Abstract

Corporate Governance (CG) is a growing and newer concept in the context of Bangladesh Economy. It is important to know the levels of compliance of the Code of Corporate Governance regarding the Principles and Guidelines in Bangladesh. This paper tries to reveal the existing level of compliance of corporate governance in three sectors i.e., Public Limited Companies (PLCs), Financial Institutions (FIs), and Banks of Bangladesh. This study focused on five specific aspects of corporate governance e.g., ownership and control structure of the company, shareholders’ right and disclosure of information, public disclosure and transparency, effectiveness of the board and performance of various committees. These aspects and sub-categories reveal the basic information regarding the current status of the compliance of the Code of Corporate Governance, SEC notification, Bangladesh Bank circulars. In the case of disclosure and transparency banks and Financial Institutions (FIs) are doing better than the PLCs. The latter should develop and promote the culture of disclosure to public in more effective manners. Chief Executive Officers (CEOs) are expected to carry out the vision of the board, take decisions and report to the boards the status of the organization on a regular basis. Board is expected to evaluate the performance of CEO in order to ensure good practice of corporate governance. In this particular case, FIs and banks are doing better than the PLCs. In case of banks depositors’ directors have significant influence in the decision making process of the board. It is therefore concluded that the spirit of appointing independent and depositors’ directors should be taken seriously and individual with expertise and reputation should be appointed as independent directors. Except audit committee other committees like compensation committee, and nomination committee rarely exists or effectively operates in Bangladesh’s PLCs. In some FIs and banks all the three committees are in existence. Although audit committees were present in all three sectors, their effectiveness is questionable, especially in PLCs.

It can be logically deduce that corporate culture in Bangladesh is still in a growing stage. While legal requirements for good corporate governance have been created, rushing to institutionalize the culture of governance through legal and regulatory requirements or through external pressures may raise problem rather than any good to the culture. Corporate Governance is a journey, not a destination and the Code and notification have provided guidance for beginning that journey for Bangladesh.