to enhance board oversight.

Another key feature of governance in listed companies is the formation of mandatory board committees, particularly the Audit Committee and the Nomination and Remuneration Committee. The Audit Committee plays a vital role in reviewing financial statements, monitoring internal control systems, and ensuring compliance with accounting standards. The Nomination and Remuneration Committee ensures transparency in appointing directors and senior executives and establishes fair compensation policies aligned with company performance.

Transparency and disclosure practices are also central to governance in listed companies. These companies are required to publish annual reports, audited financial

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[43] Basel Committee on Banking Supervision, *Corporate Governance Principles for Banks* (2015) 3.

statements, and quarterly financial reports. They must also disclose material information to shareholders and regulatory authorities in a timely manner. This helps investors make informed decisions and reduces the risk of financial misrepresentation or insider trading.

Despite these regulatory requirements, governance practices in many listed companies in Bangladesh still face several challenges. One of the major issues is concentrated ownership, where a small group of shareholders or family members control a significant portion of shares and decision-making power. This often leads to dominance in board decisions and weak protection of minority shareholders.

In addition, compliance with governance codes is sometimes treated as a formal requirement rather than a substantive practice. Some companies fulfill regulatory requirements on paper but do not fully implement the spirit of good governance in practice. Weak enforcement by regulatory authorities also contributes to inconsistent governance standards across listed firms.

However, there have been positive developments in recent years. Awareness of corporate governance has increased among investors, regulators, and corporate leaders. Many listed companies are now adopting better reporting practices, improving board composition, and strengthening internal control systems. The role of institutional investors and regulatory monitoring has also contributed to gradual improvements in governance quality.

In conclusion, governance practices in listed companies in Bangladesh are shaped by a combination of legal requirements, regulatory oversight, and corporate culture. While significant progress has been made in establishing a formal governance framework, challenges remain in effective implementation, enforcement, and cultural transformation. Strengthening compliance mechanisms and promoting genuine accountability are essential for improving governance standards in listed companies.

Although compliance levels have improved, variations remain among companies regarding the quality of governance implementation. Effective enforcement and continuous monitoring are necessary to ensure meaningful compliance rather than mere formal adherence to regulatory requirements.

4.10 Governance Practices in Banks and Financial Institutions

Corporate governance is particularly important in banks and financial institutions because of their critical role in economic stability and public confidence. Governance failures in the banking sector can have far-reaching consequences for depositors, investors, and the overall financial system.[44]

In Bangladesh, governance practices in banks are regulated by Bangladesh Bank, the Bank Company Act, and various prudential guidelines. Financial institutions are required to maintain robust risk management systems, internal controls, board oversight mechanisms, and compliance frameworks. Independent audit functions and regulatory inspections further strengthen governance arrangements.[45]

Despite these measures, challenges such as loan defaults, political influence, related-party transactions, and weak risk management continue to affect certain financial institutions. Strengthening governance standards within the banking sector remains essential for ensuring financial stability and sustainable economic growth.

4.11 Governance Practices in Family-Owned Businesses

Family-owned businesses constitute a significant portion of the corporate sector in Bangladesh. These enterprises play an important role in economic development, employment generation, and capital formation. However, their governance structures often differ from those of publicly listed corporations.[46]

Family ownership may provide advantages such as long-term commitment, strong leadership, and efficient decision-making. At the same time, it can create governance challenges, including concentration of power, conflicts of interest, lack of transparency, succession disputes, and limited protection of minority shareholders. Family members frequently occupy key management and board positions, reducing opportunities for independent oversight.[47]

Family-owned businesses play a dominant role in the corporate sector of Bangladesh and contribute significantly to economic development, employment generation, and industrial growth. A large number of private companies and even some listed firms are controlled and managed by family groups. While these businesses often benefit

[44] Basel Committee on Banking Supervision, *Corporate Governance Principles for Banks* (2015) 3.

[45] Bank Company Act, 1991 and Bangladesh Bank Governance Guidelines.

[46] M Hossain, *Family Business Governance in Bangladesh* (Dhaka University Press 2021) 41.

[47] OECD, *Corporate Governance of Family-Owned Enterprises* (2017) 18.

from strong leadership, long-term vision, and quick decision-making, they also face unique corporate governance challenges that affect transparency, accountability, and overall performance.

In family-owned enterprises, ownership and management are usually concentrated within the same family or a closely connected group. This structure allows families to maintain strong control over strategic and operational decisions. In many cases, key positions such as Chief Executive Officer, board members, and senior management roles are held by family members. This concentration of control can enhance stability and ensure continuity of leadership across generations.

However, this governance structure also creates several challenges. One of the most significant issues is the lack of separation between ownership and management, which increases the risk of conflicts of interest. Decisions may sometimes prioritize family interests over those of minority shareholders or other stakeholders. This can weaken transparency and reduce trust among external investors.

Another major concern is limited board independence. In many family-owned companies, board members are often selected based on family relationships or personal trust rather than professional qualifications and expertise. As a result, the board may lack independent judgment and effective oversight over management decisions. This can lead to weak internal controls and insufficient accountability.

Succession planning is another critical governance challenge in family businesses. The transfer of leadership from one generation to another is often informal and may result in internal disputes or instability if not properly managed. Without a structured succession plan, businesses may face operational disruptions and declining performance over time.

Despite these challenges, family-owned businesses also have certain strengths in governance. Their long-term orientation allows them to focus on sustainable growth rather than short-term profit maximization. Strong family commitment often leads to dedicated management and a deep sense of responsibility toward the business. These strengths can contribute positively to organizational stability and resilience.

In recent years, there has been growing awareness of the need to improve governance practices in family-owned businesses in Bangladesh. Many such companies are gradually adopting formal governance structures, including independent directors, audit committees, and professional management systems. These reforms help improve transparency, enhance decision-making quality, and attract external investment.

In conclusion, governance practices in family-owned businesses in Bangladesh reflect a mixture of strengths and weaknesses. While family control provides stability and long-term vision, it can also limit transparency and accountability if not properly regulated. Strengthening board independence, implementing formal succession planning, and adopting professional management practices are essential steps to improve governance quality and ensure sustainable growth in family-owned enterprises.

To improve governance standards, family-owned businesses should adopt professional management practices, appoint independent directors, establish formal governance policies, and ensure greater transparency in decision-making processes. Such reforms would contribute to sustainable growth and enhance stakeholder confidence in family-controlled enterprises.

Chapter Five
Comparative Analysis of Corporate Governance

5.1 Corporate Governance in Bangladesh and India

Corporate governance systems in both Bangladesh and India share similarities due to their common legal heritage, colonial legacy, and reliance on Anglo-Saxon company law principles. However, India has developed a comparatively more robust and institutionalized governance framework than Bangladesh.

In India, corporate governance is strongly regulated by the Securities and Exchange Board of India (SEBI), particularly through the SEBI (Listing Obligations and Disclosure Requirements) Regulations. India also enforces strict compliance requirements regarding board independence, audit committees, disclosure standards, and related-party transactions. Additionally, enforcement mechanisms and judicial activism play a significant role in strengthening governance practices.[48]

In contrast, Bangladesh has made progress through the Corporate Governance Code 2018 issued by the Bangladesh Securities and Exchange Commission (BSEC), but enforcement remains relatively weak. Many Bangladeshi companies still face challenges such as concentrated ownership, family control, and limited board independence. While India has advanced toward stronger investor protection and transparency, Bangladesh continues to focus on improving implementation of existing governance frameworks.[49]

5.2 Corporate Governance in Bangladesh and Malaysia

Malaysia has developed a well-structured corporate governance system influenced by international standards and guided by the Malaysian Code on Corporate Governance. The Malaysian system emphasizes board effectiveness, shareholder rights, risk management, and sustainability reporting.

A key strength of Malaysia’s governance framework is its emphasis on institutional investor participation and strong regulatory enforcement by the Securities Commission Malaysia. Malaysian listed companies are required to comply with

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[48] SEBI, *Listing Obligations and Disclosure Requirements (LODR) Regulations* (India, 2015).

[49] Bangladesh Securities and Exchange Commission, *Corporate Governance Code 2018* (Dhaka 2018).

detailed disclosure standards and ESG (Environmental, Social, and Governance) reporting requirements.[50]

In Bangladesh, although similar governance codes exist, implementation is less rigorous. ESG integration is still at an early stage, and many companies do not fully comply with disclosure requirements. Compared to Malaysia, Bangladesh lags behind in institutional investor activism, regulatory enforcement, and sustainability governance practices. However, Bangladesh is gradually adopting reforms aligned with global standards.

5.3 Corporate Governance in Bangladesh and Singapore

Singapore is widely recognized as one of the strongest corporate governance systems in Asia. It operates under a highly transparent, efficient, and strictly enforced regulatory framework led by the Monetary Authority of Singapore (MAS) and Singapore Exchange (SGX).

Singapore's governance model emphasizes high levels of board professionalism, strong minority shareholder protection, strict disclosure requirements, and zero tolerance for corporate misconduct. The country also integrates advanced risk management systems and ESG compliance into corporate governance practices.[51]

In comparison, Bangladesh is still in a developing stage of governance maturity. While regulatory frameworks exist, enforcement is comparatively weaker, and corporate compliance varies significantly across sectors. Issues such as insider control, limited transparency, and weak enforcement mechanisms differentiate Bangladesh from Singapore's highly disciplined governance environment.

5.4 Best International Practices

Best international corporate governance practices are largely guided by the OECD Principles of Corporate Governance, which provide a global benchmark for accountability, transparency, fairness, and responsibility.

Key international best practices include:

- Strong and independent boards of directors

[50] Securities Commission Malaysia, *Malaysian Code on Corporate Governance* (2021).

[51] Monetary Authority of Singapore, *Corporate Governance Regulations and SGX Listing Rules* (2022).

- Separation of CEO and Chairperson roles
- Effective audit, nomination, and risk committees
- High levels of financial transparency and timely disclosure
- Strong protection of minority shareholders
- Effective enforcement and regulatory oversight
- Active institutional investor participation
- Integration of ESG (Environmental, Social, Governance) standards

Countries such as the United Kingdom, United States, Singapore, and Australia have adopted these practices to ensure high levels of corporate accountability and investor confidence. These systems emphasize not only compliance but also ethical leadership and sustainable corporate behavior.[52]

5.5 Lessons for Bangladesh

The comparative analysis highlights several important lessons for strengthening corporate governance in Bangladesh.

First, Bangladesh needs stronger enforcement mechanisms to ensure compliance with existing laws and governance codes. Without effective enforcement, even well-designed regulations remain ineffective.

Second, board independence must be improved by reducing family dominance and promoting professional management structures. Independent directors should be empowered to play a meaningful oversight role.

Third, Bangladesh should enhance transparency and disclosure practices in line with international standards, ensuring timely and accurate financial reporting.

Fourth, institutional investor participation should be encouraged to strengthen market discipline and accountability.

Fifth, integration of ESG principles should be prioritized to align Bangladesh with global corporate sustainability trends.

Finally, regulatory bodies such as the Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank must be strengthened in terms of capacity, autonomy, and monitoring authority to ensure effective governance implementation.

[52] OECD, *G20/OECD Principles of Corporate Governance* (OECD Publishing 2015).

By adopting these lessons, Bangladesh can significantly improve its corporate governance system and enhance investor confidence, economic stability, and long-term sustainable development.

Chapter Six

Findings, Recommendations & Occlusion

6.1 Findings

The study on corporate governance in Bangladesh reveals several important findings regarding the current status, challenges, and effectiveness of the governance framework.

Firstly, Bangladesh has developed a relatively comprehensive legal and regulatory framework for corporate governance, including the Companies Act 1994, Securities laws, and the Corporate Governance Code 2018 issued by the Bangladesh Securities and Exchange Commission (BSEC). However, the effectiveness of these frameworks largely depends on implementation and enforcement.

Secondly, although governance mechanisms such as independent directors, audit committees, and nomination and remuneration committees have been introduced, their practical effectiveness remains limited in many companies due to weak enforcement, lack of expertise, and dominance of controlling shareholders.

Thirdly, corporate ownership in Bangladesh is highly concentrated, with many companies being family-controlled. This often results in weak board independence, limited accountability, and potential conflicts of interest between controlling shareholders and minority investors.

Fourthly, transparency and disclosure practices have improved in recent years, particularly among listed companies, but inconsistencies still exist in the quality, timeliness, and completeness of financial reporting.

Fifthly, regulatory bodies such as the Bangladesh Securities and Exchange Commission (BSEC), Bangladesh Bank, and Financial Reporting Council play a significant role in governance oversight. However, institutional capacity constraints and enforcement limitations reduce their overall effectiveness.

Finally, compared to international standards and regional peers such as India, Malaysia, and Singapore, Bangladesh still lags behind in terms of corporate governance maturity, especially in areas of board professionalism, investor protection, and ESG integration.

6.2 Recommendations

Based on the findings of the study, the following recommendations are proposed to improve corporate governance in Bangladesh:

1. Strengthening Enforcement Mechanisms: Regulatory authorities such as BSEC and Bangladesh Bank should enhance monitoring, inspection, and enforcement activities to ensure strict compliance with governance codes and legal requirements.

2. Enhancing Board Independence: Companies should ensure the appointment of truly independent directors with relevant expertise, and reduce excessive influence of controlling shareholders and family members in board decisions.

3. Improving Transparency and Disclosure: Listed companies should adopt higher standards of financial reporting, ensuring timely, accurate, and comprehensive disclosure in line with international accounting and auditing standards.

4. Capacity Building of Regulators: Regulatory institutions should be strengthened through training, resource allocation, and technological advancement to improve their supervisory capabilities.

5. Strengthening Minority Shareholder Protection: Legal and institutional frameworks should be improved to protect minority shareholders from expropriation and unfair treatment by controlling shareholders.

6. Promoting Ethical Corporate Culture: Companies should adopt strong ethical guidelines, corporate codes of conduct, and internal compliance systems to promote integrity and accountability.

7. Enhancing Role of Institutional Investors: Encouraging participation of institutional investors can improve corporate monitoring and reduce agency conflicts.

8. Adopting ESG Standards: Companies should gradually integrate Environmental, Social, and Governance (ESG) practices to align with global corporate governance trends.

6.3 Conclusion

Corporate governance is a fundamental component of a modern and efficient corporate system. It ensures accountability, transparency, fairness, and responsible management of corporate entities. The study shows that Bangladesh has made significant progress in developing a legal and institutional framework for corporate governance. However, challenges remain in implementation, enforcement, and corporate culture.

Weak board independence, concentrated ownership structures, limited regulatory capacity, and inconsistent disclosure practices continue to hinder the effectiveness of governance systems. Despite these challenges, ongoing reforms by regulatory authorities such as BSEC and Bangladesh Bank indicate a positive direction toward strengthening governance standards.

In conclusion, improving corporate governance in Bangladesh requires coordinated efforts from regulators, corporations, investors, and policymakers. By strengthening enforcement, enhancing transparency, and aligning with international best practices, Bangladesh can build a more accountable, transparent, and sustainable corporate environment that supports long-term economic growth and investor confidence.

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