

# **Influencing Elements to Execute Corporate Governance in SMEs**

A study with Financial Excellence Limited



Internship Report on

# **Influencing Elements to Execute Corporate Governance in SMEs**

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A study with Financial Excellence Limited

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May 24, 2016

Mr. Showvonick Datta  
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**Subject: Submission of Internship Report of BBA Program**

Dear Sir,

It is my great pleasure to submit the internship report on "Influencing Elements to Implement Corporate Governance in SMEs" which is a part of BBA Program to you for your consideration.

I made sincere efforts to study related materials, documents, observe operations performed in Financial Excellence Limited and survey relevant records for preparation of the report.

Within the time limit, I have tried my best to compile the pertinent information as comprehensively as possible and if you need any further information, I will be glad to assist you.

Thanking you,

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## ACKNOWLEDGEMENT

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At the very beginning I express my deepest gratitude to almighty for giving me the ability and the composure to finish the task. Internship report is an essential part of the BBA program and to complete the process. So, Support from internship supervisor is very essential to complete the task with satisfaction.

On this manner I would like to express my deepest appreciation to my honorable academic supervisor, Mr. Showvonick Datta, Lecturer, Brac Business School, Brac University for permitted and guiding me to prepare the report.

I would like to thank Mr. Rajib Kanti Paul, Executive, Training and Organizational Development, FinExcel and all other personnel who inspired me with their unconditional support during my internship tenure and provided information to make a better report. At the end, I like to thank all those individuals and friends who shared their ideas and provided backing to make my internship experience rememberable.

## EXECUTIVE SUMMARY

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Financial Excellence limited is one of leading training service provider for the financial service sector in Bangladesh. It also provides services regarding advisory, senior recruitment and IT capability building support. As it is considered as an SME with a moderate level of governance system it seemed like an SME should have more structured governance system. According to a report published by the Edinburgh Group, it is estimated that more than 95% of enterprises of the world are SMEs and it is easy to see that how the proper management of the SMEs can boost up the economy for any country. Though the performance of SMEs may have a mixed impact on the economy but this clearly shows that involvement of a huge number of investors who are investing their asset to grow into something bigger. So, it is very important to ensure the right of these shareholders / investors and to protect their investment and interest in the company. Bringing the outsiders in business may seem irrelevant for SMEs but that can help a lot to make neutral decision in the company. But to do that organization must have a proper structured code to implement like one for large corporations or other listed companies which is not available for the SMEs. Due to its importance in coming days, I tried to identify to factors that will influence that code to follow corporate governance in SMEs as per the comparison with FinExcel and provided few possible proposals to make sure that the operation and activity of FinExcel become more stronger.

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# **INTRODUCTION**



## **Introduction**

Despite corporate governance is being highlighted in today's world with new aspect, it has been always a key concern for the companies since mid-20th Century. Every organization has an awareness to ensure the best practices along with improvement of the correspondent facts though there were a lot of limitations to determine what are supposed to be considered as the best practices. Corporate governance covers such a massive areas of issues that include Government regulation, public and private policy makers or management team, stakeholders, shareholders, and other related parties associated with the company. All these factors comes together to protect the interest of the shareholders and determine the future of a particular company and answers all the questions about its financial performance or sustainability of that company. Small and Medium Enterprises (SMEs) are the heart of the economic development for the developing countries like Bangladesh. Because of its influence over the economic condition these organizations deserves to have a set of governance code so that it can be considered as more fruitful. An appropriate governance system can empower an organization to operate more efficiently and make it more accountable for its social and economic impact on the society. It improves company's access to the market while lowering costs and encouraging new investment that leads to business growth and through proper distribution of asset a company can make the best return form that investment to ensure satisfaction of stakeholders of the company. So, corporate governance holds the utmost consideration in today's competitive business world where efficiency is the key to the financial sustainability for any company.

## **Objectives:**

There are certain reasons to work on this paper besides it is one of the most burning issues in business world. As a part of my Internship Program, I was associated with Financial Excellence Limited (FinExcel) and worked with their Accounts & Administration Department. From the very beginning of my internship period I found this topic more relevant to my workplace condition and noticed my keen interest to explore more regarding this. Moreover, this specific topic covers a lot of content and I have decided to focus on few specific areas as follows:

- To comply with the Undergraduate program requirement.
- To identify the core ideas and elements of Corporate Governance.
- To acknowledge what could be considered as the best practices.
- To illustrate how it influence financial sustainability of the company.
- To explain the approach of Financial Excellence Limited to assure a sound practice of corporate governance
- To find what could be suggest improving the practices in FinExcel.

### **Methodology:**

This particular report is mainly based on primary data. As per the requirement of the topic a questionnaire was prepared for the professionals and academicians to identify the core elements that will push to develop certain rules and regulation for the Small and Medium Enterprises (SMEs). There was a support from secondary data resources like journals on corporate governance to understand the depth of the concept.

### **Limitation of the Study:**

This paper was developed on basic level of understanding of corporate governance and how it can influence the operation of SMEs. Because of the time constraint there was 25 participants consisting bank professionals, business analyst, business proprietors, and academicians. The result could be more vibrant if the number of the respondent grows larger. It sets a tremendous scope for the people who wants to on this particular topic.

## **The Organization**

## **Background**

Bangladesh economy has been growing at an average rate of 5% to 6% since the turn of the century. The economy remained largely unaffected by the Global Financial crisis. Bangladesh is expected to grow at a faster pace aspiring to turn into a middle income country. The economic development and the resultant lifestyle changes have created new demand; with increased business volume, along with risks. Thus the financial industry in Bangladesh needs to extend its services beyond the generic ones; expanding the reach across the length and breadth of socio-economic strata, with a variety of value propositions that have largely remained unexplored.

Moreover, these dynamics demand persistent innovation in financial services and instruments and a high level of competency within to meet the demand of individual and institutional customers. In this backdrop, FinExcel made its debut with a competent group individuals and organizations and providing a platform for a wider net of resources with a view to meet the needs of Bangladesh's financial industry. FinExcel aims to be a leading provider of service. Our Financial institutions are now required to support the growing economy with innovative financial transactions attaining competencies that meet the demand of individual and institutional customers. In this backdrop, FinExcel has made its debut well prepared to respond to the needs of the financial industry. FinExcel aims to be a leading provider of Advisory, Advocacy and Organizational learning for financial institutions in Bangladesh in regard to dimensions of business, operational efficiency and quality of services in financial matters, including Microfinance, within both private and public sectors. FinExcel understands the new landscape and offers expertise to create unique business position to make the dreams for the leap forward come true.

## **Vision**

To provide support for building a transformed financial services industry that will be globally competitive, and will have the right mix of professionalism and social passion to contribute towards economic and human development.

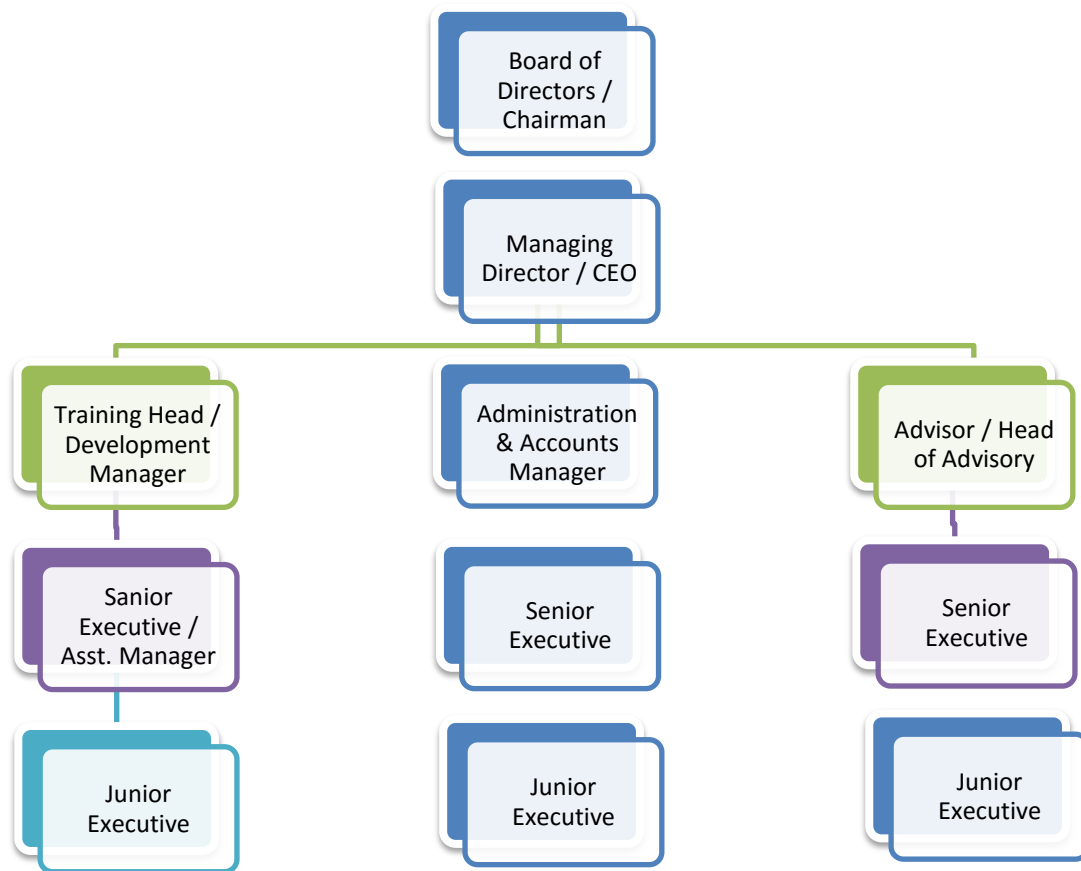
## **Mission**

To create a center of Excellence that will Endeavour to realize our vision. Focusing on Organizational Learning by providing consultancy services to institutions in the areas of financial management, risk management, project management, business process outsourcing, customer services, process re-engineering, strategic partnering and human capital management, Our partnerships with our clients will aim to achieve these positive changes through learning, team work and professional development programs that will enable individuals and organizations to realize their potentials.

## **Aspiring Values of Finexcel:**

- Professionalism
- Financial Integrity
- Confidentiality
- Creativity
- Teamwork
- Trust
- Social Responsibility

## Company Organogram:



**Figure: Approved Organizational Structure**

## Board of Directors

The Board of Directors of the Company is comprised of prominent leaders from the financial sector of Bangladesh who have proven their capability over time. In 2011, FinExcel started its journey under the lead of Late Sahed Noman who was the founding Chairman of the company and acted so till his demise. In present days, the structure of Board of Directors is as follows:



**Figure: FinExcel’s Board of Directors’**

## Services

The core services of FinExcel includes Consultancy/Advisory, Capacity Building and Advocacy related work as it promises its clients to offer positive changes through interactive learning process and mutual partnership for development and realize their potential. To be more specific the list of services provided by FinExcel as follows:

### Training

Training is being considered as one of the dependable sources of continuous learning process while being indifferent to any industry. Financial Excellence Limited provides this opportunity for the financial sector of Bangladesh to enable the organization to reach their potential. They have offered numerous structured, customized and semi-customized training programs till this

date. Some of their flag ship training programs are - Advanced Credit Risk Management, IT Security & IT Audit Management, Structured Finance and Loan Syndication, Retail Banking, Managing Non-Performing Loans, RMG- Risks, Threats & Mitigation, Trade Risk Management, SME Financing, Offshore Banking, Loan Documentation, International Trade and Trade Risk Management in Banks, Corporate Account Management, Capital Market, Environmental and Social Risk Management, Islamic Banking & Finance, Internal Control & Fraud Risk Management, customized training for Dhaka Bank and Eastern Bank Limited and specialized training on Life Insurance, General Insurance, Micro-credit and Capital Market.

#### Advisory:

FinExcel administrates feasibility studies on business projects and plans of several firms, does financial planning and re-structuring of product/ services and organizations and executes brand building for institutions. In this process, FinExcel carries out loan structuring and evaluates a company's assets so that the company may obtain the required working capital to run its business. Throughout its tenure of advisory services, FinExcel has completed the Loan Restructuring program for Mostafa Group of Industries having loan liability of around 1700 Crore with 44 Banks & Financial Institutions. FinExcel also undertook the loan restructuring program of Esack Group of Companies (EGC) with six Banks & Financial Institutions having 352 Crore loan outstanding. Along with these, FinExcel has taken up advisory work for many other companies which are in progress.

#### Advocacy:

As part of its advocacy services, FinExcel organizes seminars and enhances opinion building in the form of conducting Focus Group Discussions for individuals and institutions. Till now, FinExcel has successfully organized Focus Group Discussions on Rising Bad Debts in Commercial Banks, Monetary Policy in Bangladesh, Bangladesh Insurance Industry: Prospects & Challenges, Reflection on Factory Vulnerability and Prospects of Bangladesh Apparel Industry, Managing Non-Performing Loans, Fall in EURO Price: Impact on Bangladesh Export,



Oil Price fall, Commodity Hedging, Bangladesh Capital Market: Challenges Ahead, Retail Banking, Building Human Capital for the Finance Industry and Retail Banking.

#### Senior Recruitment:

As part of its Advisory and Consultancy work FinExcel also carries out head-hunting for the top management of Banks and Non-Banks. FinExcel has been trying to add value for the Bangladesh finance industry (banking, NBFIs and insurance) by providing senior resources in the area of Credit, IT, HR and Transaction Banking starting from EVP to CEO level. FinExcel maintains a strong database of Banking, Non-Banking and Insurance professionals which allows it to recruit the best candidate in an organization by offering the best person-job fit. FinExcel is also in an advantageous position since it has been formed by five reputed institutions in the area of Banking, Insurance, Capital Market, and Microfinance & IT and includes twelve well reputed & experienced bankers of the country as well as accounting and finance professionals.

#### IT Solution Building:

FinExcel also holds the scope to provide IT related solutions to the entire finance industry of the country since one of its shareholders is Data Edge Limited. Data Edge Limited is a leading IT and technology solution provider in Bangladesh, and specializes in the area of Core Banking and Payment Cards including EMV solutions. Till now, Data Edge has installed the BACH, MICR bank cheque transaction and EFT system for the Bangladesh Bank. It has also fitted Machine Readable Passport (MRP) for the Govt. of Bangladesh. FinExcel has also opened up dialogue with PricewaterhouseCoopers (PwC), the world's leading tax, audit and consulting firm to join in any project for centralization, IT delivery platform change and customization.

Apart from this, FinExcel also runs specialized programs for the directors of the board, future directors and CEO's by bringing in experts, new joint venture partners and strategic investors from home and abroad. The company also assists to facilitate related regulatory approval.



**Figure: Services provided by FinExcel**

### SWOT Analysis:

Like every other organization FinExcel has some competitive strength, operational weakness and exposed to several opportunities and threats as well. From my internship experience, these are the notable facts about FinExcel:

STRENGTH	WEAKNESS
<ul style="list-style-type: none"> <li>• Board is Comprised with reputable leaders of financial sector</li> <li>• Well-developed market reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of Empowerment of Management Team</li> <li>• Inefficient operational structure</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Increase in number of financial institution</li> <li>• Rate of adopting new technologies by financial institutions is rising</li> <li>• Financial market still to be penetrated as Insurance Industry is yet to be perform at its best</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing number of Consultancy / Advisory firms</li> <li>• Client Institutions developing their own Training facilities.</li> <li>• Lack of Independent operational diversity</li> </ul>

## **Internship Experience**

## **Nature of the Job**

As a part of requirement for completion of BBA program, I worked as an intern for Financial Excellence Limited (FinExcel) with their Accounts & Administration Department. My job included the responsibility to support the departmental activities so that it runs smoother. Though FinExcel outsources its Accounts activities but part of those activities has to be done by Internal Management Team and that is where I come in. I prepared budget for Training Programs and other supportive documents regarding that and developed few structured model using MS Excel to track real time transaction through cheque and cash which added efficiency to accounting activities. I was associated with the preparation of Board Meeting & Annual General Meeting Minutes and Documentation of several administrative papers. Moreover, I helped with Training & Organizational Development Department to organize Training programs and Focus Group Discussion (FGD).

## **Key Job Responsibilities**

During my job tenure I was involved in diversified activities though I was assigned to Accounts & Administration Department. This very area of the organization comprised of the responsibilities as follows:

- i. Preparing budget for organized the training programs.
- ii. Preparing revenue invoices and other supportive documents regarding those training programs.
- iii. Documenting expenditure vouchers while linking it to the budgeted one.
- iv. Preparing draft for any administrative activities, such as –
  - Board Meeting Minutes
  - Annual General Meeting (AGM) Minutes
  - Forwarding letters for Facilitators, Loan Sanction, Approvals, etc.

- v. Developing structured model to ensure efficient and reliable accounting system.
- vi. Preparing bank reconciliation report
- vii. Review clients and follow-up to collect receivables
- viii. Preparing on demand report to cross check with actual scenario.

### **Observations:**

FinExcel encourages healthy corporate practices though it is not at its best. There is still a huge scope for further organizational development. The number of employees is very low compare to other competitors but they are very friendly and respect each other's opinion and that is how this small group of people manages high work pressure. FinExcel lacks a structured internship program and other employee management policy though it is very important part for a capacity building firm but it happens with many other small organization and is considered as one of the defies to face. There was not any opportunity for direct contribution to generate profit for the company. Though remuneration is considered as one of the highly motivating factor for the employees but the company payment structure is quite poor. This company has potential to start its full time consultancy services rather than outsourcing its activities but still is not attracted that much to this industry. So, the company is in very need to diversify its services for sake of its long term future.

## **Influencing Elements to Execute Corporate Governance in SMEs**

## **Chapter-1: Corporate Governance**

## **What is Corporate Governance?**

Corporate Governance is a set of controls, processes and procedures which defines the interaction between shareholders, The Board and management of a company. It basically defines how a company should be directed in favor of the shareholders while addressing to appropriate accountability and transparency. In the cycle of corporate governance, it is up to shareholders to appoint the members of the Board of Directors to implement an independent mechanism to run the company to keep up the best of their interest. In a nutshell, corporate governance mainly includes the responsibility of board of a company about how it sets the values of the company, which has to be separated from the day to day operational activity of the company by the management.

## **Evolution of Corporate Governance**

Today corporate governance has come in this situation through a lot of colonial influence over the time. The first it was introduced early-eighteenth century through The Public Law Privilege Model by introducing Papal Bull or Royal Charter. It was an initiation for public purpose and to increase the influence of the empire. According to (Farrar, 1999), “Abuse of defunct charters and other excesses led to the UK Bubble Act 1720 which set back the development of the modern corporation for some time.” These helped to upturn international business through royal approval to the companies like East India Company and others. The term ‘Director’ was introduced by Bank of England and Bank of Scotland in late seventeenth century. Though it is International Business topic to understand but it used to be known as an important issue of finance as it was recognized in the famous work of La Porta, Lopez-de-Silanes and Shleifer (1999). But the emergence of modern corporate governance was in late 20<sup>th</sup> century when UK’s Institute of Chartered Secretaries and Administrators was publishing papers regarding this topic and it started to cover the topics regarding the challenges faced by the Board of Directors along with the interaction with the top management and representation of the shareholders and other parties affecting the company (Calder, 2008). As in Asian region Shareholders Capitalism – the wide held share capital and extensive reliance on capital market for finance was increasing and that major crisis in 1997 showed the deficient of corporate governance in Asian region and all over



the world because of corporate scandals like Enron, WorldCom and Tyco (Morck, 2006). The explanation of CG is highly influenced by the legal matters of that specific region and that is one of the reasons that while being introduced from a specific genre its rules and content varies from country to country. But till a few years back CG was only applicable to big corporations because of its importance and contribution to the economic upturn but now there is a new entity in the market who needs to be addressed because of its capability to contribute in economic development in upcoming years and it is the Small and Medium Enterprises (SMEs). So, from a tool to political influence to a guideline for micro level economic factor it had quite a passage in present day.

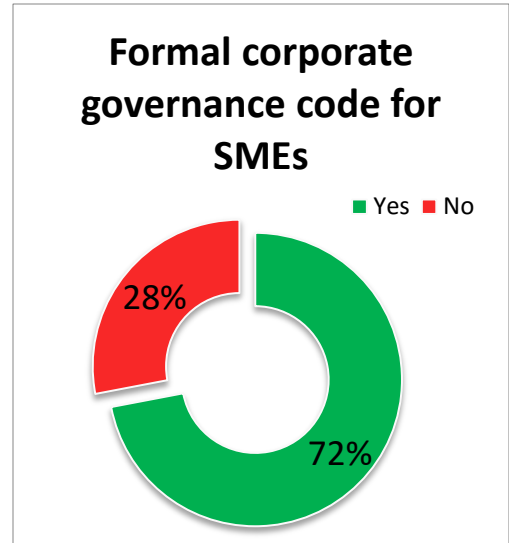
### **Standard of Corporate Governance in Bangladesh**

In present days there are no structured corporate governance policy for Small and Medium Enterprises (SMEs) but for listed companies issued by Securities and Exchange Commission (SEC). It is mandatory for listed companies to comply with that code which will be certified by the independent accounting firm based on their findings.

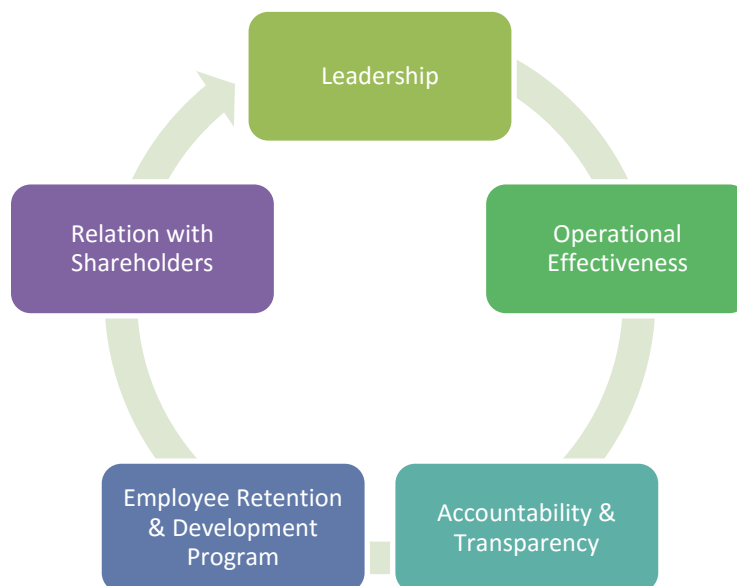
Find the Corporate Governance code for listed companies in Annexure – B.

## **Chapter- 2: Identification of influencing factors to implement Governance in SMEs**

Today corporate governance is a very common term to describe the mechanism of effective procedure to run a listed company but still it is quite unusual term for the Small and Medium Enterprises (SMEs). Nevertheless the situation is changing around the globe and everyone is concerned about the gap in appropriate governance code for SMEs. Because of its powerful influence over the economic condition of the country 72% of the respondent of the study has supported the cause that SMEs should be directed by a Governing Body which will guide the organization throughout its journey. It is a matter concern that there has to be fine line between the responsibility of the management and governing body to differentiate and avoid conflict as SMEs are not as huge as Multinational Companies. This form of organization is dominant because of its specificity and efficiency. So, there are few areas or aspects that have to take into consideration while setting up a formal governance code for Small and Medium Enterprises (SMEs).



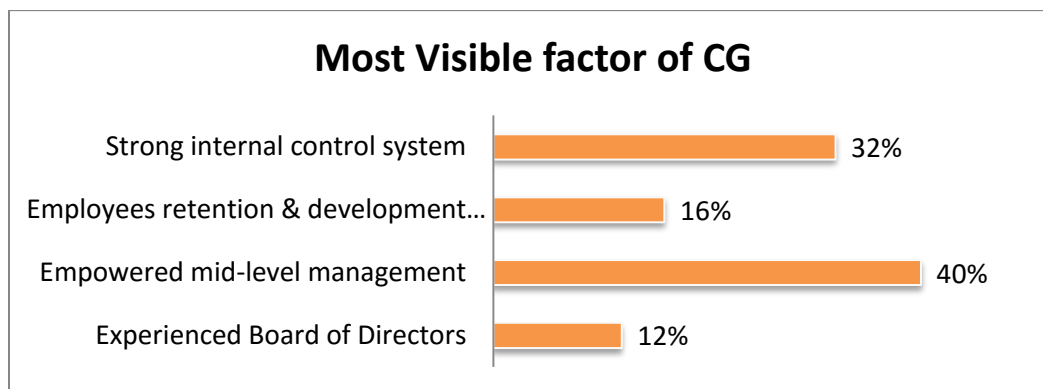
There are five key areas that can play an important role for setting up an effective governance system for SMEs and these factors are as follows:



**Figure: Influencing factors of SME governance**

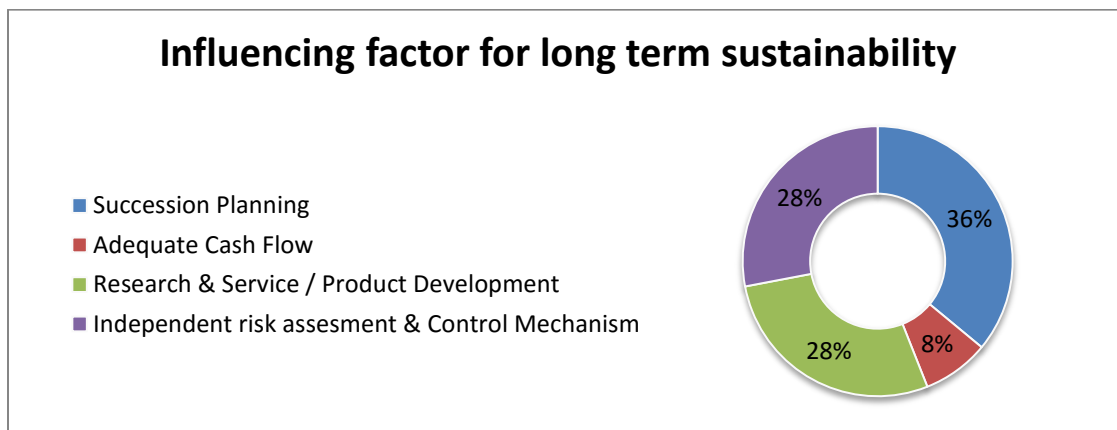
## Leadership

Leadership is a set of interpersonal and practical skills to motivate or lead the parts of the organization or the organization as a whole. This is such a vast area to explore by the different level of the management that ensuring effectiveness becomes a priority. As setting the procedures for governance comes from the higher management of the organization, it is expected that SMEs should have an overseeing body to set the vision for the company. Because a committed governing body will be responsible for setting a mechanism that will ensure that company is running smoothly following an effective procedure and empowering the management team is one of them. In my study, I have found that only 12% participants of my survey find an experienced Board of Directors as the visible factor of governance in their organization while 40% recognizes empowered mid-level management as a visible factor of their organization. It eventually leads to the strong internal control system and employee satisfaction factors respectively 32% and 16%. This clearly shows the fine line between the Board and the Management where Board has no intention to create pressure in decision making process by the management rather than setting the standard and vision for the company.



The scenario of corporate governance maybe always was not the same as now but it is a result of continuous evaluation of the practices and the higher management of the company has to be welcoming about changing trend in business arena. The higher management has to appreciate the skilled human resource as the capital and it can be considered as one of the big challenges to ensure an effective and efficient leadership because of the family influence in SMEs. Most of the SMEs in the world are owned by the families as in Bangladesh and it creates a challenge to overcome the personal attachment to make decision about an overseeing body. It creates a lot of

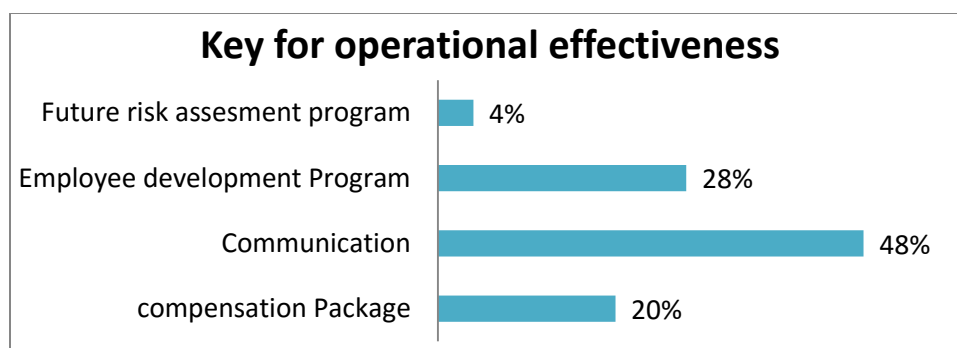
complication about the company leadership due to the conflict of interest. So the higher management has to set up a system that will confirm that company has a prosperous future lies ahead. According to the 36% people of the study succession planning is the obvious task for higher management to secure a vital factor of company's future which will led to research and development of the providing product and services and independent risk assessment and control



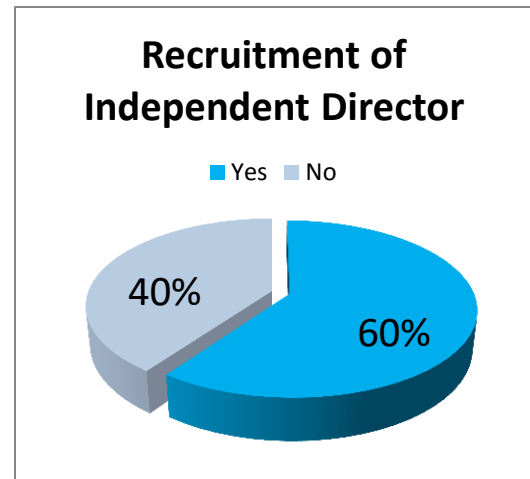
mechanism is a product of this procedure. So, there has to a board or overseeing body for SMEs management to direct them with long term planning or vision rather than to control them.

## Operational Effectiveness

It is not possible for business environment to stay in a static position as it is evolving over the period of time. So, Board/governance body has to ensure the proper balance of skills, experience and control within the organization which can be considered as the effective management in the face of versatile business arena. The importance of operational effectiveness is high because it is associated with the core function of the company.



For smooth and effective operational management, the vital factor is communication. Around 48% people think that an organization can run smoothly if there is proper communication between the parties of corporate governance the Board, Management and the Shareholders. In this case, it is the responsibility of the Board to communicate with the management about the operation of the company. Board can share information and observation about the upcoming decisions that are to be made so that everybody feels that they are working to achieve a common goal. In the organization everyone should be encouraged about sharing their opinion regarding the company management through proper evaluation system monitored by Board of directors specially an independent director. It helps to bring more diversity in overseeing body. But most of the organization does not have an Independent Director in the Board of Director except the large companies. This kind of situation shrinks the perception of the Board in most of the cases especially when a neutral perception is very much required.

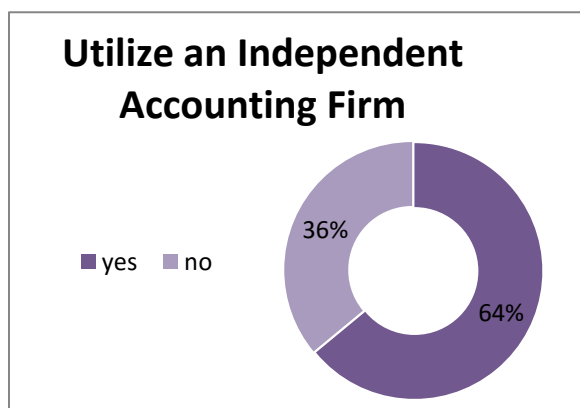


## **Accountability & Transparency**

Accountability and transparency issue includes the valid concern regarding the sensible assessment of the company's current position and its exposure to the internal and external risk factors and understanding to which extent company has a viable and strong internal control system to take action against those uncertainties. The process begins with a proper execution of accounting system. The company prepares its assessment of current position of total assets and liabilities after a period of time which has to be fair and flawless best to the knowledge of the responsible authority and it is up to the Board of Directors to ensure its wide acceptability. The Higher management can employ a full time accounting personnel/team to prepare this for the company but it is suggested by many professionals that company should outsource its activity related to preparing the statements about company's current position and other accounting

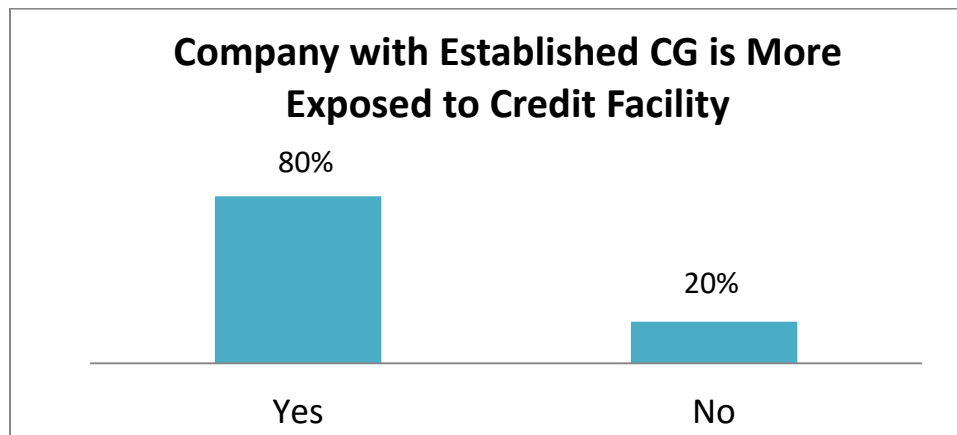
activity. The study on potential participants shows that around 64% of the participants are aware that if company outsources its accounting activity by utilizing an independent accounting firm because it would be a cost effective and a source of most reliable information. Reliable information's are also important for the companies too. According to (ACCA, 2015) "There is also an enhanced risk that poor quality of management information makes it harder to determine whether the SME is drifting towards insolvency than in a large company with specialist management accountants serving the board well...a properly functioning board can be instrumental in ensuring that the SME's management information is of sufficient quality to be a suitable basis for exercising effective oversight"

The Higher management can employ a full time accounting personnel/team to prepare this for the company but it is suggested by many professionals that company should outsource its activity related to preparing the statements about company's current position and other accounting activity. The study on potential participants shows that around 64% of the participants are aware that if company outsources its accounting activity by utilizing an independent accounting firm because it would be a cost effective and a source of most reliable information. On the other hand, people who are on the side of 34% they believe that it can cause the leak of useful and confidential information as SMEs are not that much larger company to hold someone back from sharing it to public. In that case, Company may employ an Audit Committee to deal with such scenarios.



The reason behind having an outsider is to ensure that company has an independent mechanism to ensure transparency in the organization which is very important for SMEs to maintain for future growth. According to the bank professionals SMEs with excellent established governance system is about to get more exposure the credit facility rather than the company that is governing poorly. This particular point was proved again by the professional participants of the study and

80% of them were convinced that a company which ensures more transparency in the organization is exposed more to loan facility than the other organization.

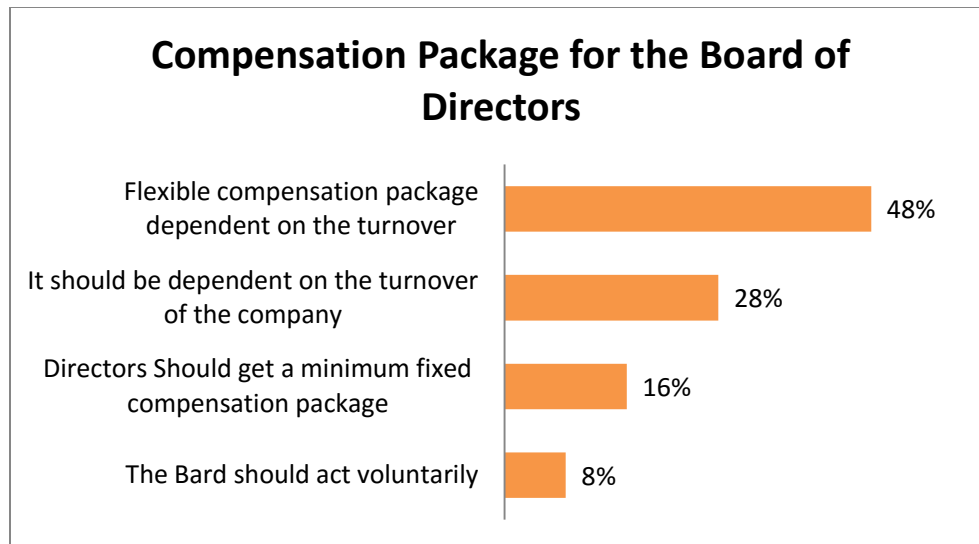


Nevertheless, a strong internal control system is very much required not to assess companies' ability to grow in the future but to avoid the possibility of raising conflict between shareholders or to reduce agency conflict. So, as a responsible authority, the Board of directors or other authorities should improve proper code to maintain a durable risk assessment and control system for SMEs.

### **Employee Retention and Development Program**

This world is influenced by technology beyond imagination, but human resource force is still irreplaceable, and whether it should be possible in the future is up for debate while considering its all ethical and sustainable side. But in today's world, human being is the most influential element to any given scenario. So, a company should design a total package to grab the attention of potential workforce. It starts with a lucrative compensation package design for the directors or governing body which makes it reasonable for the directors to show maximum commitment to obtain the goal for the organization. As it shows that directors will be committed for the betterment of the company, they get an attractive and flexible offer confirmed by the company shareholders or a committee set by shareholders. Because Board members should not set their own remuneration scale as it becomes a questionable procedure.

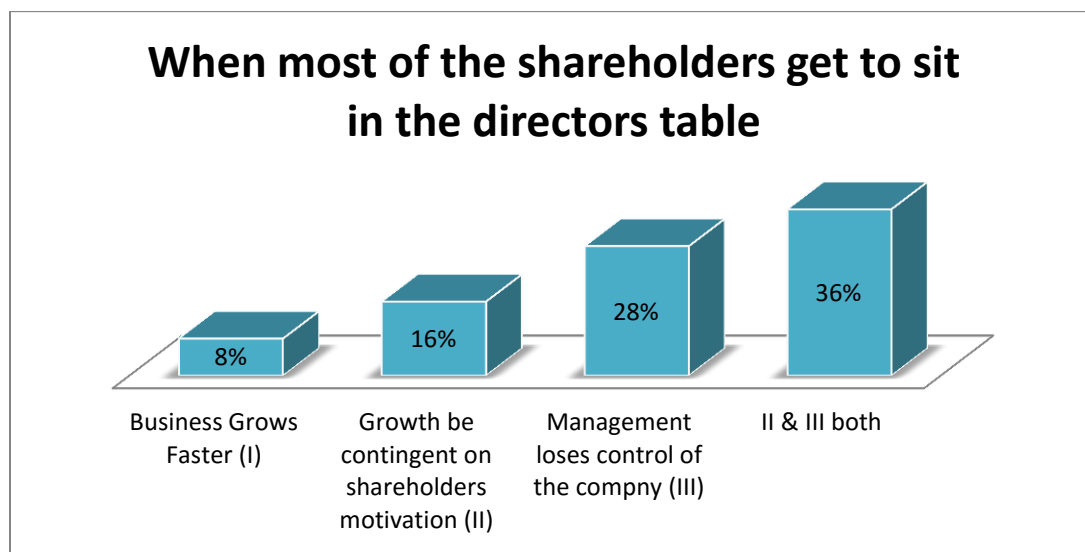




Moreover, for company executives it is up to the board members to allocate an effective amount of remuneration. Because whatever plan is hatched by the governing body it would be executed by the executives and in that level nothing motivates like an extra allowance. But when it comes to motivation, different people are exposed to different kind/level of appreciation. So, the term “Psychological Contract” is used by several organizations to define the level of the commitment of the employees. Few companies have policy to set the remuneration package based on the performance and in that case it is expected that the company have a fair performance appraisal system which encourages employees to feel indifferent about achieving company’s short term and long term goal. When company set various employee development programs in motion it has an impact on the performance level of them. As it was shared by (Bruce N. Pfau, 2015) that “today’s workforce wants more then what they can see in their paychecks, our firm recently launched an initiative aimed at inspiring our already high-morale workforce reach new levels of engagement by reframing and elevating the meaning and purpose of their work”. So every company should have a high standard for reframing the employee retention and different development program while considering their own position.

## Relationship with the Shareholders

As it was described before that communication is the key for reducing agency conflict between shareholders and the board members, so it is likely to happen that board of members should communicate with the shareholders about the future of the organization because directors exist to preserve the best interest of the shareholders. It is very much predictable that relationship of the board with the shareholders is influenced by the composition of the board. But how likely this relationship is influenced by the participation of the shareholders as the Board of Directors of the company? It is a burning question as this governance issue has a lot to deal with family businesses and other this likely organization. So what happens when most of the shareholders sit in the directors table?



The study shows that in most of the cases the growth of the company could be contingent on the shareholders motivation which can decrease the influencing power of the management. But to gain the operational effectiveness it is inevitable to empower the management which has a chance to be restricted by the shareholders. Though shareholders own the company but their executional inadequacy or personal attachment can harm the company's growth for short term or long term and bringing adequate number of outsider also helps to claim the transparency of the operation of the company. So the composition of the board of directors should not be overlooked to ensure the maximum benefit of corporate governance.

## **Chapter- 3: Governance in FinExcel**

Since its inception FinExcel was able to introduce and maintain a practice of governance in different aspect of its operation. Though this organization is a Small and Medium Enterprise (SME) but the shareholders of the company made sure that company has an effective governing body to protect their interest in the company. So here it can be explained that to which extent company operation is influenced by the considered key factors of corporate governance.

### **Leadership & Management**

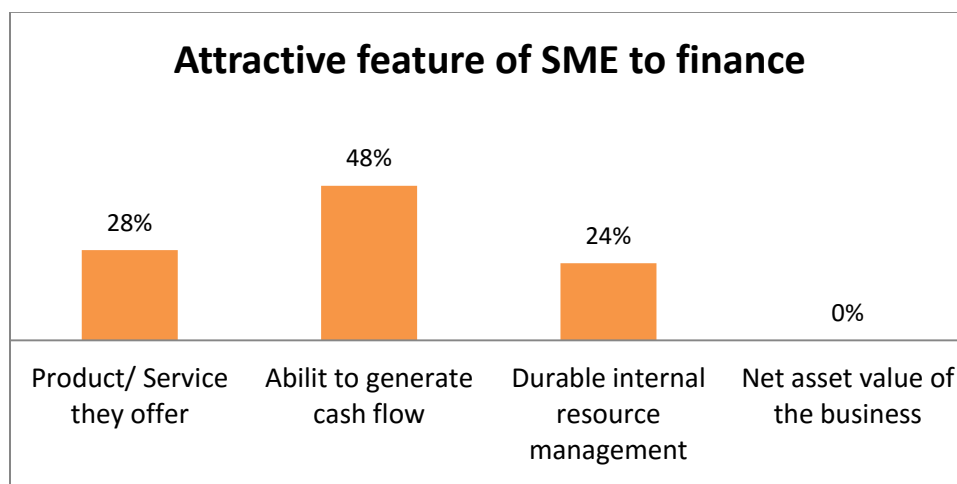
FinExcel management consists of the highly experienced people of the country and it is a competitive advantage for the company to explore in the industry. Now the Board of FinExcel consists of thirteen members including one Independent Director to fast track the business activity. The responsibility is also very specific between the board members and the company executives to execute. The members of the board under the leadership of the Chairman are responsible to make decisions and project future expansion policy for the company and company executives are expected to comply with their decision on a period basis. Shareholders of the company are very satisfied with the current leadership team of FinExcel as within the few years of operation the company was able to make an impression to be considered as one of the highest quality training service providers to the financial sector of Bangladesh. So the leadership and management personnel and their ability to effective operation is the most visible factor in FinExcel.

### **Operational Efficacy**

Financial Excellence Limited (FinExcel) has a highly qualified governing body but its operational efficiency and effectiveness is about to explore yet. Operational Effectiveness depends on the execution of the task and people do the execution. But FinExcel has a very small workforce considering its work pressure and huge potential yet explore in future. Even there is a lack of communication between the board and the company management. As we have seen before, communication is very important to ensure operational efficiency so the board should

take more time to share their observation and decision to connect employees with the vision of the company and discharge their responsibility to the organization.

Moreover financial performance of the FinExcel is satisfactory as it growing strong every year even in 2015 FinExcel's revenue increased by 49%. It makes the procedure lot easier for firm when it requires credit from any financial organization. Because it has an excellent governing body to support Company's stability and the company has the ability to generate cash flow which makes it even more attractive. It is expected that company with the ability to generate cash flow is even more attractive than the services they offer and the worth of their business.

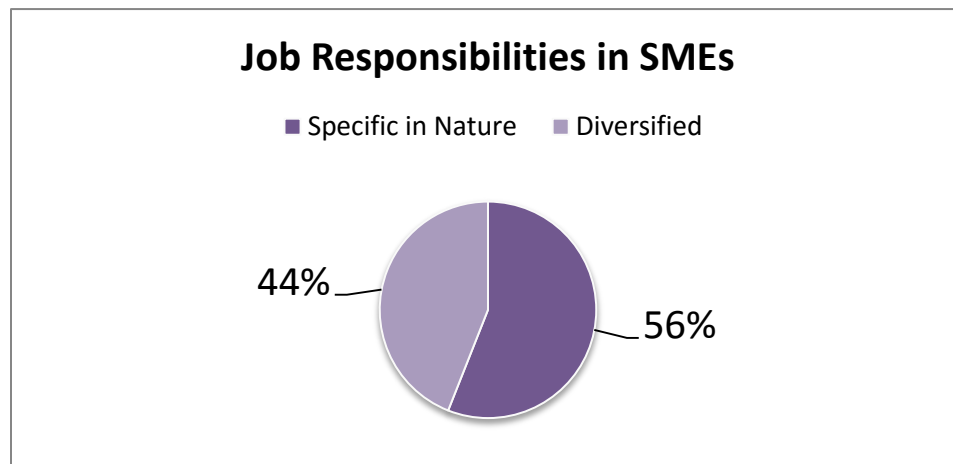


So, it can be said that FinExcel maintains a strong operational effectiveness but it still has a lot of scope to improve.

### **Employee Retention and Development Program**

Employee retention and development program is very important for the companies such as FinExcel. Because they have to work the people a lot and advisory and consultancy services skills has to improve as per the changing business environment. Though FinExcel's workforce is small but it also has an ineffective remuneration package for the board executives and other employees. The Board members performs voluntarily without any kind of compensation package which can be a lead to the existed ineffective communication process. Even the management

team also has an inadequate remuneration package. This can lead employees to a distressful situation.



It has been found that in case SMEs most of the employees find their job responsibilities diversified rather than being specific in nature. It can happen for various reasons and one of those can be the affordability of number of employees in the organization. As it happens in FinExcel that due to lack of employees management team has to perform a diversified jobs which does not help to develop their competitive skills. As a result of poor compensation package and lack of opportunity of personal development it is expected to find a low quality of “psychological contract” among the employees with the organization.

### **Ensuring Transparency in Operation**

Unlike many other organizations FinExcel outsources its accounting divisional activity to an independent accounting firm to ensure more transparency regarding its disclosure to the shareholder of the company. It shows an clear and responsible element of strong governance system within the organization.

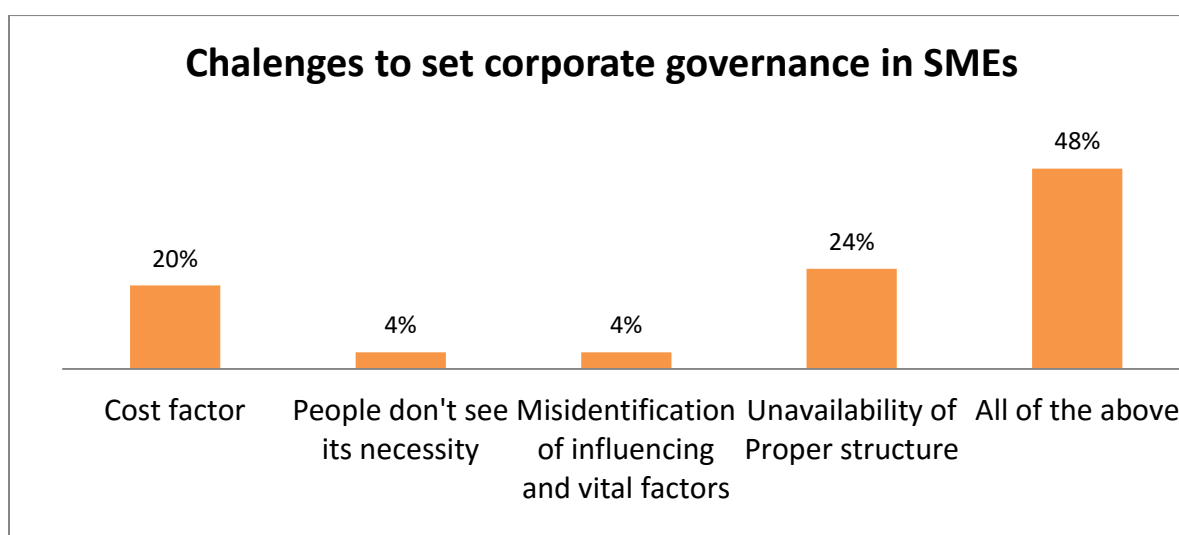
### **Maintenance of Relation with the Shareholders**

It is very unlikely to have any kind of conflict between the shareholders and the board of the directors of the company and the fact is interesting. The fact is most of the shareholders of the

organization are acting as the member of the board of the directors. This probably can explain the reason of volunteer participation in board of directors without any compensation and other situations. As we have seen before that when most of the shareholders of the organization act as the member of the board than they have the authority to influence the growth of business as per their motivation and management loses its power to have any kind of impact. This causes many business firms to lose their potential and abolish with time as there is highly chance that shareholder may bring their personal attachment to run the company.

### Challenges for FinExcel to Improve Governance

It is very optimistic to see an SME to follow the governance code like a large enterprise but still there is lot of things to improve. The very first challenge it has to face is to become cost rational and second one is approving an effective customized governing system for the organization as there is no institutionalized set of corporate governance code for SMEs. These challenges are not necessarily face by FinExcel only but it is more or less faced by the other similar kind of institutions. Though there is lot of things



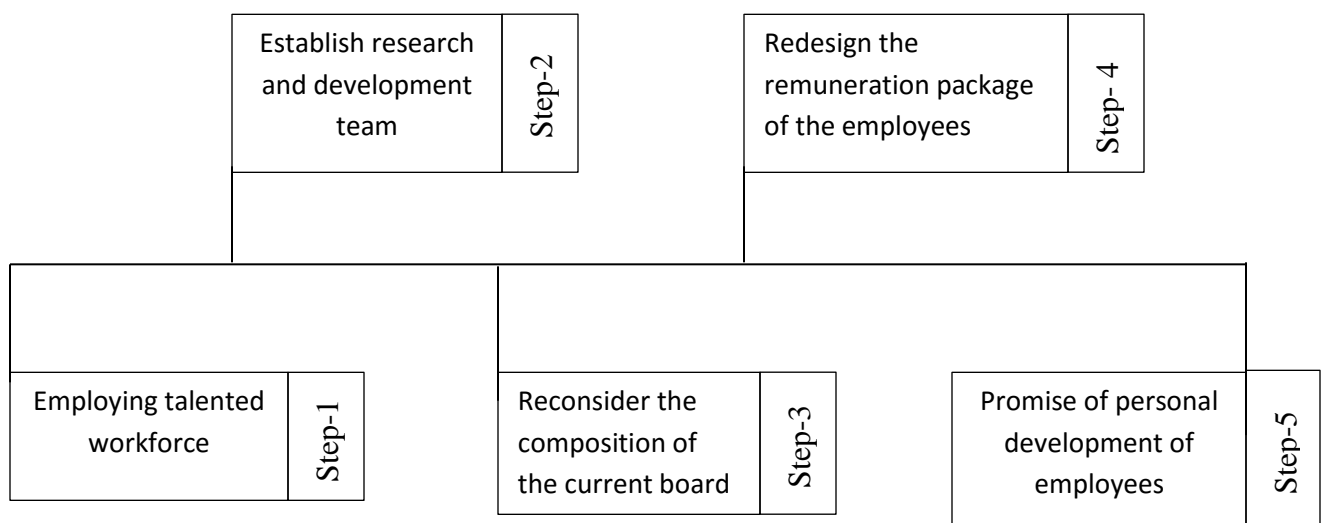
that are considered as the obstacle to implement corporate governance in SMEs but cost factor and unavailability of proper structure is most influential elements.

## Proposals for FinExcel:

Based on my observation and finding of the analysis I would like to propose steps that requires reconsideration and improvement. And these are

- ❖ FinExcel should consider employing more dynamic and talented employees as the first step to renovate the operational strategy.
- ❖ Establishment of a full – time research and business development team to identify new opportunities, risk and to develop strategy to expand business share in the potential market.
- ❖ The company should redesign the compensation package to make the directors and other employees committed to the company for the long term. Though at initial stage it may seem costly but it should be considered as the investment for the period.
- ❖ The size and composition of the board should be reconsidered based on the effectiveness of the current governing body.
- ❖ FinExcel should create an environment for the employees that promise personal development of the employees.

Based on priority to renovate the operation:





## CONCLUSION

SMEs are the powerful contributor to the national economy and it is growing stronger as the culture of entrepreneurship is rising. So, it is expected that such influential companies must have a proper code to exercise to ensure the sustainability of the business. Many potential companies cannot sustain for more than five year period cycle though they have a valid business strategy and in most of the cases the reason is the lack of an appropriate governance code. It is true that it is nearly impossible to have only one structured code that could be considered for every SMEs but the governance code should be in such a way so that family businesses and other form of SMEs can fit into it. The most challenging part to have a code of governance for SMEs can be to encourage business owners to adopt it as there is still a lot lacking in assurance to protect companies confidential matters. So, the whole governance thing can be fruitful by raising awareness and understanding the value of building capacity within the organization.

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## ANNEXURE - A

### Questionnaire

Corporate Governance is a set of controls, processes and procedures which defines the interaction between Shareholders, The Board and Management of a Company.

We would highly appreciate sharing your perception on following issues:

Name of the Organization: .....

- ❖ Which governance factor is most visible in your organization?
  - I. Experienced Board of Directors
  - II. Empowered mid-level management
  - III. Employees retention & development program
  - IV. Strong internal control system
- ❖ Does your organization have an Independent Director?  
☐ Yes      ☐ No
- ❖ Do you find the role of top management of your organization has evolved as per the changing business environment?  
☐ Yes      ☐ No
- ❖ If most of shareholders of the company get to sit in Board how likely it is going to effect the organization?
  - I. Business grows faster
  - II. Growth be contingent on shareholders motivation
  - III. Management loses control of the company
  - IV. II & III
- ❖ Should the compensation package have any influence over the board of directors?
  - I. The Board should act voluntarily
  - II. Directors should get an minimum fixed compensation package
  - III. It should be depended on the turnover of the organization
  - IV. Flexible compensation package dependent on the turnover
- ❖ How would you consider your job responsibilities in your organization?  
☐ Specific in nature      ☐ Diversified
- ❖ What do you consider as the most influencing factors of corporate governance?

- I. Relation with the Shareholders
  - II. Leadership
  - III. Operational Effectiveness
  - IV. Accountability
  - V. Employee Remuneration
- ❖ Are you positive that Small and Medium Enterprises (SMEs) should have a corporate governance code like the listed companies?
- ☐ Yes      ☐ No
- ❖ Do you think that Small and Medium Enterprises with an established governance system is about to get more access to loan?
- ☐ Yes      ☐ No
- ❖ What makes an SME look attractive to bank to finance?
- i. Products/services they offer
  - ii. Ability to generate cash flow
  - iii. Durable internal resource management
  - iv. Net asset value of the business
- ❖ How likely SMEs are encouraged by banks to obtain an adequate governance system?
- I. Not so frequently
  - II. When it is required (depending on loan amount)
  - III. When clients ask about it
  - IV. Always
- ❖ What can be considered as operational effectiveness ensuring factor?
- I. Compensation package
  - II. Communication
  - III. Employee development program
  - IV. Future risk assessment program
- ❖ What is the challenging part to introduce professional governance in SMEs?
- I. Cost factor
  - II. People don't see its necessity
  - III. Misidentification of influencing and vital factors
  - IV. Unavailability of appropriate structure
  - V. All of the above

- ❖ To identify and decrease the risk at minimum level and to set up a formal responsibility mechanism, Should SMEs utilize an independent accounting firm?  
☐ Yes      ☐ No
  
- ❖ Which one is inevitable for companies' long term sustainability?
  - I. Succession planning
  - II. Adequate cash flow
  - III. Research & service/product development
  - IV. Independent risk assessment & control mechanism
  
- ❖ How you would rate the current established governance system in your organization?  
 (Please put a circle)
 

1	2	3	4	5	[1 = Poor; 5 = Excellent]
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**\*\*THANK YOU\*\***

## **ANNEXURE – B**

### **NOTIFICATION**

07 August 2012

No. SEC/CMRRCD/2006-158/134/Admin/44: Whereas, the Securities and Exchange Commission (herein after referred to as the “Commission”) deems it fit that the consent already accorded by the Commission, or deemed to have been accorded by it, or to be accorded by it in future, to the issue of capital by the companies listed with any stock exchange in Bangladesh, shall be subject to certain further conditions, on 'comply' basis, in order to enhance corporate governance in the interest of investors and the capital market;

Now, therefore, in exercise of the power conferred by section 2CC of the Securities and Exchange Ordinance, 1969 (XVII of 1969), the Commission hereby supersedes its earlier Notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated 20th February, 2006 and imposes the following further conditions to the consent already accorded by it, or deemed to have been accorded by it, or to be accorded by it in future, to the issue of capital by the companies listed with any stock exchange in Bangladesh:

Provided, however, that these conditions are imposed on 'comply' basis. The companies listed with any stock exchange in Bangladesh shall comply with these conditions in accordance with the condition No. 7.

The Conditions:

#### **1. BOARD OF DIRECTORS:**

##### **1.1 Board's Size**

The number of the board members of the company shall not be less than 5 (five) and more than 20 (twenty):

Provided, however, that in case of banks and non-bank financial institutions, insurance companies and statutory bodies for which separate primary regulators like Bangladesh Bank, Insurance Development and Regulatory Authority, etc. exist, the Boards of those companies shall be constituted as may be prescribed by such primary regulators in so far as those prescriptions are not inconsistent with the aforesaid condition.

## 1.2 Independent Directors

All companies shall encourage effective representation of independent directors on their Board of Directors so that the Board, as a group, includes core competencies considered relevant in the context of each company. For this purpose, the companies shall comply with the following:-

(i) At least one fifth (1/5) of the total number of directors in the company's board shall be independent directors.

(ii) For the purpose of this clause "independent director" means a director)

- a) Who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company;
- b) Who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company: Provided that spouse, son, daughter, father, mother, brother, sister, son-in-law and daughter-in-law shall be considered as family members
- c) who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies;
- d) who is not a member, director or officer of any stock exchange;
- e) who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market;
- f) who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm;
- g) who shall not be an independent director in more than 3 (three) listed companies;
- h) who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI);
  - i) who has not been convicted for a criminal offence involving moral turpitude.
  - ii) the independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM).
  - iii) the post of independent director(s) cannot remain vacant for more than 90 (ninety) days.

- iv) the Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.
- v) the tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only.

### **1.3 Qualification of Independent Director (ID)**

- (i) Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.
- (ii) The person should be a Business Leader/Corporate Leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, and Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management/professional experiences.
- (iii) In special cases the above qualifications may be relaxed subject to prior approval of the Commission.

### **1.4 Chairman of the Board and Chief Executive Officer**

The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals. The Chairman of the company shall be elected from among the directors of the company. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.

### **1.5 The Directors' Report to Shareholders**

The directors of the companies shall include the following additional statements in the Directors' Report prepared under section 184 of the Companies Act, 1994 (Act No. XVIII of 1994):-

- (i) Industry outlook and possible future developments in the industry.
- (ii) Segment-wise or product-wise performance.
- (iii) Risks and concerns.
- (iv) A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.
- (v) Discussion on continuity of any Extra-Ordinary gain or loss.
- (vi) Basis for related party transactions- a statement of all related party transactions



- should be disclosed in the annual report.
- (vii) Utilization of proceeds from public issues, rights issues and/or through any others instruments.
  - (viii) An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.
  - (ix) If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.
  - (x) Remuneration to directors including independent directors.
  - (xi) The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
  - (xii) Proper books of account of the issuer company have been maintained.
  - (xiii) Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
  - (xiv) International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.
  - (xv) The system of internal control is sound in design and has been effectively implemented and monitored.
  - (xvi) There are no significant doubts upon the issuer company's ability to continue as a

going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.

(xvii) Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.

(xviii) Key operating and financial data of at least preceding 5 (five) years shall be summarized.

(xix) If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.

(xx) The number of Board meetings held during the year and attendance by each director shall be disclosed.

(xxi) The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:-

- a) Parent/Subsidiary/Associated Companies and other related parties (name wise details);
- b) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);
- c) Executives;
- d) Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).

Explanation: For the purpose of this clause, the expression "executive" means top 5 (five) salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit.

(xxii) In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders:-

- a) a brief resume of the director;
- b) nature of his/her expertise in specific functional areas;

- c) names of companies in which the person also holds the directorship and the membership of committees of the board.

## **CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS):**

### **2.1 Appointment**

The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.

### **2.2 Requirement to attend the Board Meetings**

The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors, provided that the CFO and/or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters.

## **3. AUDIT COMMITTEE:**

- (i) The company shall have an Audit Committee as a sub-committee of the Board of Directors.
- (ii) The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.
- (iii) The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.

### **3.1 Constitution of the Audit Committee**

- (i) The Audit Committee shall be composed of at least 3 (three) members.
- (ii) The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director.
- (iii) All members of the audit committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management experience.

Explanation: The term “financially literate” means the ability to read and understand the financial statements like Balance Sheet, Income Statement and Cash Flow Statement and a person will be considered to have accounting or related financial management expertise if (s)he possesses professional qualification or Accounting/ Finance graduate with at least 12 (twelve) years of corporate management/professional experiences.

- (iv) When the term of service of the Committee members expires or there is any circumstance causing any Committee member to be unable to hold office until expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board of Directors shall appoint the new Committee member(s) to fill up the vacancy(ies) immediately or not later than 1 (one) month from the date of vacancy(ies) in the Committee to ensure continuity of the performance of work of the Audit Committee.
- (v) The company secretary shall act as the secretary of the Committee.
- (vi) The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.

### **3.2 Chairman of the Audit Committee**

- (i) The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.
- (ii) Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).

### **3.3 Role of Audit Committee**

Role of audit committee shall include the following:-

- (i) Oversee the financial reporting process.
- (ii) Monitor choice of accounting policies and principles.
- (iii) Monitor Internal Control Risk management process.
- (iv) Oversee hiring and performance of external auditors.

- (v) Review along with the management, the annual financial statements before submission to the board for approval.
- (vi) Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.
- (vii) Review the adequacy of internal audit function.
- (viii) Review statement of significant related party transactions submitted by the management.
- (ix) Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.
- (x) When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus.

### **3.4 Reporting of the Audit Committee**

#### **3.4.1 Reporting to the Board of Directors**

- (i) The Audit Committee shall report on its activities to the Board of Directors.
- (ii) The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-
  - a) report on conflicts of interests;
  - b) suspected or presumed fraud or irregularity or material defect in the internal control system;
  - c) suspected infringement of laws, including securities related laws, rules and regulations;
  - d) any other matter which shall be disclosed to the Board of Directors immediately.

### **3.4.2 Reporting to the Authorities**

If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board of Directors for

three times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.

### **3.5 Reporting to the Shareholders and General Investors**

Report on activities carried out by the Audit Committee, including any report made to the

Board of Directors under condition 3.4.1 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.

## **4. EXTERNAL/STATUTORY AUDITORS:**

The issuer company should not engage its external/statutory auditors to perform the following services of the company; namely:-

- (i) Appraisal or valuation services or fairness opinions.
- (ii) Financial information systems design and implementation.
- (iii) Book-keeping or other services related to the accounting records or financial statements.
- (iv) Broker-dealer services.
- (v) Actuarial services.
- (vi) Internal audit services.
- (vii) Any other service that the Audit Committee determines.
- (viii) No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.

## **5. SUBSIDIARY COMPANY:**

- (i) Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.
- (ii) At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.
- (iii) The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.
- (iv) The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.
- (v) The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.

## **6. DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO):**

The CEO and CFO shall certify to the Board that:-

- (i) They have reviewed financial statements for the year and that to the best of their knowledge and belief:
  - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.

## **7. REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE:**

- (i) The company shall obtain a certificate from a practicing Professional Accountant/ Secretary (Chartered Accountant/ Cost and Management Accountant/Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.

Explanation: Chartered Accountant means Chartered Accountant as defined in the Chartered Accountants Act, 1949 (Act No. XXXVIII of 1949); Cost and Management Accountant means Cost and Management Accountant as defined in the Cost and Management Accountants Ordinance, 1977 (Ordinance No. LIII of 1977); Chartered Secretary means Chartered Secretary as defined in the PvU©vW© †m‡µUvixR AvBb, 2010 (2010 m‡bi 25 bs AvBb).

- (ii) The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.