

**CORPORATE GOVERNANCE PRACTICES IN  
MOBILE TELECOMMUNICATION OPERATING COMPANIES OF  
BANGLADESH**

**Yesmin Sultana**

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MOBILE TELECOMMUNICATION OPERATING COMPANIES OF  
BANGLADESH**

**Submitted by:**

**Yesmin Sultana**

Institute of Business Administration  
University of Dhaka

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**Doctor of Philosophy (PhD)**

**Supervised by:**

**Dr. Md. Mohiuddin**

Professor

Institute of Business Administration  
University of Dhaka

**Institute of Business Administration  
University of Dhaka  
Dhaka, Bangladesh**

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## **DECLARATION**

I hereby declare that this study is my work, presented to the Institute of Business Administration, the University of Dhaka towards the fulfillment of the requirements for the degree Doctor of Philosophy (PhD) and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for any kind of award or any other degree of any University, except where due acknowledgement has been made in the text.

**Yesmin Sultana (16/2018-19)**

Supervisor:

This thesis has been submitted for examination with our approval as university supervisor.

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**Dr. Md. Mohiuddin**

Professor

Institute of Business Administration

University of Dhaka

## **DEDICATION**

This work is dedicated to:

My loving daughter Pariza Raya Hossain who means the world to me!

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## LIST OF ABBREVIATIONS

AGM	Annual General Meeting
BAS	Bangladesh Accounting Standards
BFRS	Bangladesh Financial Reporting Standards
BOI	Board of Investment
BSEC	Bangladesh Securities and Exchange Commission
BTA	Bangladesh Telecommunication Act
BTRC	Bangladesh Telecommunication Regulatory Commission
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGC	Corporate Governance Code
CS	Company Secretary
FDI	Foreign Direct Investment
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GMI	Governance Metric International
GSM	Global System for Mobile Communication
HIAC	Head of Internal Audit and Compliance
IAS	International Accounting Standard
ICAB	Institute of Chartered Accountants of Bangladesh
ICB	Investment Corporation of Bangladesh
ID	Independent Director
IFRS	International Financial Reporting Standards
ILDTS	International Long-Distance Telecommunication Service
ITU	International Telecommunication Union
KCGI	Key Corporate Governance Index
LTE	Long-Term Evolution
MD	Managing Director
NBR	National Board of Revenue
NTP	National Telecom Policy
NTTN	Nationwide Telecom Transmission Network
OECD	Organization for Economic Co-operation and Development
PPP	Public-Private Partnership
RJSC	Registrar of Joint Stock Companies
SOE	State-Owned Enterprises
VAS	Value-Added Services
VOIPS	Voice Over Internet Protocol Services

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## **ABSTRACT**

The past collapse of rather well functioning organizations such as Enron and WorldCom caused by the selfish act of fulfilling their own interest over the stakeholders has resulted in the much-needed attention on corporate governance best practices. The importance of good governance practices is ever more crucial because the world economy is interconnected with one another and the capitalistic structure of the market is putting more focus on profit maximization. Overemphasis on the profit motive can lead to ignoring the stakeholder side of the business. The stakeholders are the business participants whose best interest is essential to endure the future sustainability of any business. Short-term profit motive can lead to the ignorance of the importance of stakeholders which can be avoided by corporate governance best practices. In the given circumstance, this thesis focuses on analyzing the contemporary corporate governance practices in the mobile telecommunication industry of Bangladesh.

In achieving the broad objective of this research, the current thesis aims to identify the state of current practices and highlight unique features of existing corporate governance practices in the mobile telecommunication sector of Bangladesh, present the perception on corporate governance practices held by different stakeholders, identify the difference in perceptions held by different stakeholders about the different aspects of corporate governance practices in the mobile telecommunication sector, address the major hindrances/barriers in practicing good corporate governance, and finally, suggest possible ways of strengthening corporate governance practices in the mobile telecommunication sector in Bangladesh.

The study has applied a mixed method approach of combining qualitative and quantitative techniques to collect and analyze the data. The data has been collected in two phases; this multiphase process utilized questionnaire surveys and semi-structured as well as unstructured interviews for data collection. Later, corporate governance index has been constructed with data collected through two different sets of questionnaire surveys; this has been complemented with hypothesis testing of the collected data. Finally, these quantitative data have been complemented with qualitative data analysis of multiple interview accounts.



The study finds out that internal and external stakeholders agree on the somewhat satisfactory level of corporate governance performance in the mobile telecommunication industry of Bangladesh. However, when the facts collected through questionnaires has been analyzed, the situation changes to a great extent. One unique feature that is evident from this analysis is that publicly listed company always performs exemplary across the board while the lone state-owned company always remains at the bottom of the pack under all circumstances. In further analysis, with respect to hypothesis test, it has been found that the perception held by different stakeholders about the effectiveness of independent directors, management, and audit committee is significantly higher than that of overall corporate governance; on the other hand, the perception held by different stakeholders about the effectiveness of board of directors, reporting and disclosure, and ownership is significantly lower than that of overall corporate governance. The qualitative analysis highlights major areas of challenges such as governance deficiencies, lack of board training, lack of independence of subcommittees, flawed regulatory oversight and inadequate cyber security. Primarily, the regulatory authority is not being able to effectively implement policies which is constricting market competition and raising conflict between the companies and the regulators. The challenges discovered while conducting the qualitative analysis has led to the identification of some possible recommendations that can alleviate some of the governance issues faced by the mobile telecommunications industry of Bangladesh. The primary way of cultivating corporate governance best practices is through initiating stakeholder engagement with the company's decision-making process. More importantly, immediate attention should be given to devise defensive strategies against cyber-security attacks. Finally, the regulatory authority must earn the industry's trust in order to maintain a cohesive corporate governance environment in the industry. In order to represent the relationships mentioned so far, a conceptual model has been devised by extensive analysis of theoretical frameworks.

The findings of this study can assist macro-level government authorities to strengthen their poor oversight over the industry and encourage a push towards a competitive marketplace. Moreover, the academic field can replicate this research so that the authors can justify the relevance and applicability of the findings at a macro-level, in other industries. This thesis makes a notable contribution in a multidisciplinary field of corporate governance, regulatory oversight, and stakeholder participation by extending the literary scope in developing economies.

## CHAPTER 01: INTRODUCTION

### 1.1 Introduction

Corporations make profit by either providing service or selling goods. The existence of their business model depends on the utility maximization of the stakeholders who are related to the business (Brad L. Rawlins, 2006). The present day business scenario is quite the contrary to the initial business norms where only profit maximization was given the most priority (Rashid, 2009). Nowadays, the stakeholders are the most important part of the business as profit motive alone is not a sustainable goal anymore. The present world requires business to operate across different regions. The binding of a standard set of guidelines that provides a framework for the business operations allows the companies to respect the norms of the region they are operating in while providing their services. The shareholders have been the key area of interest during the growth phase of corporate governance best practices as their investment decisions plays a critical role in sustaining business growth and expansion across different regions (Oliver, 1995). Corporate governance guideline provides the foundation of establishing a win-win situation for the business and the stakeholders who are affiliated with the company. It is to note that as we have stepped into the modern era of corporate governance best practices, organizations needs to be aware of the requirements of the community, necessitating the involvement of stakeholders in playing the prominent role in dictating governance policies that guide the companies' growth (Scherer and Voegtlin, 2020).

Globalization has led to an interdependent world where more than one region is affiliated with producing certain goods. For the investors to be able to invest in these companies, corporate governance guidelines provide a framework so that a certain degree of transparency and accountability can be sustained by the organizations who implement them. The four P's of good governance practices: people, purpose, process and performance uphold the core ideology of these frameworks (Kiradoo, 2016). The stakeholders of the business are given the highest degree of prominence as per the ideology of four P's. The 'purpose' of developing corporate governance

framework is to effectively implement the ‘process’ of establishing good governance practices so that the ‘people’ who are the stakeholders can be protected. The organizations that can effectively implement the guidelines are blessed with improvements in financial ‘performance’ as they are able to sustain the investment funds to aid business growth (Kiradoo, 2016). The core principles set the notion of corporate governance framework in motion so that good governance practices can be implemented by the companies.

Businesses had to learn from past mistakes: Enron and WorldCom are examples where the selfish acts of the top managements bankrupted rather sound organizations (Cadbury, 2000). The bitter experience from the past has taught us the importance of the implementation of a well-functioning corporate governance framework in order to protect the interest of the stakeholders of the business. Faith was restored on the companies who were able to successfully adopt these frameworks in their business functions. The investors were assured by these good governance guidelines that their best interests will be met.

When the companies commit to their existence in the long run, they can ideally secure the required funds in the global stage. The good governance frameworks they implement are statements of their commitment towards addressing the social and economic roles that the organizations need to accommodate. Even though globalization has made the world interdependent, the norms that are followed all the over the world are not the same. There is at least one framework that addresses a particular region in terms of the social practices that are followed there. As a result, the guidelines can accommodate all sorts of ways of practices while maintaining the core philosophy. The top management is less likely to fulfill their selfish agenda when a company follows good governance practices ensuring the long-run growth of the business. Thus, stakeholders can participate in businesses knowing that their best interests are ensured.

The mobile telecommunication industry is dominated by a few influential players which means that the market is not very competitive. The companies should in practice be able to collude in order to get away with poor governance practices. However, it is observed from the study that due to foreign stakes in these companies, few of the firms adhere to strict good governance practices. The stark difference in corporate governance practices is noticeable when the sole local company is compared against the publicly listed multinational company. Furthermore, there are many challenges that are unique to Bangladesh which cannot be observed in other countries at the same time: corruption, political instability, poor bureaucratic practices, and high levels of relative taxation are some of those challenges. The study might help us to understand the interaction of corporate governance policies in Bangladesh.

## **1.2 Rationale of the Study**

Bangladesh is ranked 5<sup>th</sup> in terms of the market size when considering the Asia Pacific region and 8<sup>th</sup> globally in terms of the number of unique mobile subscribers (Rashid, 2019). The mobile telecommunication industry in Bangladesh contributes about 1.8% of the country's total GDP through providing two essential services which are voice calls and internet (Rasul, 2016). The mobile telecommunication industry is facing a surge in demand as there is increasing dependency on smartphones as time progresses; the industry has contributed towards 30% of direct job opportunities in this country (Parbat, 2019).

The existence of huge start-up cost associated with entering the telecommunication industry means that only a few dominant players dominate the entire market (Cai and Tylecote, 2008). The same applies for Bangladesh where the mobile telecommunications market is dominated by only four players: Grameenphone, Banglalink, Robi Axiata and finally the state owned firm Teletalk. Ideally, when there is a barrier to entry in the market, the act of collusion becomes easier. The companies should in practice get away with the bare minimum of transparency and disclosure measures as their

service provides crucial infrastructure service for the country. The market structure of the mobile telecommunication industry in Bangladesh provides an interesting opportunity to study the oligopolistic nature of the industry. Furthermore, the mobile telecommunication industry in Bangladesh is mostly saturated by multinational organizations which allows us to analyze the corporate governance practices in these organizations in contrast to the sole local firm.

Bangladesh provides a rather unique place to study the corporate governance practices that are observed by the mobile telecommunication industry. The country is the ideal candidate due to the recent growth projections that are being observed and high rate of smartphone adoption. However, there do exist some unique challenges that the other counterparts in this region do not face such as corruption, political instability, and relatively high levels of taxation on a technology related industry. The scenario in Bangladesh allows us to study the mobile telecommunication industry from a unique perspective that is not possible in other regions of the world.

### **1.3 Research Objectives and Hypotheses**

The primary objective for this study is to analyze the contemporary corporate governance practices in the mobile telecommunication industry of Bangladesh.

The specific objectives for this research are given as follows:

- i. To state the current practices and highlight unique features of existing Corporate Governance practices in the mobile telecommunication sector of Bangladesh.
- ii. To present the perception on Corporate Governance practices held by different stakeholders.
- iii. To identify the difference in perceptions held by different stakeholders about the different aspects of Corporate Governance practices in the mobile telecommunication industry.
- iv. To address the major hindrances/barriers in practicing good Corporate Governance.
- v. To suggest possible ways of strengthening Corporate Governance practices in the mobile telecommunication industry of Bangladesh.

In order to properly fulfill the specific objectives of the study, the researcher has formulated a number of hypotheses to measure the difference in the perception held by the stakeholders about the effectiveness of individual areas of corporate governance and that of overall corporate governance practices. The formulated hypotheses are:

- *H<sub>1</sub>: There is a significant difference among the perception held by different stakeholders about the effectiveness of board of directors in overall corporate governance practices in the mobile telecommunication companies*
- *H<sub>2</sub>: There is a significant difference among the perception held by different stakeholders about the effectiveness of independent directors in overall corporate governance practices in the mobile telecommunication companies*
- *H<sub>3</sub>: There is a significant difference among the perception held by different stakeholders about the effectiveness of management in overall corporate governance practices in the mobile telecommunication companies*
- *H<sub>4</sub>: There is a significant difference among the perception held by different stakeholders about the effectiveness of audit committee in overall corporate governance practices in the mobile telecommunication companies*
- *H<sub>5</sub>: There is a significant difference among the perception held by different stakeholders about the effectiveness of nomination committee in overall corporate governance practices in the mobile telecommunication companies*
- *H<sub>6</sub>: There is a significant difference among the perception held by different stakeholders about the effectiveness of external audit in overall corporate governance practices in the mobile telecommunication companies*

- *H<sub>7</sub>: There is a significant difference among the perception held by different stakeholders about the effectiveness of reporting and disclosure in overall corporate governance practices in the mobile telecommunication companies*
- *H<sub>8</sub>: There is a significant difference among the perception held by different stakeholders about the effectiveness of ownership in overall corporate governance practices in the mobile telecommunication companies*

## **1.4 Research Methodology**

In order to meet the primary and specific objectives of the research, a triangulation approach has been implemented in this study. There are numerous benefits of using this approach. Firstly, mixed-method approach enables to obtain deeper insights of the study as here, both quantitative and qualitative data are compared in the same platform which helps to understand the contradictions between the results and findings. In addition, as more than one approach is used in this study, one can cover up for another approach's drawbacks which leads to more reliable and valid data collection. Moreover, the possibility of having biased result in this approach is less because different techniques are implemented to check whether the conclusion is similar or not. Mixtures of two or more methods help to acquire a more comprehensive result in findings. For this research, both structured and semi-structured questionnaire surveys were provided to the participants to collect qualitative and quantitative information about the mobile telecommunication industry. Such usage aids in gathering information which can provide a deeper understanding about the corporate governance practices in the mobile telecommunication industry of Bangladesh.

The process of data collection was done in four different phases over which the relevant information was collected from all four mobile telecommunication companies. In order to gather primary data about the corporate governance practices, the researcher sent out two different questionnaires to the respondents across two different phases. While Phase 1 consisted of sending out questionnaire

surveys to company secretaries, in Phase 2 researchers sent out another set of questionnaire surveys to a wide range of respondents to measure perceptions of different stakeholders, for gaining a better understanding about the corporate governance practices in the mobile telecommunication sector. These respondents consisted of Company Secretaries, Independent Directors, External Auditors, Head of Internal Control, and Institutional Investors. The next phase of the data collection process included conducting semi-structured interviews with respondents such as Company Secretary, Independent Director, External Auditor, and Head of Internal Control. The fourth and last phase of the data collection process consisted of an in-depth interview with the Chief Executive Officers of the four companies - for collecting further information on corporate governance practices in the mobile telecommunication sector. The researcher collected the relevant data about the companies in four phases because in the first two phases, quantitative data were collected while in the last two phases, additional qualitative information were gathered to support the findings from the respondents.

The next part of the research methodology consisted of data analysis in order to examine and summarize the data which were accumulated from different categories of respondents in the data collection process. The researcher also allocated the data analysis process over four different phases. In Phase 1, descriptive statistics analysis was conducted using facts/ data collected through questionnaires in order to analyze the accumulated data from the respondents. Also, this phase consisted of Corporate Governance Index construction which was composed using data/ facts collected through the questionnaires. The second phase included analysis of perception-measurement data collected through Likert scale and construction of another Corporate Governance Index. In the third phase, hypothesis testing was done where paired sample t-test was performed. Lastly, in the fourth phase, qualitative data analysis was done. In his phase, data collected from the respondents using semi-structured and in-depth interviews were analyzed using line by line coding which is one of the methods of grounded theory. Moreover, in the data analysis process, two tools such as Microsoft Excel and SPSS were used as these tools aid in the analysis process.



## **1.5. Key Findings of the Thesis**

The research has been devised to analyze the contemporary corporate governance practices in the mobile telecommunication industry of Bangladesh. The researcher intends to understand the current practices in the industry and highlight some key features of the state of corporate governance. In the process, understanding the perception held by the stakeholders is important to grasp the state of corporate governance practices which will enable us to address the major hindrances or barriers of corporate governance best practices that exist in this industry. Finally, possible recommendations will be suggested to strengthen the industry wide corporate governance practice.

The analysis of perception-measurement data in quantitative analysis indicates that as a whole, the mobile telecommunications industry in Bangladesh performs quite well in instilling corporate governance best practice values except for the lone state-owned company. The analysis suggests that different stakeholders agree on the somewhat satisfactory level of corporate governance performance in the mobile telecommunications industry of Bangladesh. However, when the collected facts about the companies are analyzed, the situation changes to a great extent. Some of the companies such as Banglalink and Robi does not fulfill the practices of good corporate governance at the local level (Bangladesh). When their parent companies are considered for analysis, however, the result agrees to some extent with the perception held by the industry. One unique feature that is evident from this analysis is that publicly listed company always performs exemplary across the board while the lone state-owned company always remains at the bottom of the pack under all circumstances.

In further analysis with respect to hypothesis, it has been found that the perceptions held by different stakeholders about the effectiveness of independent directors, management, and audit committee are significantly higher than that of overall corporate governance; on the other hand, the perceptions held

by different stakeholders about the effectiveness of board of directors, reporting and disclosure, and ownership are significantly lower than that of overall corporate governance.

The qualitative analysis of data highlights major areas of challenges such as governance deficiencies, lack of board training, lack of independence of subcommittees, flawed regulatory oversight and inadequate cyber security. Interestingly, for few operators, the board and sub-committees operate at the regional level rather than in Bangladesh. This has resulted in ineffective method of communication between the subcommittees and the parent company level boards due to political and socioeconomic differences. Moreover, the practice of disclosure and reporting is not complied with effectively leading to industry wide transparency and accountability issues. Moreover, due to the industry being technology centric, there is obvious risk of cyber-attacks for which the industry is not prepared at all. Adding to this, ESG programs are gaining momentum in other parts of the world, but the local industry has not initiated any such motive yet. To top this, regulatory authority is not being able to effectively implement policies which is constricting market competition and raising conflict between the companies and the regulators.

The challenges discovered while conducting the qualitative analysis have led to the identification of some possible recommendations that can alleviate some of the governance issues faced by the mobile telecommunications industry of Bangladesh. The primary way of cultivating corporate governance best practices is through initiating stakeholder engagement with the companies' decision-making process. This can be mandated by properly utilizing the practice of stakeholder reporting and internal disclosures. Frequent audits and external certifications can aid this implementation across the industry. Furthermore, immediate attention should be given to devise defensive strategies against cyber-security attacks. Finally, the regulatory authority must earn the industry's trust in order to maintain a cohesive corporate governance environment in the industry.

In order to represent the relationships mentioned so far, a conceptual model has been devised by extensive analysis of theoretical frameworks. The model suggests that stakeholder participation does not directly translate into corporate governance best practices but rather four aspects of regulatory oversight mediate the relationship. These are regulatory framework, political influence, credibility and market competition. When the factors affecting the mediation process can be addressed correctly, the relation of stakeholder participation resulting in good governance practices can be effectively implemented.

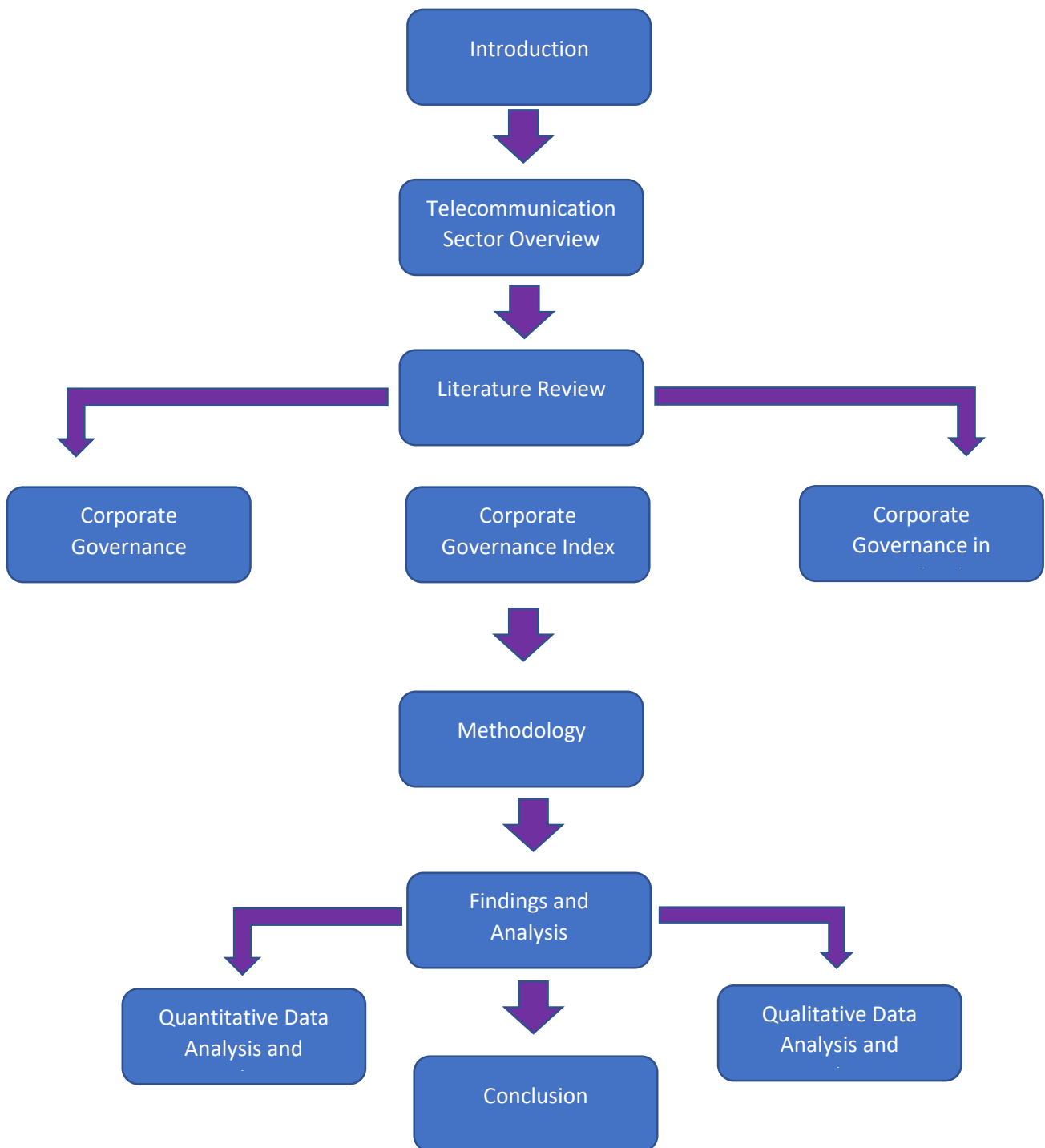
## **1.6. Limitations of the Thesis**

In theory, the study should have been rather straightforward as there are only a few firms operating in the industry and few of them are supposed to follow robust good governance policies due to having foreign stakes. However, the reality is different due to the unprecedented time we are witnessing now. The pandemic has restricted the face-to-face interview process that is required for collecting thorough data for the survey. As a result, a good number of possible respondents such as Independent Directors and the BTRC regulators could not be reached in order to fulfill the survey requirements which reduced data points and observations. Furthermore, due to the nature of the industry, the study was done on all four firms in this mobile telecommunication industry. Because of such a low number, the company level findings of the study could not be thoroughly analyzed using inferential statistics. Thus, the findings of the study cannot be replicated for other industries of the country that are not oligopolistic in nature. While there were some limitations due to the current pandemic and the nature of the industry, the researcher tried to analyze the corporate governance practices observed in the mobile telecommunication industry of Bangladesh to the best of her abilities.

## **1.7. Structure of the Thesis**

The entire thesis has been discussed in nine chapters. The thesis starts with an introduction to the mobile telecommunication industry, its growth, challenges and future prospects. In chapter two and

three, a detailed literature search has been conducted where the history and development of major theories of corporate governance are discussed. In chapter four, the detailed mechanism of corporate governance index construction has been illustrated. In light of these discussions, the corporate governance environment in Bangladesh is highlighted in chapter five of the thesis; a specific discussion has been done on the current corporate governance status in the mobile telecommunication industry of the country. In the sixth chapter on research methodology, the researcher has laid out the research objectives and hypotheses of the study, and explained the research philosophy, data collection and analysis methods of the thesis. Later, in the findings and analysis chapters, the results of the study have been revealed. In the seventh chapter, all the quantitative data analysis findings have been presented while in chapter eight, the quantitative data findings have been complemented with qualitative data findings. Finally, the thesis ends with a conclusion chapter where a concise summary along with research implications and scopes for further study has been presented.



*Figure 1: Thesis Structure*

## 1.8. Conclusion

Bangladesh is a developing economy; foreign investments in the country benefit the region exponentially. The implementation of good governance practices can benefit Bangladesh in attracting foreign investments which is favorable for the economic growth of this region (Al Farooque et al., 2007).

The mobile telecommunication industry has massive implications in terms of the technology-based infrastructure development of any nation. This is an interesting industry to study in Bangladesh as only 54.5% of the hand phone users actually use internet which means that there is massive opportunity for growth (Rashid, 2019). It is normal to assume that the government would make things favorable for the industry to flourish in order to promote maximum growth. However, the country suffers from unfavorable political stability and taxation regulation is relatively strict when compared against that of the rest of the region. The situation provides a great opportunity to observe the corporate governance practices that are observed by the firms operating in the mobile telecommunication industry of Bangladesh, given the unfavorable circumstances. The thesis can provide insightful information regarding the state of good governance practices observed by the mobile telecommunication industry in Bangladesh. The study is expected to allow us to grasp the extent of barriers of following robust corporate governance practices that exists for firms operating in this industry. Finally, the possible solutions that can be implemented in order to combat these challenges can be developed and discussed as the chapters progress.

## **CHAPTER 02: MOBILE TELECOMMUNICATION INDUSTRY: CHALLENGES AND PROSPECTS**

### **2.1 Introduction**

Over the past decade, Bangladesh mobile telecommunication industry has scaled up significantly. As per last documented data, in 2018, the contribution of the mobile telecommunication industry was 1.8% of the entire GDP (EBL Securities Ltd., 2018). Over 760,000 employment opportunity was created by the mobile ecosystem with 30% jobs being created directly; this enriched both formal and informal employment (DATABD.CO, 2018). According to “*Vision 2021*”, the mobile telecommunication industry of Bangladesh is expected to experience a revolutionary change that will eventually help the implementation of “Digital Bangladesh”. To explore the immense opportunities in this particular sector, this chapter examines how the mobile telecommunication industry specifically impacts the expansion of service-converged networks, VAS ecosystem, and e-commerce sites. Although the growth forecast of this industry indicates significant promises, there are some notable challenges in the way. These challenges and opportunities will be unveiled and discussed in in this chapter.

### **2.2 Telecommunication Industry and Economic Growth: Global Perspective**

The mobile telecommunication industry’s role in terms of economic development has been recognized worldwide. Several studies have demonstrated a positive relationship between economic growth and the mobile telecommunication sector. If the tele density increased by 10%, this would further increase GDP by 6% (Kaur and Malhotra, 2014). It has been found by investigating telecommunication infrastructure impact on 21 OECD countries over 20 years that there is a remarkable relationship between the economic growth and mobile telecommunication industry. Moreover, in the US, more than 50% of current US economic growth was supported by the information technology (IT) sector (Jorgenson, 2001). A study was done by Kraemer and Dedrick

(1994) where they analysed the data of 43 countries and ended up supporting the perspective that productivity growth and IT investment growth are correlated with each other. Another UK based study conveyed that in the early and late 1990s, the Information and Communication Technology (ICT) sector's contribution to GDP was 0.36 percent and 0.57 percent respectively (Oulton, 2002). In Belgium, average labour productivity growth and output growth were notably impacted by the accumulated ICT capital (Kegels et al., 2002). According to Tella et al. (2007), at the beginning of the 1990s to the mid-1990s, the ICT division of France contributed immensely towards capital growth.

The scenario is no different in Asia as well. Korea is enjoying notable contributions from the investment of ICT; ICT and related services have intensified social as well as economic transformation (Seo and Lee, 2000). Furthermore, the data analysis from 1984-1990 of 12 Asia-Pacific countries indicated that GDP and productivity are positively correlated with IT investment (Kraemer and Dedrick, 1994). In India, it is estimated that the mobile telecommunication industry will contribute 8.2% to GDP; in 2018, Indian GDP was supported by 4.6% from this industry, indicated by a report by GSMA (Parbat, 2019). Like other countries, Bangladesh has also made significant investment in this sector. Because of the favourable support of government investment regulation on the software and IT service industry, the industry is no longer remaining on the sideline.

### **2.3 Challenges and Prospects: Global Perspective**

In service offerings, quick deregulation as well as technology disruption are continuously experienced by the mobile telecommunication industry. In different markets across, governments are not only rescinding monopolistic policies, but also older market players are facing a propagation of competitors. In the European mobile telecommunication sector, the regulatory system is one of the major challenges as 27 separate regulatory systems are accountable for creating a fragmented internal



market. In different EU Member states, lack of independent regulators, lack of appropriately rescued regulators, inefficient remedies, and detention of the application of remedies are intensifying regulatory problems that become a crucial obstacle for internal market development (Reding, 2007). Additionally, the neighbouring country Pakistan faced a continuous drop in FDI in the last few years preliminarily due to mobile market saturation. The political turmoil also kept Pakistan away from foreign investment in this sector (Imtiaz et al., 2015).

India has significant concern regarding licensing and regulatory aspects as well; adding to that, there is a lack of inducement to business for investing in R&D, lack of specific instruction for standardization of technology, and missing environment that is required to protect intellectual properties (Mittal and Sushil, 2009). In addition, lack of unconventional product development environs results in further challenges; there is barely any Indian proven telecommunication technology/ product ownership. Almost all the players such as the government, industry association, the operating firms, development firms, and academic and research institutions are contributing to the lack of unconventional product development environ.

Despite these challenges, the mobile telecommunication sector has experienced a significant level of opportunities in the last decades. In Pakistan, a study hinted that huge amount of revenue and lots of new job opportunities were generated through an extensive amount of FDI in Pakistan with the help of some successful telecommunication giants such as Telenor, Orascom, Singtel, Etisalat, and China Mobile (Imtiaz, Khan and Shakir, 2015). For the expansion of infrastructure, maintenance, as well as marketing, these cellular operators invested tremendously which finally extended the cellular coverage area. These also created a competitive business environment that eventually assisted in reducing call rates. Additionally, traffic growth is driven by mobile, video and cloud computing, and online commerce; online advertising also paves the way for developing the mobile telecommunication and IT industries.

Mobile internet connection creates a tremendous opportunity for telecommunication operators. This era has experienced an increasing number of mobile subscribers (Bangladesh Enterprise Institute, 2013). The service providers want future profit through market expansion by stretching mobile networks in remote places. Also, mobile operators are trying to achieve customer loyalty and mitigate the switching cost. Companies are coming up with ideas of providing low-end mobile devices to secure a large user-base.

The mobile telecommunication industry of Bangladesh has intensified rapidly over the last decades. This industry in Bangladesh is struggling with the burden of a higher level of taxation than that of other developing countries (Baldock, 2019). Again, the country is struggling with license uncertainty and unclear processes and terms of license renewal of the telecommunication companies. Also, the restrained budget on the industry hinders infrastructure development. Even though it is facing challenges continuously, the industry still has opportunities to grab (Bangladesh Enterprise Institute, 2013). The industry is expanding through VAS by providing mobile banking, mobile health services, mobile e-commerce and so on. Also, the industry has upgraded in terms of infrastructure sharing; it is also availing opportunities for public-private partnerships. Thus, these developments are eventually pushing towards the dream of a Digital Bangladesh.

The rapidly growing mobile telecommunication industry has undergone a technological evolution in the last decade. The industry contributes remarkably by generating growth dividends; the expansion of the mobile telecommunication industry declines interaction cost, broadens market boundaries and tremendously widens information flows. It is clear that the future of the mobile telecommunication industry will undertake 5G technology, exceeding the limited release of technology the industry has discerned so far. The quick adoption of 5G technology will introduce a high-speed connection that will result in a completely new platform where digital transformation can materialize. It is estimated

that the near future will experience significant economic growth in the electronic service industry that will contribute to the GDP to a greater extent. Report of Economic Survey reveals that the inauguration of 5G technology will contribute \$2.2 trillion over the next 15 years to the global economy (Baldock, 2019).

Moreover, business sectors are realizing the advantage of telecommunication industry in maintaining an effective communication with customers; nowadays, businesses are relying more on elements of telecommunication by removing the barrier of distance as teamwork doesn't require employees to be present physically; rather, the industry has conquered the distance by allowing members to cooperate easily anywhere they are located (Baldock, 2019). It is predicted that businesses will adopt call management technique in the near future that will enable the customer to route the call directly to the employees even if lines are busy. Further, even when all the employees may be present in a meeting, telecommunication accelerates the idea of web conferencing that requires a gadget with internet connectivity; the telecommunication system will enhance work productivity in the future. Some experts believe that by the end of the decade, cellphones will be replaced by embedded glasses that will have all the functionality of a smartphone with the capability of augmented reality. However, some researchers note that to make this vision a reality, the mobile telecommunication companies need to be reinvented once again by combining the future demands of the consumers (Santhiya and Radhika, 2019).

## **2.4 Telecommunication Industry in The Asia Pacific: An Overview of Bangladesh**

The global telecommunication industry's approximate value was \$2,693.4 billion at the end of the year 2018 (Research and Markets, 2019). The compound annual growth rate (CAGR) was nearly 4.4% and by the year 2022, the growth rate is expected to reach 6.4%. The telecommunication industry can be segmented based on different geographies such as Europe, North America, Sub-Saharan Africa, Asia Pacific, and the rest of the world. Among these regions, Asia Pacific is holding

the largest market, accounting for nearly 36.6% of the global industry, with a CAGR of 8.6% (Market Watch, 2019).

The mobile telecommunication sector of Bangladesh, a country within the Asian region, is contributing nearly 1.8% to the total GDP by providing two crucial services e.g. voice calls and internet service (Rasul, 2016). Bangladeshi mobile telecommunication industry started its journey in 1989 with CDMA technology; later, prepaid service was launched which eventually resulted in 1 million subscribers by the year 2002. After that, in 2005, the SIM tax was introduced. In 2012, state-owned company, Teletalk first came up with 3G mobile network technology in Bangladesh and instantly, this new network technology was adopted by the other market players that immensely resulted in 100 million connections by the following year.

Researchers believe that this industry is experiencing unremitting growth opportunities because of the ceaseless development of telecommunication infrastructure, mobile technology, and government initiatives. However, some researchers state that the invincible growth of the mobile telecommunication industry may face some challenges.

Bangladesh mobile telecommunication industry has occupied the 5<sup>th</sup> position in terms of market size in the region of Asia Pacific; simultaneously it ranks 8<sup>th</sup> globally in terms of unique mobile subscribers; In terms of total mobile subscriptions, there are 173.35 million subscribers as of February 2021 (BTRC, 2021). The mobile connectivity is impacting the economy in both direct and indirect ways as it has created employment opportunities for more than 760 thousand people around the country. Similarly, research has found that the mobile ecosystem has contributed more than 30% of direct job opportunities. Furthermore, the mobile telecommunication industry is experiencing a surge in high-tech smartphone users who are completely having internet dependency and demanding high-speed 5G wireless network technology (Parbat, 2019). Hence, service providers are keeping pace

with digitalization because ceaseless modification of information technology makes the market more competitive day by day.



*Figure 2: Mobile Operator Brands and their Parent-companies*

Before 2016, there were six key market players in the industry but due to Citycell’s bankruptcy and merger of Robi-Airtel, currently, the market players are Grameenphone, Banglalink, Robi Axiata, and finally state-owned company Teletalk Bangladesh Ltd. Citycell was launched in 1989 and become the first company with CDMA mobile operator technology. Because of using CDMA mobile technology in the GSM era, this company was struggling with numbers of mobile subscribers; it had a small number of mobile subscribers. Through high court, Bangladesh's telecommunication Regulatory Commission announced this company bankrupt due to the inability to pay dues.

Grameenphone, the first GSM technology introducer, is the largest and one of the leading telecommunication service providers in Bangladesh with more than 80 million subscribers at the end of February 2021 (BTRC, 2021). The parent company of Grameenphone is the largest telecommunication company in Norway that owns 55.8% shares of Grameenphone; the rest 34.2% is held by Grameen Telecom, and 10%, by the public. The second-largest mobile operator is Robi Axiata Ltd, mostly a Malaysian telecom company having a joint venture of Axiata (68.7%), Indian company Bharti Airtel (25%) and Japanese company DOCOMO (6.3%). The company Robi was merged with Airtel on the 16<sup>th</sup> of November, 2016, and now possesses the name Robi Axiata Ltd

(Zaman and Rahman, 2018). The third-largest mobile service provider in Bangladesh is Banglalink Digital Communications Ltd, also known as Banglalink, subsidiary of Global Telecom Holding. Finally, the only state-owned public company of Bangladesh Teletalk is using GSM network technology for spreading the network nationwide. This company has launched its LTE network technology at the end of December 2018 by providing the cheapest network with a rebranded motto of “Connect to Happiness”. With regards to four mobile telecommunication companies, the table below shows the number of subscribers each of the companies have at the end of February 2021:

*Table 1: Number of Subscribers*

OPERATOR	SUBSCRIBER (IN MILLIONS)
Grameen Phone Ltd. (GP)	80.390
Robi Axiata Limited (Robi)	51.515
Banglalink Digital Communications Limited	35.920
Teletalk Bangladesh Ltd. (Teletalk)	5.532
<b>Total</b>	<b>173.357</b>

*Source: (BTRC, 2021)*

*Figures are as of February 2021*

The mobile telecommunication industry of Bangladesh has significantly contributed to the economic growth by boosting up GDP and government revenues. According to available data, in the fiscal year 2012-13, mobile technologies and services contributed 2.56% and in the 2013-14 fiscal year, it added 2.63% to the GDP respectively (Islam, 2017). Mobile technologies and services contributed to an economic value of around \$13 billion which is 6.2% of Gross Domestic Product in 2015 (GSMA, 2017). This figure comprises of both the direct and indirect impacts of the mobile ecosystem and the expansion in productivity through utilizing mobile technologies. Of \$13 billion, \$3.8 billion was contributed by taxes. 10% of the government revenue in 2015 was brought about by the mobile ecosystem that amounted to around \$2.42 billion of economic value through spectrum licenses, general taxation and mobile-specific taxes (GSMA, 2017). The mobile telecommunication sector in Bangladesh is also expected to contribute a significant portion to the entire GDP by 2021. In

comparison to our country case, our neighbouring country India estimates that this sector will contribute 8.2% (Parbat, 2019). The figure below shows the industry's contribution to GDP of Bangladesh:

Source: GSMA, 2017

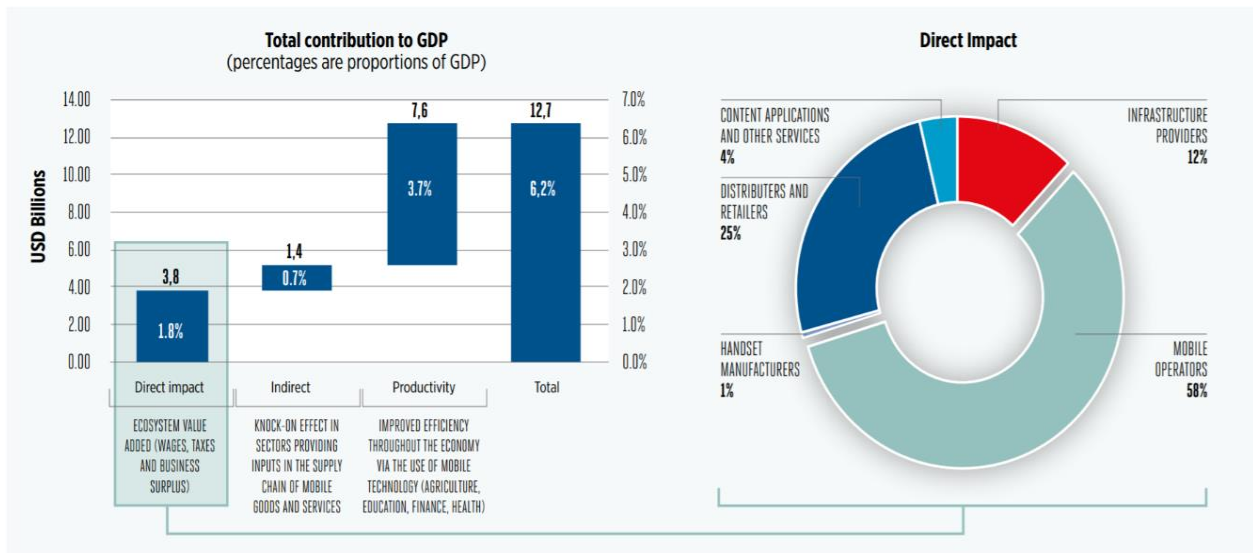


Figure 3: Contribution to GDP

## 2.4.1 Challenges in Mobile Telecommunication Industry: Bangladesh Perspective

Bangladesh is experiencing a transformation towards a digital society at the moment and the contribution of the telecommunication sector in this transformation is quite crucial. However, in the process, there are some major crises faced by the sector.

### 2.4.1.1 Mobile Internet Usage

Even though affordability of smartphones has reached its highest to capture mobile phone users, the number of users using the internet is still lower. According to a report by Bangladesh Telecommunication Regulatory Commission, only 4.5% people of total population use internet (Hoque et al., 2014) while among all the mobile phone users, only 54.5% users are taking internet services till 2017, leaving behind nearly half of the total smartphone users (Rashid, 2019).

#### 2.4.1.2 Privacy and Security issues

Cyberspace in Bangladesh is experiencing vulnerability in terms of data security. The number of internet users is increasing and, along with that, the cyber-attack ratio. Research of Kaspersky Security Bulletin 2015 found that Bangladesh is the second-highest infected country in the world in terms of cyber-attack (BGD e-GOV CIRT, 2019). Again, 69.55% of users are at high risk of local virus infection while 80% of users are threatened by spam attacks. It is found that the number of IP addresses which is infected has reached nearly 34,552 and one of the renowned companies like Grameenphone appears on that list. Moreover, service providers of the mobile telecommunication industry have control over sensitive users' information and confidential data; hence, the users are under menace and unshielded to hacking (Infinity Research, 2019). The users are threatened by digital attack occurrence which is preventing them from taking mobile telecommunication services. Even though the government of Bangladesh has published National Telecommunication Policy 2018, the implementation and execution are yet to take off in a full-fledged manner. So, the mobile telecommunication industry is struggling with users' trust and reliance.

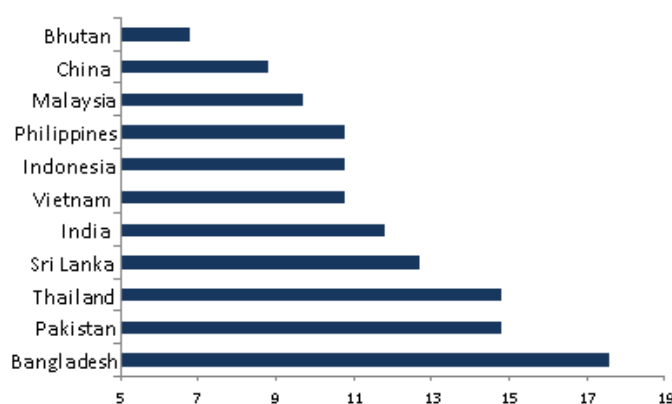
#### 2.4.1.3 Poor Economic Background and Unstable Political Situation

Being a least developed/developing country, a major portion of the population is living under the poverty line; the past history of Bangladesh indicates that Bangladesh is extremely unstable in nature in terms of the political aspect. Due to political violence, corruption, and many more hindrances, the mobile telecommunication sector has become insecure and unstable. The previous record of the last few years indicates that the democracy of Bangladesh had significantly faced ups and down, resulting in scant foreign direct investment (FDI) in the telecommunication sector (Zamil and Hossen, 2012). Moreover, the economic condition is no different from a political background. It is barely possible to run such a type of business in Bangladesh by ensuring a constant and remarkable profit growth.



#### 2.4.1.4 Regulations and Taxation

Another fundamental concern of the mobile telecommunication operators is the rigid, uncertain and inflexible regulatory environment because of its authoritarian regulation, high taxation and also assorted pending unresolved antagonism between mobile operators and NBR. Arbitrary regulatory intervention risk might become greater because of the contemporary amendment to the Telecommunication Act. Moreover, the income tax for publicly traded/listed companies in Bangladesh is 40% while 45% income tax is imposed on the operators of unlisted telecommunication operators which is a significantly higher rate than any other industry (EBL Securities Ltd., 2018). A global tax review in 2006-07 by Deloitte indicated that the consumers of Bangladesh mobile telecommunications are experiencing an intensively high level of taxation compared to other Asian countries' users (Asian Tiger Capital Partners, 2010). From the fiscal year 2005-06, the mobile operators of Bangladesh have spent Tk. 800 to Tk. 1200 on each SIM as tax which is paid directly by the subscribers. In the aftermath of the tax burden, not only the growth of subscribers has been significantly declined but also the companies were struggling to hold their position in the competitive market scenario (Zamil and Hossen, 2012). Additionally, the operators are to pay 35% import tax on handsets, imported technologies, and other telecommunication related equipment which is one of the great barriers in terms of generating profit and sustainability. The figure below shows the tax as a portion of total cost of ownership across multiple countries:



*Figure 4: Tax as a portion of Total Cost of Ownership*

*Source: Asian Tiger Capital Partners, 2010*

#### 2.4.1.5 Addressing Governance Issue: Policy Reform

There is no gainsaying that the success story of the mobile telecommunication industry in Bangladesh is remarkably appertaining to the supply-led growth strategy, intensified by foreign investment (Express, 2018). In a usual business environment scenario, private monopolies (foreign equity holders) are tipped and own the major market segment. Nevertheless, it does not necessarily specify that there should be an introduction of an uneven competitive landscape by shutting down the window for supreme business practices to proceed in the industry that can provide quality services for consumers at the lowest possible cost. Moreover, the objectives, aim, and goal of national telecommunication policy (NTP)/1998 as well as the Bangladesh Telecommunication Act (BTA)/2001 must be applied correspondingly for ensuring not only a friendly environment but also a solution to the prevailing complications in this industry. Besides, tax policy should be reconsidered as different studies indicated that business would earn profit of 30 percent to 56 percent and subscribers will increase to 9.5 crores if the tax on SIM and imported paraphernalia is completely reduced. Consequently, additional Tk. 50 billion can be earned by the government by reconsidering the tax policy (Zamil and Hossen, 2012). Therefore, a significant governance challenge is to generate possibilities of sound competition for minor operators without restraining the far-sighted operating strategy of top performers. With the reform of innovation, technology, consumption patterns, policies and regulations, the corporate governance scenario can be improvised. Moreover, the introduction of early, just, transparent, equitable, and participative policies on trouble-free terms would extensively increase the confidence of potential and actual investors, and that will further act as an inducement for indelible investment in the history of Bangladesh.

#### **2.4.2 Opportunities in the Mobile Telecommunication Industry**

Despite major challenges, the mobile telecommunication industry of Bangladesh has major opportunities at hand to utilize in ensuring sectoral growth.

### 2.4.2.1 Growth in Mobile-subscriber Base

In this era of extensive usage of smartphones and increasing users of the internet, Bangladesh mobile telecommunication industry is continuously using new technologies and is expected to develop 5G high-speed wireless technology to connect to the online world. As the world is focusing more on faster data transfer speed, the goal of BTCL is to ensure that all the mobile internet subscribers have access to high-speed internet connection. In continuation, this industry is experiencing faster growth with regards to the number of subscribers and unique subscribers. As depicted earlier, over the years, the number of mobile subscribers has gone up continuously and is also expected to grow even further, as shown in the figure below:

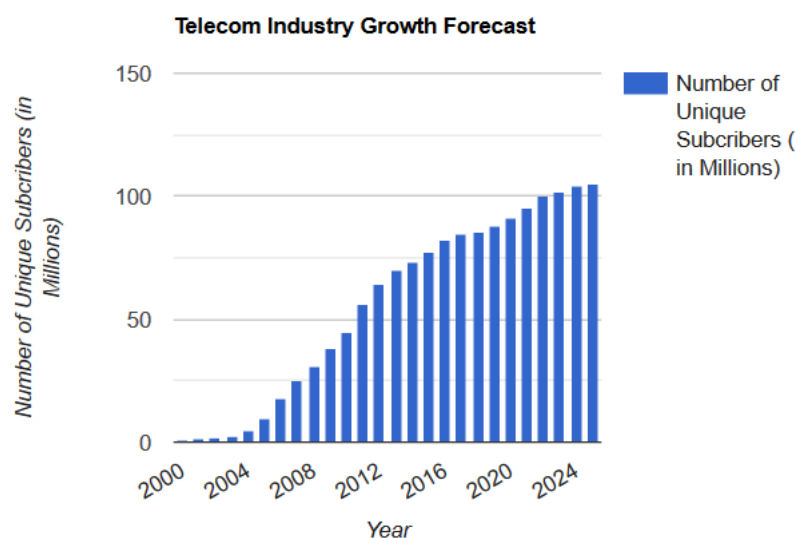


Figure 5: Telecommunication Industry Growth Forecast

Source: GSMA Intelligence, 2017 cited by DataBD.Co, 2018

### 2.4.2.2 Expansion of Internet Usage and Content-based Services

One of the major opportunities is the emersion of content-based services and streaming platforms; content is considered a further logical and rational stage for driving up internet earnings in today's world. Less than 60% of mobile users use internet-based services on their phones (EBL Securities Ltd., 2018). To add more, few customers yet use 2G services, and many are yet to upgrade to 4G service. So, there is a huge scope of further internet penetration.

To ensure customer engagements, adding various contents (i.e. movies, games, and music) is essential these days (Krolivets and Consultant, 2019). Two major key players: Grameenphone and Banglalink have already launched content streaming services such as Bioscope and Banglaflix respectively. Therefore, it is expected in the future that these initiatives might expand even further. Besides, other engaging digital services such as GP Music, Tonic, Cinematic have been launched.

#### 2.4.2.3 Value-Added Services (VAS) and Convergence

Another key opportunity is Value-Added Services (VAS). It is key to foster the development of a vigorous VAS ecosystem in the area of M-Health, M/E-Commerce, Mobile Banking, and Agricultural VAS (Asian Tiger Capital Partners, 2010). Moreover, if service-converged networks are built by the service providers, then public services, financial services, and entertainment applications will further lead the companies to invest in ISP's, IPTV, game development, video, media, and domestic web content for reaching a larger proportion of the population.

#### 2.4.2.4 Addressing Governance Issue: NTTN

The government of Bangladesh has come up with specific policy options to create opportunities for new and small operators in order to boost up the quality and also reduce cost without impeding fair business practices of the existing market players. The introduction of nationwide Telecommunication Transmission Network (NTTN) is a smart and effective policy move. The common transmission service market development is pivotal in reducing the expansion and entry-level barriers and lowering the accumulation of market power (Rokonuzzaman, 2018).

#### 2.4.2.5 Public-Private Partnership (PPP) and Possible Tax Cuts

The mobile telecommunication sector of Bangladesh is enjoying the advantages of infrastructure sharing agreements, partnered up with the Bangladesh Government. In the area of e-education, e-governance, and e-health, the industry can be further partnered up with the Bangladesh government under PPP. In addition, the government of Bangladesh might validate further mobile

telecommunication supportive regulatory/fiscal reforms i.e., cutting SIM tax for encouraging speedy mobile penetration. The above-mentioned initiatives are directly pushing the idea of Digital Bangladesh.

#### 2.4.2.6 Future Mobile Telecommunication Infrastructure: Growth Forecasts

The mobile telecommunication industry of Bangladesh is undergoing continuous up-gradation and modification. Hence, in this information era of the 21<sup>st</sup> century, the present government of Bangladesh has a vision of forming Digital Bangladesh by the year 2021. This vision says that each of the citizens must have unchallenging entrance to information and communication technology with sufficient skills and knowledge, especially in three areas such as developing infrastructure, ICT based education, and e-governance. The government considers that an advanced mobile telecommunication infrastructure can facilitate tele density as well as tele-access which is one of the fundamental projects of the ICT sector. Following the goal of Digital Bangladesh, BTCL has taken some vital steps to implement the goals successfully. Focusing on the socio-economic condition of the country, internet and wireless service like e-governance, e-banking, and e-education will be spreading throughout the country.

#### 2.4.2.7 Future Employment Opportunities

Digital Bangladesh's vision includes creating an ICT based employment opportunity and generating foreign currency to a greater extent through enabling IT services, BPO, and related service centres. Furthermore, for enhancing the capabilities of potential youths in the rural areas, Vision 2021 takes the initiative of inaugurating “cyber-cafe” to develop computer-based skills at the Upazilla level. BTCL is highly committed to establishing Grameen Growth Centres at Upazilla level to ensure balanced growth opportunities with modern internet facilities.

## **2.5 Conclusion**

The core aim of this chapter was to identify how the mobile telecommunication industry is contributing to the economy of Bangladesh. There is no controversy about the significant contribution of the mobile telecommunication industry in the expansion of economic growth worldwide. To fulfil the chapter objective, the current research finds out the key market players and its competitive landscape in the industry, the contribution of the mobile telecommunication industry towards economic growth, the challenges and opportunities, and the growth forecast of the sector.

In today's competitive landscape, the conqueror will be those rivals who redesign the platform by understanding the needs and demands through giving the power of control back to the customer. Therefore, ultimately the loser will be those who excessively emphasize technological development, keeping behind the consumer's preference. Nonetheless, the company that wants to be the leader in the industry should introduce a competitive tariff strategy and should provide more value-added services, especially in the pastoral areas.

The challenges in the mobile telecommunication industry include a high level of taxation, barriers to mobile internet usage, and inflexibility of the regulatory environment. Being the residents of a developing country, people cannot have easy access to internet here. Moreover, unresolved antagonism between mobile operators and regulators has created an uncertain and inflexible regulatory environment. Amongst all these challenges, there are opportunities for future growth, facilitated by an increasing number of mobile subscribers and growing interest in cloud-based digital services.

As illustrated above, from this chapter, we have a thorough idea about the various challenges and opportunities in the mobile telecommunication sector of Bangladesh. The next chapter illustrates various corporate governance theories, models, and principles developed over the years.

## **CHAPTER 3: CORPORATE GOVERNANCE: A LITERATURE REVIEW**

### **3.1 Introduction**

Corporate governance comprises of institutions, mechanisms and laws that manage and control the entire corporation. From a broad societal explanation to a market specific perspective, variety of definitions and interpretations are given by different theorists and proponents (Rashid et al., 2007). This chapter analyses and discusses a series of theories developed over the years in previous literature. This chapter also covers and discusses guidelines and models of corporate governance; OECD principles and two dominant models are examined through a critical compare and contrast illustration where importance is given to Anglo-American model. The researcher also discusses prior literature on the practices of corporate governance in developing countries and the background, along with current corporate governance practices in Bangladesh. Finally, this chapter wraps up through a critical analysis of the possible ways of implementing good corporate governance in the scenario of Bangladesh.

### **3.2 Corporate Governance**

Corporate governance is a complete framework with a set of rules, practices, principles or procedures by which a corporation certifies its transparency, accountability, and fairness in correspondence with each of its stakeholders (Abu-Tapanjeh, 2009). In an unambiguous way, corporate governance can be interpreted as a relationship between the board of directors of the corporation and the employees of the organization (Babic, 2003). Corporate Governance "...is the relationship among various participants in determining the direction and performance of corporations. The primary participants are (1) the shareholders, (2) the management, and (3) the board of directors" (Levine, 2006). It circumscribes the procedures whereby the corporation and those leading power who are in control are made accountable (Council, 2007). Another study found that corporate governance is the rightful way where investors can have the assurance that they will be given the largest portion of yield on

their investments. Corporate governance is the formation of practices that persuade management to interiorize well-being of stakeholders (Babic, 2003). According to ASX Corporate Governance Council, owners and board of directors need to identify how to maintain and set up the specific objectives of the organization, find out the way to achieve goals and mission, evaluate and keep the risk under surveillance, and optimize accomplishment (Council, 2007). The functional corporate governance framework invigorates corporations to generate practicality by entrepreneurialism, revolution, enlargement, and investigation and come up with accountability, and system of command corresponding with risk implication (Principles, 1999).

The OECD Principles define corporate governance formation as administering the principles and accountability among various divergent participators of the organization such as the authority, board of directors, executives, employees, shareholders, and stakeholders; it clarifies ordinance and course of action for creating adjudication on corporate proceedings (Principles, 1999). This further renders the formation by way of which the objectives of the organization are established (Abu-Tapanjeh, 2009).

When a corporation identifies its standpoint, the significance is set on the association between the board of directors and stakeholders (Kaja and Werker, 2010). From general policy aspects, corporate governance mentions the layout for sustainability, advancement, and furtherance of the corporation, and focuses on company's accountability in the application of command and authority over the organization (Klapper and Love, 2004). The motive of generalizing policy is to regulate organizations and simultaneously, motivate them to reduce dissimilarity between individual and communal interests.

If we look back in history, the major governance fiascos that have made us realize the corporate governance measure's need in the recent times was caused by focus on short-term goals only (Pandey



and Sharma, 2020). Companies that were regarded as top performers such as Enron, WorldCom, Tyco, Qwest and Global Crossing all went bankrupt because the top management was busy fulfilling their own self agenda (Grove et al., 2005). They were focused on fulfilling the short-term goals which resulted in the oversight of the long-run future of the respective organizations.

In order to have sustainable long-term goals for the development of the organization, the business must be viewed as an organic whole (Grove and Basilico, 2011). When the corporation is given an identity of its own, only then can the top management detach its self-interest from that of the business. Then, the stakeholders' interests can be catered to which is necessary to sustain the long-term future of the business. The stakeholders are investors, suppliers and buyers which are all an essential part of the business in order to be functional on a regular basis (Pandey and Sharma, 2020). The corporate governance framework needs to address the core principles that can supplement the longevity of operation and growth of the company in order to have relevance with implementing the framework. The basic theories need to be incorporated in the corporate governance frameworks to sustain the long-term goals of the organizations. The good governance practices are a combination of some basic principles which are responsible for constructing the whole framework. The various guidelines and models of corporate governance are discussed below.

### **3.3 Corporate Governance: Guidelines and Models**

#### **3.3.1 Corporate Governance Guidelines: OECD Principles**

OECD principles is a remarkable universal report regarding corporate governance that incorporates principles conferring with governments and organization's outsiders such as stakeholders from a wide range of countries and committees (Abu-Tapanjeh, 2009). In 1999, the OECD principle of corporate governance was adopted by 30 countries who were already members of OECD. Along with that, this principle comes up with empirical guidelines and propositions for the capital market, corporations, financiers, and significant firms outside of OECD members. Daniel (2003) explains the grounds why

countries should emphasize the important quality of corporate governance proposed under OECD (Principles, 1999). In the first place, according to his statement, corporate governance assists in expanded economic productivity and effectiveness by raising the use of capital and increasing FDI. Secondly, it minimizes the probability of crisis and enhances the strength of the economy. Thirdly, it is significant for a lawful and valid market economy.

In 2003, the OECD started to revise the principles based on market needs and consequently in April 2004, a revised OECD principle was adopted after a substantial review process (Kirkpatrick, 2005). The amended principles consist of both reflections of OECD countries and other expanding economies. The significant part was that the modified principles were non-binding in type and provided the opportunity to build framework between government and market players.

As per the OECD principles, corporate governance is the set of rules and principles that guides and controls business operations. Corporate governance emphasizes the distribution of responsibilities and legitimacy among the participators in the organization such as shareholders, stakeholders, board of directors, executives, and others, and clarifies the laws and regulations for structuring decisional criteria on business affairs (Abu-Tapanjeh, 2009). The six principles of OECD are with regards to the following areas:

**Principle 1:** Ensuring the basis for an effective corporate governance framework.

**Principle 2:** The rights and equitable treatment of shareholders and key ownership functions

**Principle 3:** Institutional investors, stock markets, and other intermediaries

**Principle 4:** The role of stakeholders in corporate governance.

**Principle 5:** Disclosure and transparency.

**Principle 6:** The responsibilities of the board.

### 3.3.2 Corporate Governance Models

The main purpose of this section is to give an overview of corporate governance models through discussing theories and also provide a detail idea about two dominant corporate governance model: Anglo-American model and German-Japanese model. The aim of this literature is to analyse and compare between two models (Alba et al., 1998; Aoki, 1995; Berglöf, 1997; Levine, 2002; Prowse, 1990; Shleifer and Vishny, 1997). There are core fundamental differences between these two models. Next two sections will discuss these two models in detail.

#### 3.3.2.1 The German-Japanese Model

Different literature of 1990s indicated that a significantly dominant model of corporate governance is “*German-Japanese*” model. The German-Japanese model, also known as “Bank Centered Relationship Based Model” is often distinguished as “**Control-Oriented**” financing (Rashid et al., 2007) that solely emphasizes on the relationship between corporations and investors in the long-term period. Generally, this model is particularly followed in Europe and East Asia. The main theme of this model is to allow firms to use a significant portion of debt and a significant portion of equity simultaneously. Under this circumstance, a remarkable share of finance and governance is provided by the main bank (Rashid, 2009). By utilizing the power of position, the banks monitor and overlook the firms as this model requires the firm to keep a close rapport with banks; as a remarkable portion of governance and funds are provided by the banks, this is known as “Bank Centered Relationship Based Model” (Kaplan, 1994; Levine, 2002).

The countries that are practicing this model generally have comparatively low liquid financial market, and concentrated ownership prevails there (Prowse, 1990). The core investors are supposed to monitor the firm’s managers where the investors can be a bank or a combination of banks, other firms, non-bank financial institutions, corporate shareholders or can be other inter-corporate relationship as well. Interestingly, this model allows some of the banks to hold the corporate boards’ supervisory

position (Cable, 1985). Consequently, not only the cost of obtaining the firms' information is reduced but also this model assists in minimizing information asymmetry. Therefore, banks are considered the most significant external financing source over the financial market as the latter has a major vulnerability in the underdeveloped emerging market countries (Arun and Turner, 2004; Zysman and Governments, 1983).

### 3.3.2.2 The Anglo-American Model

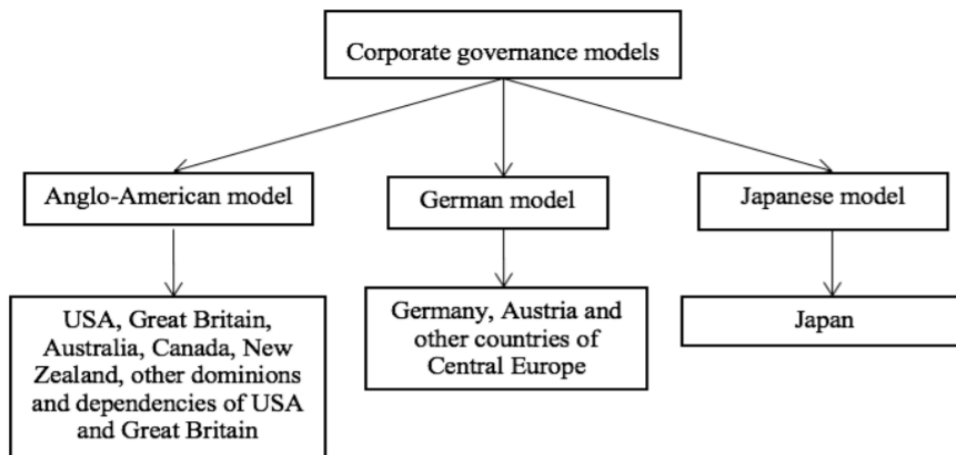
The Anglo-American model is considered a "market based" corporate governance system; it is differentiated from the other model by both legal and regulatory environment (Prowse, 1990). This model assumes that the ownership of the shareholders is extensively dispersed, and explicit contracts protect the shareholders. External market monitors executives and managers for corporate control; the outsiders, also known as independent directors, dominate the boards of directors (Kaplan, 1994). Due to the control of strong management over a corporation and a dispersed shareholding pattern, it is neither possible for the shareholders to abolish the management through a single vote nor to attain a threat of management abolishment (Rashid et al., 2007). Studies have identified that because of strong management control, there is a remarkable level of information asymmetry<sup>1</sup> for those companies that follow Anglo-American model. Therefore, poor influencing power of shareholders over management leads to vulnerability in protecting shareholder's interest. In order to enforce the rights of shareholders, the jurisdictions significantly rely on transparency as well as laws with the help of Anglo-American model. Hence, liquid equity market and information disclosure related regulations protect the rights of shareholders.

To conclude, large amount of financing is provided by investors; unsatisfactory performance of firms sometimes ends up in either selling of shares by shareholders or takeover threats by other entities under the Anglo-American model (Denis and McConnell, 2003; Prowse, 1990). Consequently,

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<sup>1</sup> A situation when the shareholders know less than the firms' managers, thus, managers try to use and control that information that are unavailable to the shareholders, for their own interest.

institutional relationship does not matter that much, and market seems more dominant, thus it has got an identification of “*market based*” corporate governance system. A pictorial illustration of the various corporate governance models is shown below:



*Figure 6: Corporate Governance Models*

Source: Zainullin et al., 2018

***Comparison between Anglo-American Model and German-Japanese Model***

The critical comparison between Anglo-American Model (also known as market-based system) and German-Japanese Model (also known as bank centered relationship based corporate governance system) is illustrated below:

*Table 2: Comparison between Two Corporate Governance Systems*

<b>Aspect of Comparison</b>	<b>Anglo-American Model (Arm’s Length)</b>	<b>German-Japanese Model (Control-Oriented)</b>
Structure of Ownership	Extensively dispersed	Concentrated by banks, different corporations, financial institutions, and dominant shareholders.

<b>Aspect of Comparison</b>	<b>Anglo-American Model (Arm's Length)</b>	<b>German-Japanese Model (Control-Oriented)</b>
Control-Oriented Finance's Share	Low	High
Financial Markets	Vast, extremely liquid	Comparatively small, less liquid
Monitoring by financial institution	Comparatively low	Substantial
Monitoring by individual shareholders	Comparatively low	Substantial
Shares of listed company in the stock market	Large	Small
Debt-Equity ownership	Scattered	Concentrated
Orientation of investors	Portfolio-Oriented	Control-Oriented
Rights of Shareholders	Strong	Comparatively weak
Utilization of different mechanism to split capital base and control	Restricted	Persistent
Dominance of Agency Conflict	Between the firm's management and shareholders	Between the minority of shareholders and controlling groups
Rights of Creditors	Strong	Particularly close creditors enjoy strong rights while creditors at arm's length experience weak rights
Bankruptcy and insolvency's role	Possibly important	Utterly limited
Board of director's role	Significant	Limited
Independence of Board or power over the firm's management	Comparatively low	High

<b>Aspect of Comparison</b>	<b>Anglo-American Model (Arm's Length)</b>	<b>German-Japanese Model (Control-Oriented)</b>
Market for shared control	Hostile takeover	Limited takeover

Sources: (Berglöf, 1997; Cernat, 2004; Khan, 2003)

From another perspective, Corporate Governance models are reviewed by a number of studies (Blair, 1996; Keasey et al., 1997; Letza et al., 2004). Based on the analysis of Blair and Keasey, four fundamental corporate governance models were proposed, namely: (1) Principal-Agent or Finance Model, (2) The Myopic Market Model, (3) The Abuse of Executive Power Model, and finally (4) The Stakeholder Model. The principal-agent/ financial model is based on the idea of agency theory; this model indicates that a corporation's main objective is to maximize shareholders' wealth and corporate governance is required in order to restrain a distinct behaviour of manager that is maximizing self-interest (Letza et al., 2004) (further details in the next section). The propagandist of this model assumes that to synthesize the disparity of interest between executives and shareholders, the capital market, labour market and market for corporate control ensure the most powerful and effective means (Keasey et al., 1997). They ended up suggesting a minimum interference in market operation (Fama and Jensen, 1983). The structure of the myopic market model was proposed earlier which is based on the assumption of myopic market theory (to be explained in the next section).

The executive power model is based on the idea and perspective of managerial hegemony theory<sup>2</sup>. Therefore, the propagandists of this model ask for regulatory changes in corporate governance practices (i.e., independent nomination as well as immense powers of non-executive directors). Lastly, the stakeholder model rests on the perspective of stakeholder theory (to be explained in the

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<sup>2</sup> The basic assumption of managerial hegemony theory is that the board of directors is considered powerless because of a mechanism that keeps control over managerial expediency.

next section); a model is called by the proponents for outlining the entire corporate governance system that admits multiple shareholders' interest.

Since, both the Principal-Agent Model and Market Myopic Model assume that maximization of shareholders' profit is the main purpose of a corporation, Letza et al. (2004) identified the first two abovementioned models in a collective manner. In the same regard, Turnbull (1997) argued that Anglo-American model is synonymous with the Principal-Agent or Finance Model. In UK, USA, Australia and Canada, Corporate governance is practiced by following Anglo-American model. Under this model, most of the non-executive independent directors comprise the board of directors which is considered one of the most significant internal mechanisms of corporate governance (Lorsch and Young, 1990). Since the shareholders are unable to monitor the management's action, the shareholders can elect the board of directors by using their respective residual voting rights in order to observe and monitor the management actions (Letza et al., 2004).

### **3.4 Theoretical Underpinnings of Corporate Governance**

The various theories of corporate governance are discussed in the following sections:

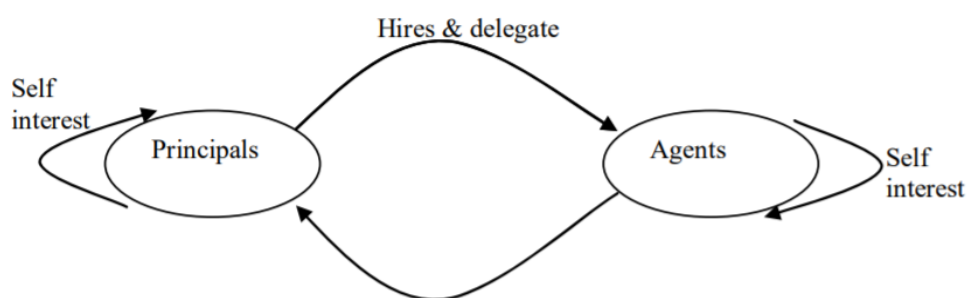
#### **3.4.1 Agency Theory**

The main concept of agency theory focuses on the relationship between principals (i.e. shareholders) and agents (i.e. executives of company as well as managers) (Abdullah and Valentine, 2009). The agents are hired from different sources to conduct the work of the shareholders as they are the owners or principals of a distinctive corporation. The authors further added that a comprehensive description and explanation of agency theory was demonstrated by Alchian and Demsetz (1972) and hereafter it was developed by Jensen and Meckling (1976) in a detailed manner. Principals handover the running of business to shareholder's agent e.g. managers (Tricker, 2005). Undeniably, it was argued by Daily et al (2003) that the prominence of agency theory can be influenced by two different significant



factors (Abdullah and Valentine, 2009). Firstly, agency theory simplifies the roles of top management and the shareholders affiliated with business decisions. Secondly, fulfilment of self-interest is a universal phenomenon, be it the top management or the shareholders; the only thing they care about is fulfilling their own self agenda to maximise their benefits. Agency theory is able to separate the top management and shareholders away from fulfilling their own interest in order to sustain the interest of the business. Thus, this enables the two parties to settle their differences and engage in activities that benefit the business as a whole.

Based on the principal's interest, the agents will act and finalize decisions that are expected by the shareholders (Abdullah and Valentine, 2009). Conversely, the agents may ignore decision making that considers the supreme interest of the principals (Padilla, 2002). In the 18<sup>th</sup> century, the abovementioned problem was first marked significantly by Adam Smith and afterwards it was explored by Ross (Abdullah and Valentine, 2009). Indeed, the control in theory of agency and conviction of complications arising from ownership dissociation have been reaffirmed by Davis et al (1997). A pictorial illustration of this model is shown below:



*Figure 7: The Agency Model*

*Source: PaperTyari, 2018*

Under the agency theory, the agent might capitulate to self-seeking, overambitious behaviour, falling short of compatibility between the principal's aspiration and the pursuits of agent (Abdullah and Valentine, 2009). Surprisingly, its approach is deferred by understanding of the risk. Even with such

complications, the theory of agency was initiated as a dissociation of ownership and control (Bhimani, 2008). Holmstrom and Milgrom (1994) proclaimed that the tendency of agents is that they will only concentrate on those projects which will contribute a high return and have a wage that is fixed and excluded from any incentive component (Abdullah and Valentine, 2009). The authors further stated that this will deliver an equitable assessment, but it does hardly suppress or even curtail corporate misconduct. At this point, the positivist approach is practiced where principal-made rules control the agents with the objective of escalating value of the shareholders. Therefore, the theory of agency applies an additional individualistic view (Tricker, 2005). Undeniably, relationship between ownership and management structure can be examined by applying the agency theory.

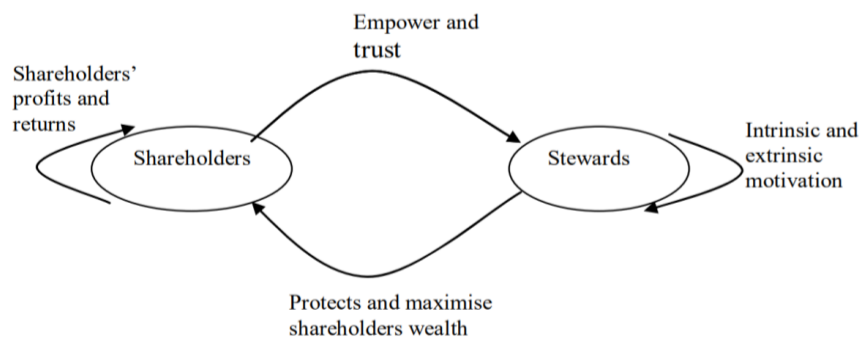
### **3.4.2 Stewardship Theory**

The stewardship theory is a view, interpreted by Davis et al. (1997) where a steward preserves and maximizes wealth of shareholders with the help of firm's performance; the utility functions of stewards' are maximized by following this theory (Abdullah and Valentine, 2009). In this view, the stewards are defined as executives and managers of a corporation who work for shareholders while focusing on the aim of protecting and generating profit for shareholders. Therefore, in contrast to agency theory, stewardship theory posits that managers of an organization are honest (Hernandez, 2008), free of deceit, highly driven by intrinsic recompenses than extrinsic rewards (Sundaramurthy and Lewis, 2003), and self-motivated for maximizing collective interests (Davis et al., 2000; Muth and Donaldson, 1998; Nicholson and Kiel, 2007; Wasserman, 2006). Hence, stewardship theorists argue that close monitoring can be detrimental as activities related to monitoring adversely affect the

manager’s motivation in pro-active performance (Hernandez, 2012). A pictorial illustration of this model is shown below:

*Source: PaperTyari, 2018*

Under this theory, the fundamental role of corporate governance is to support and maintain the core structure which ultimately eases the effectual and functional decision making by the firm’s managers (Davis et al., 2000). To keep consistency with this perspective, it is highly recommended by stewardship theorists to appoint dual CEOs (Donaldson and Davis, 1991); majority of the board of directors should be appointed from inside of the board (Kiel and Nicholson, 2003). Different studies found that if there is concentrated ownership, stewardship theory based board of directors is likely to



*Figure 8: The Stewardship Model*

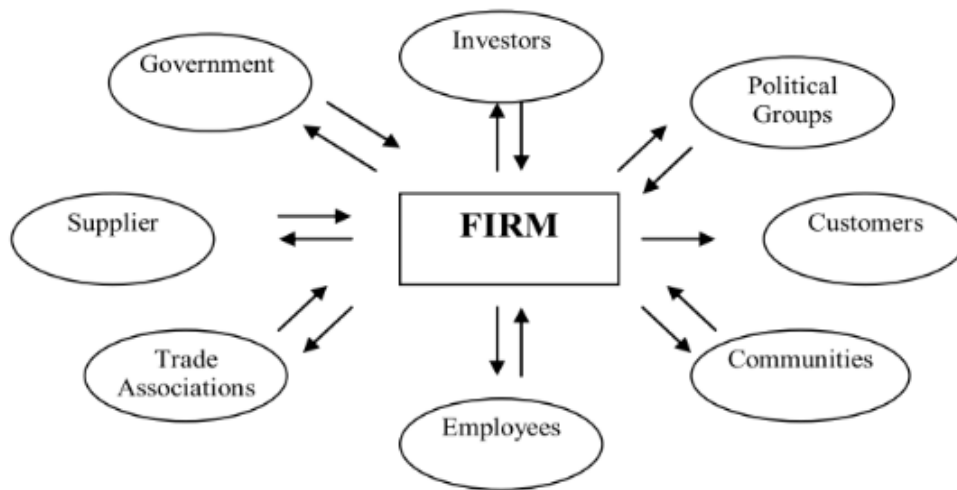
be more appropriate and relevant. (Chin et al., 2004; Huse, 2000). When only a few individuals hold majority shares of an organization, the stewards of that company can serve the concentrated ownership structure better. The directions of the top management’s decision approach are more concise towards the expectations of the shareholders.

Across countries, the definition and explanation of stewardship theory along with the effect of intrinsic and extrinsic rewards on supervisors’ motivation, however, varies (Sobhan, 2014). The stewardship theory is applicable in the developed countries as it is likely that the top management will be rewarded for their honesty towards fulfilling the shareholder’s best interests. The situation is

quite different in the developing countries where it is more beneficial for top management to serve their own interest before the shareholder's. As a result, the basic values of the stewardship theory can have different interpretations based on the region's reward norm provided towards the top management.

### 3.4.3 Stakeholder Theory

The theory was developed by Freeman (1984), focusing on the organization's accountability that incorporated a wide span of stakeholders (Reinhold et al., 2006). A pictorial illustration of this model is shown below:



*Figure 9: The Stakeholder Model*

*Source: PaperTyari, 2018*

Stakeholder theory is more of a combination of ethics, law, philosophy, economics and political theory based on organizational context. Theorists explain that the executives of the firms have to keep network with externals – this incorporates investors, government, suppliers, employees, and customers. On a different note, Sundaram and Inkpen (2004) explained that the stakeholder theory seeks to identify the stakeholders' rights (Reinhold et al., 2006). Again, Whilst et al (1995) contented

that each group takes part in business to get benefits. Nonetheless, Clarkson (1995) argued that an organization is a structure that contains stakeholders having the purpose of wealth maximization.

#### **3.4.4. Resource Dependency Theory**

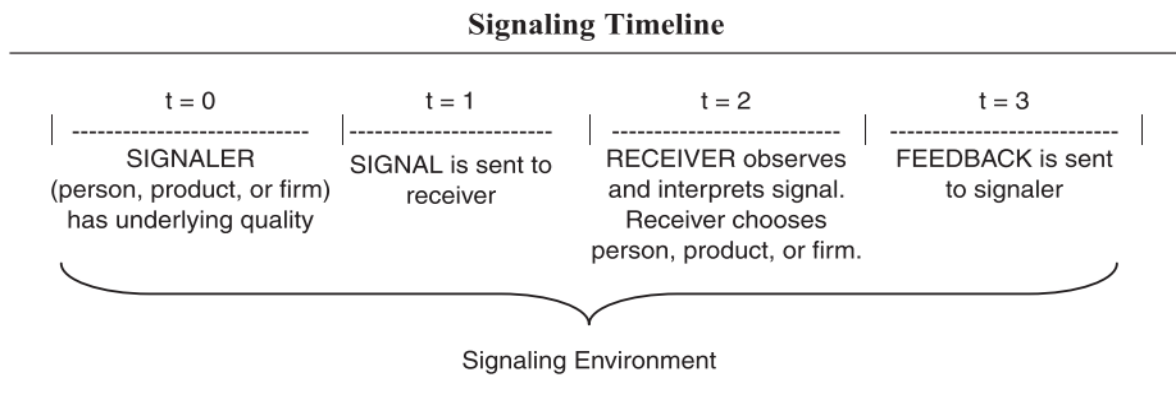
The idea of resource dependency theory is that companies rely on other corporations and environment for indispensable resources (Pfeffer and Salancik, 2003; Pugh and Hickson, 2007). In the same manner, the other corporations rely on companies for vital resources. Corporations require administering the network of interdependencies as the network of independencies constraints the success of corporation (Pfeffer and Salancik, 2003). According to the resource dependency theory, corporate governance is considered a summation of mechanisms that certifies not only the systematic management of network of interdependencies but also access to sparse resources, their administration and management (Boyd, 1990; Zahra and Pearce, 1989). Based on the suggestion of the resource dependence theorists, the board members' appointment should be based on their relevant knowledge and experiences which will ultimately assist the board of directors to give advice and instruct managers to set productive, effective and constructive strategies and policies for the betterment of the firm, assure the access to sparse resources, secure entrance of information channels between the corporation and the firm's respective environmental contingencies, and intensify legitimacy (Boyd, 1990; Cohen et al., 2010; Nicholson and Kiel, 2007; Pfeffer and Salancik, 2003; Zahra and Pearce, 1989). This particular view is also approved by a number of contemporary empirical evidence which says that firms contemplate environmental contingencies when appointment of board of directors takes place (Hillman et al., 2007; Kor and Misangyi, 2008).

Anglo-American codes of corporate governance suggested appointing board of directors that has adequate and relevant expertise and independence; this is fairly consistent with the perspective of resource dependency theorists. Therefore, it shows an indication that board of directors with adequate expertise and knowledge is solely a resource. However, if the appointed board has insufficient

independence, it will be too difficult to assure compliance with Anglo-American codes of corporate governance (Sobhan, 2014). Although there is mixed evidence, it is argued by Christopher (2010) that resource dependency theory's prescription is required to be followed in formulating board composition and size as well as appointing the senior managers of a company for the sake of increasing the efficacy of corporate governance (Sobhan, 2014).

### 3.4.5 Signaling Theory

The core concept of signalling theory indicates that information dissymmetry between members within the organization and shareholders and high-cost dividends be permitted in signalling the hereafter forecasts of organizations; this can consequently be applied to rectify unfavourable selection issues (George J. Papaioannou, 2017). The depth of the theory remains in attributing costs to data accession processes that clarify information asymmetries in a broader span of socio-economic circumstances (Connelly et al., 2011). A pictorial illustration of this model is shown below:



*Note:*  $t =$  time.

*Figure 10: Signalling Timeline*

*Source:* Connelly et al., 2011

Spence used the labour market to structure the signalling role of education (Connelly et al., 2011). Probable employers are not aware of the standards of job seekers. The job seekers need to establish their abilities in a quantifiable manner and their qualifications can be one of the measures. Their qualifications serve as a signal for their abilities which recruiter can use to assess the prospective job

seekers, thus mitigating the information asymmetry that may have existed without this measure. This is presumed to be a genuine signal since less qualified candidates would never be able to hold out against the austerity of higher education.

Kirmani and Rao (2000) also introduced a common example to demonstrate the fundamental signalling model (Connelly et al., 2011). In most of the cases of the signalling model, authors differentiate between two parts: high-quality organizations and low-quality organizations. Even though the organizations are aware of their true standards, outsiders such as capitalists, investors, customers are not; hence, information dissymmetry exists. Therefore, each organization has the chance to signal its intrinsic quality to investors.

Moreover, to illustrate the core relationship of signalling theory, financial economists also have established some examples (Connelly et al., 2011). They presumed that the debt and dividends of the firm constitute a firm's quality. As stated by the model, high-quality organizations have the capability to create interests and dividends for a long period of time whereas low-quality firms will not be able to maintain such things. As a result, this signal will be adopted as a firm's quality to outsiders.

To a certain extent, it is assumed, as per market efficiency, that stockholders are pragmatic and that prices systematically integrate all the accessible data, relying upon a distinct stock market (Sun et al., 1996). Nevertheless, because of information asymmetry between administration and stakeholders, administrators have the ability to select accounting procedures that best serves the purpose of presenting a rosy picture of the organization, thus hiding organizations' intrinsic economic value. However, researchers assert that managers of the organization may acquire discretionary steps to control earnings in an aim to delivering favourable or critical information about the organization's possibility of success in security markets (Sun et al., 1996). Earnings manoeuvre can point out to capitalists the prospect of greater earnings and pecuniary resources in the forthcoming.

As a consequence of market data dissymmetry, organizations can use the firm's financial report to give the signal to the financier (Sun et al., 1996). Managers have an inducement to intentionally disclose additional accounting data, even as a signal to entice present or probable capitalists and to intensify positive corporate identity, particularly when they strive to enter earnings management.

### **3.4.6. Market Myopia Theory**

The assumption of market myopia is that the price of a share is not considered an authentic measure of shareholder's wealth on a long-term basis because of the short-term orientation of most of the stakeholders and the organizations; long-term investments are undervalued by the stock market (Keasey et al., 1997). Their perception indicates that practices of corporate governance in Anglo-American countries (e.g. USA and UK) deal with four major drawbacks: ownership roles are not exercised by the shareholders because of their reluctance and incapability, short-term return on investment (ROI) and corporate performance are the only significant concern of institutional investors and managers, in comparison with corporate performance, remuneration of management is high, and the existence of outrageous threat of takeovers exist (Charkham, 1995; Sykes, 1994).

To recover the drawbacks of the Anglo-American model, the exponents of market myopia theory proposed that institutional investors pledge "*Relationship Investing*" over the long-term, enact a powerful monitoring role either by being a member of the board or by assigning independent directors if the legal obligations restrict the institutional investors to hold that particular position (Sykes, 1994). In addition, the suggestions include a successful abolishment of threats related to takeover, restriction on short-term shareholder's voting rights and thus, ultimately increasing the long-term shareholder's empowerment (i.e. employee and supplier) (Keasey et al., 1997).



### **3.4.7 Transaction Cost Theory**

Initially, transaction cost theory was developed by Cyert and March (1963) and after that theoretical explanation was given by Williamson (Reinhold et al., 2006). Transactional cost theory is comprised of an interdisciplinary association of law, economics, and business. The theory aims to perceive the organization as a firm consisting of people with non-identical visions and perspectives. The fundamental assumption of the theory is that the firm can structure the price and production. Hence, transaction cost theory explains that executives are opportunists and set out the firm's transaction based on their interests (Williamson, 1996). Further, transaction cost theory is one of the most significant portions of corporate governance which is based on the costs that is incurred when one gets others to accomplish something for him/her. Ronald Coase defined the theory as an alternative form of agency theory to understand the assumptions of corporate governance (Kaplan Financial Knowledge Bank, 2018). This theory defines a governance model which is based on the ultimate effects of organizational internal system along with external transactions. The cost of the transaction will take place when the firm deals with an external party. The major costs are: search and information costs that refer to costs associated with finding suppliers; bargaining and decision costs which mean costs that are related to purchasing a component; and finally policing and enforcement costs which refer to cost incurred with monitoring (Watkins, 1937). The firms have the capability to control the transaction and cost as well. According to Coase, even though there is a disruption in market transactions, there should be an authority who will rule the price system if there is any kind of discrepancy. Every firm has aimed to create a competitive market by lowering the cost of a factor of production in comparison to the actual market. Prior to that, Coase noted that the cost associated with incremental increase in transactions had a positive proportional and concurrent relationship with the market transaction costs (Watkins, 1937).

### **3.4.8. Political Theory**

The political theory incorporates the act of politics in the governance structure of an organization (Aguilera et al., 2006). The theory stresses the process of developing a voting support system for shareholders which will enable the governance body to purchase the voting rights from them. This allows the political influence to set up the tone of good governance practices within an organization. The growth of governance development has the potential of being influenced by the political model adopted by the corporation when the political theory is utilized. The holistic view of corporate governance should enable the organization to gain stakeholders' trust by maintaining the practice of accountability and transparency. However, the instillation of politics governing the good governance practices for an organization can jeopardize the stakeholders' interest if caution is not utilized as the privileges, power and profits of the organization are ruled by the governments' benevolence. The concerned parties should approach this mechanism with upmost integrity if they want to successfully implement the practice in an organization without negatively impacting corporate governance practices.

While these longstanding theories work as the foundation of today's corporate governance practices, recent developments in the business environment might require some form of adaptation of few of these principles due to the impact that these developments have had on numerous business organizations.

## **3.5 Impact of Covid on Corporate Governance**

Due to the unprecedented nature of the recent pandemic (Paine, 2020), tried and tested governance tactics do not have any relevance with the extraordinary period we are going through now. The bars have been reset for the corporate governance practices. As we ease into the new normal, the rules of good governance policies must be altered in order to accommodate the new normal.

The covid-19 situation has halted daily lives, and this affects businesses as well. The health crisis has trickled down to poor economic performance which is not good news for corporations. Most businesses depend on a fine balance of cash flow and not every organization is flushed with cash at all times (Paine, 2020). The situation definitely impacts how the shareholders will receive their dividends when many businesses are struggling to stay afloat. Policies are being implemented by governments to cut down on dividends which might give out the wrong kind of signal for some firms. As dividends are a measure of shareholder's reward for investing in the company, when the returns are low, investments have the potential of drying up. The fine balance of maintaining equity returns while laying off employees can take its toll on the stakeholders of the business. The community centric nature of today's governance practices places the companies in a tough position. An organization has the potential of earning a bad name in the marketplace if the stakeholder's best interests are not catered to. The board is now facing the challenge of addressing social needs such as public health in order to implement a sustainable business model. Board meetings are now more dynamic and challenging in nature instead of being bogged down by pre-set guidelines as new concepts are being explored to address the uncertain future.

The pandemic is providing the final stage of push towards the stakeholder centric business model from the previous shareholder centric model of maximising the shareholders' returns. The board members are presented with the opportunity to observe the significance of stakeholders' wellbeing in order to sustain business growth. A market just would not exist if the shareholders did not have part in it which is being made obvious from the consequences being observed for the lockdown that is disrupting trade. This marks the new era of corporate governance practices where the paradigm has surely shifted.

### **3.6 Corporate Governance Practices in Developing Countries**

Developing countries are different from economically developed countries in a number of ways; hence, developing countries have established a framework of corporate governance that suits them well (Mulili and Wong, 2011). Combining the nation's economic, political, cultural, and technological context, developing countries practice the model of corporate governance in a different manner than developed countries. While the contemporary principles of corporate governance have introduced the perceived misalliance between the managers and stakeholders' interest, the organizations in developing countries like Myanmar do not experience similar issues between management and stakeholders. Alternatively, management of the firms in the developing countries is mostly driven by social ties and therefore challenges of corporate governance emerge from more unformed proprietorship structures. However, a family business can mitigate the dispute between management and stakeholders due to active involvement of owners in daily functioning of firms. Even if problem regarding corporate governance exists, the issue is definite; the reason is that stakeholders are not interested enough to drive the company way ahead towards success. The owner of the organizations generally fails to acknowledge the opportunity of business, or they are not enthusiastic enough to take the risk that may help the growth of the organization's business. Then again, conflict among successors can put the firm under pressure and shake the firm's integrity that may result in long-term effects. Apart from privately owned businesses, the closely held corporations have faced similar types of challenges regarding corporate governance. Closely held corporations consist of a majority (generally 50%) of stock outstanding possessed by less than five members of the organization (IRS, 2019), thus the control of the organization are held by few members that provokes external clash of shareholders' interests. Considering the situation, the shareholders who are minor in the firm cannot reflect their wishes to become larger shareholders, hence the scenario translates into a clash in the middle between administration and shareholders, towards a three-dimensional conflict among substantial block holders, minor shareholders, and management.

In addition to these structural issues, in developing countries, the role of company actors is often misused and misplaced, particularly in the part of directors of a corporation. The developing countries often follow the idea of autocracy: for instance, reward has been given to the owners of the organization for long term sustainable and favourable relationships; therefore, only the members perceived to be suitable to the family proprietor will have the actual prospects to be elected as a board member of the organization.

To address these challenges, legitimate regulatory structures in developing nations have been moderately but consistently improving to cope with the degree of demands from cautious investors; further modification may take place to hold the true principles of corporate governance. For example, India introduced corporate governance through “Indian Companies Act of 2013” that explains some escalating and transparent procedures which address the interests of shareholders, government, directors, and the administration of the organization (McRitchie, 2015). The lately introduced policy and regulations are being informed to the shareholders in an aim to reform the corporate governance principles. The mainframe of the organization is accountable for maintaining the corporate governance structure. Indian corporate governance seeks to secure strict and systematic implementation of management practices incorporating legal conformity, frequently modifying corporate structure. However, the corporate regulatory authority of Myanmar, named Myanmar Companies Act, was not able to introduce properly the core issues related to corporate governance at the very beginning because the corporate regulatory authority was formed earlier than the formation of modern concepts. The Act was founded in 1914 and it provided indirect restriction to the violation of the duty of trust - the fundamental protection against the requisite regulation of shareholder acceptance for significant organizational decision. Although the safeguard includes the rights of shareholders and prohibitions to the disclosure of shareholders' information, there is a high chance that it may fail to provide specificity to the potential investors and stakeholders. Along with this, in this complicated situation, foreign investors may be hesitant to move forward as the principles are

not consistently and uniformly imposed. To deal with the situation, developing countries will need to reinvigorate their legislation concerning corporate governance and give remarkable and utmost efforts towards persistent implementation.

### 3.7 Conceptual Framework of Corporate Governance

#### 3.7.1 Stakeholder Framework

Stakeholders are the most prominent figures who determine the future growth potential of business in this present world (Scherer and Voegtlin, 2020). The frameworks in practice today revolve around the involvement of stakeholders in the organization’s decision-making process. Companies need to commit to fulfilling some requirements of disclosure practices, transparency, accountability and voting rights to ensure that the stakeholders can engage with the organization’s development affectively (Mason and Simmons, 2014), as depicted in the figure below:

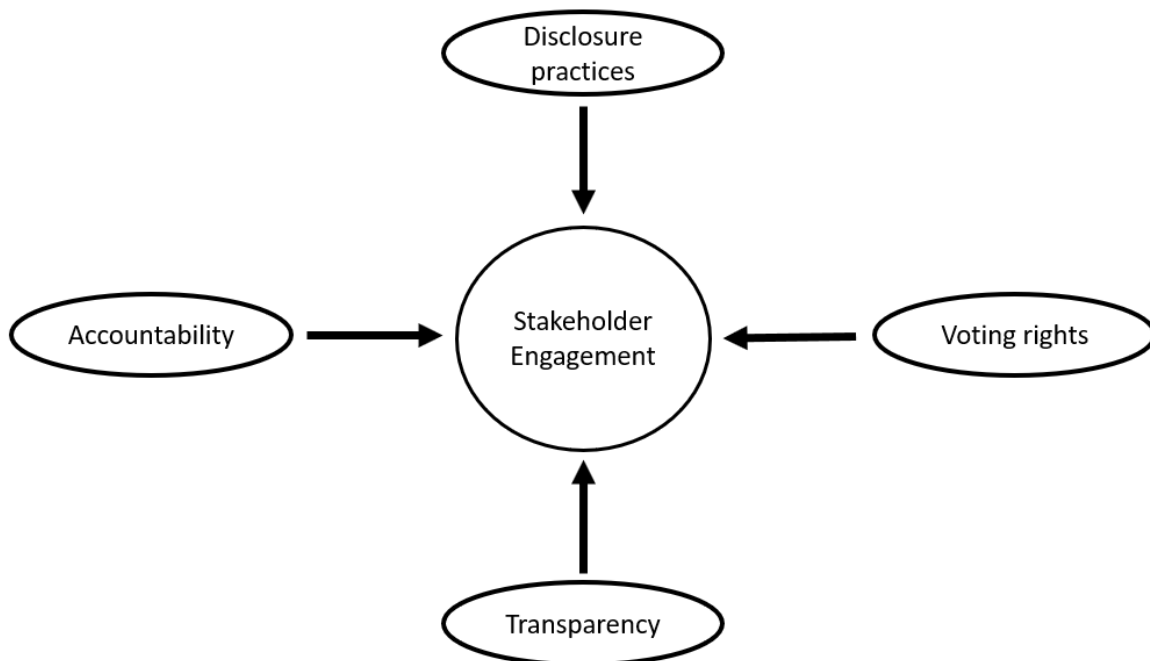
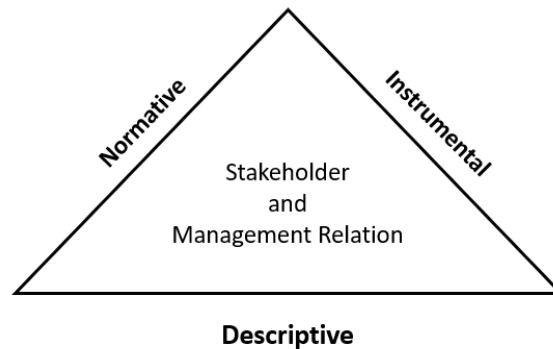


Figure 11: Stakeholder Engagement with the Organization

Source: Mason and Simmons, 2014

The efficacy of stakeholder participation with the organization can be estimated by three qualitative criteria (Mason and Simmons, 2014). Firstly, the organization needs to implement the description of

stakeholders' participation by mandating proper literature. Secondly, the instruments of protecting the mechanism should be adopted in order to effectively engage the stakeholders. Thirdly, a normative ethical rationale needs to be implemented to mitigate the interaction of stakeholders with the top-management. These core principles are adequately represented by the disclosure practices, transparency, accountability and voting right measures adopted by the organization, as shown in the illustration below:



*Figure 12: Stakeholder and Management Relationship*

*Source: Spitzeck and Hansen, 2010*

Stakeholder participation in the decision-making process of organizations is likely to have greater impact in the company's community outreach than the counterparts who do not utilize proper stakeholder participation (Spitzeck and Hansen, 2010). The reasoning behind this is that when the stakeholders are well-represented in the management of a company, the goals of that organization have the potential of being consumer centric which increases the stakeholders' chances of engaging with the company.

The stakeholders are actively represented by the board of directors (Fawal and Mawlawi, 2018). The effectiveness of the board can be accounted for by their success of improving the relationship between stakeholders and the top-management. The board of directors are responsible for protecting the stakeholders' best interest and their functions are solely dedicated towards the improvement of this

relationship. The organization's board competency is reflected by their commitment towards the growth and nourishment of this relationship.

### 3.7.2 Corporate Governance Expectations

Corporate governance best practices enable the firm to make statement regarding their commitment towards the long-term business growth (Kolk, 2008). This enables the investors to make discerned investment decisions. The indicators that can be utilized to compare the status of the quality of good governance practices utilized by different companies can be quantified by their status of foreign direct investment, market reputation and corporate social responsibility (Wijayati et al., 2016), as shown below:



*Figure 13: Corporate Governance Best Practices*

*Source: Wijayati et al., 2016*

Companies with good corporate governance track record actively participate in corporate social responsibility programs which serves as an indicator of their commitment (Wijayati et al., 2016). This is likely to attract foreign direct investments as the foreign investors would get the impression that the organization is determined to respect the stakeholders' best interests (Soleimani et al., 2014). FDI

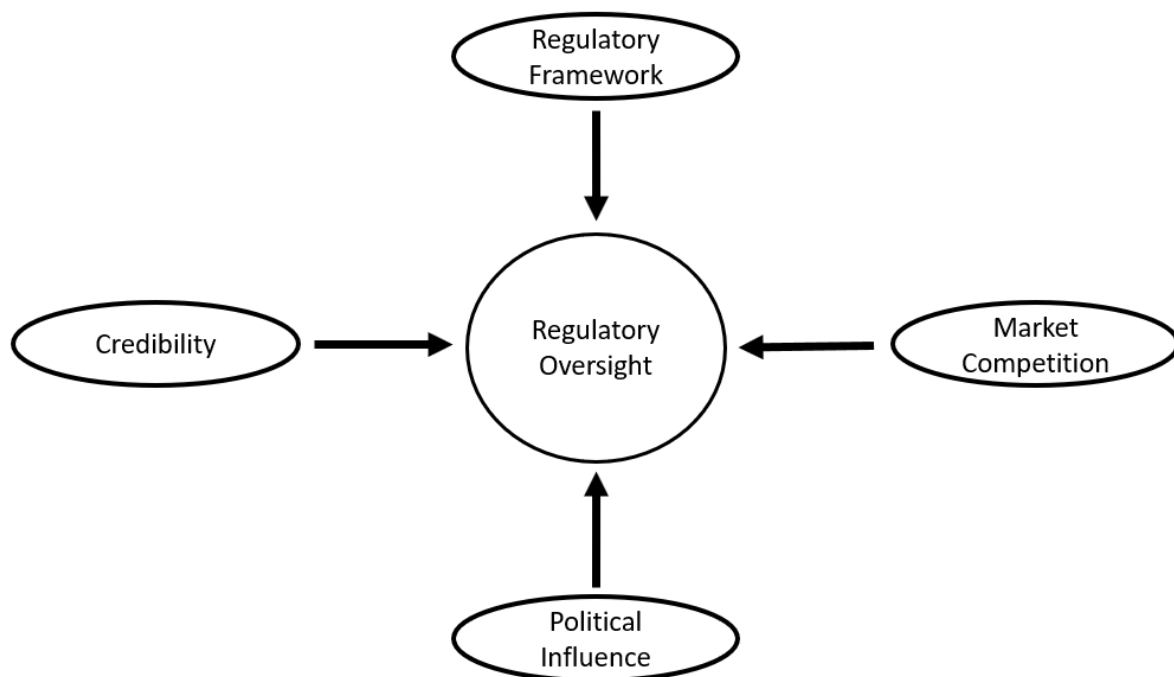


and CSR determines the market impression of the sustainable future of the company as these set the overall tone of their reputation in the marketplace.

Corporate governance measures are hard to interpret as the respective guidelines adopted by different organizations cannot account much for their effectiveness in the real world. Alternate measures such as FDI, CSR and market reputation can determine the extent of the success the implemented good governance measures were responsible for.

### 3.7.3 Regulatory Body as The Mediator

As shown in the figure below, regulatory oversight, a crucial mediator of governance, consists of four pillars. First, the regulatory authority performs as a mediator between corporate governance practices followed by a firm and the role of stakeholder participation. The regulatory framework is the primary guideline that corporations must abide by no matter which industry they are operating in (Soleimani et al., 2014). This is the basic form of failsafe that ensures that the good governance practices stay on track.



*Figure 14: Regulatory Oversight in Corporate Governance*

*Source: Wijayati et al., 2016*

Political influence is the next consideration which can skew the effectiveness of the regulatory oversight (Soleimani et al., 2014). The corporate governance guideline might be industry leading but without government support, the enforcement power of that guideline will be non-existent. Regulatory oversight is essential to promote a competitive marketplace as that is the primary way of ensuring consumer welfare. The stakeholders are benefitted from the existence of fierce market competition which promotes innovation and raises firm efficiency.

The regulatory authority must be able to hold on to the entity's credibility. When they fail to do so, the market would not respond to their oversight any further (Soleimani et al., 2014). The policies implemented by the regulator must address the situation where market failures might take place. Policy confusions can lead to a loss in trust on the regulator which diminishes their regulatory power over the marketplace as a mediator.

### **3.8 Conclusion**

This chapter explains corporate governance from different theoretical points of view. The theories that formulate the core of the corporate governance framework were developed to address the conflict of interests that may arise between the top management and the stakeholders of the organization. The corporate governance framework establishes harmony between the managers and stakeholders while improving the financial performance of firms by establishing measures to implement the good governance policies. While the corporate governance framework may not be a mandatory guideline that dictates business decisions, it provides a framework for organizations to operate while respecting the best interest of the stakeholders of the business (Reinhold et al., 2006). Corporate governance gives more priority to social cohesion rather than a procedure-oriented framework.

In this continually changing era, business operations should analyse other critical issues such as business legislation, culture and organizational contexts (Abu-Tapanjeh, 2009). As the internal and external environment is changing gradually, the framework of corporate governance is facing modification to cope up with external and internal dynamics. The internal environmental mind-set is different from the external environment as that is highlighted to maximize the profit of shareholders (Reinhold et al., 2006). There are issues in the external environment regarding the reformation of large businesses, mergers, acquisitions of the corporation, financial funding, the emergence of start-ups, corporate collaborations, internationalization of organization, fast-changing information, and technology; these have impacted directly or indirectly to reshape corporate governance. The corporate governance frameworks may vary from country to country due to different cultural values, socio-economical, and political circumstances.

A successful and effective corporate governance cannot consist of one theory; rather, the best practice can be a combination of different theories introducing not only social cohesion but also rules, procedures and implementation of legislation that surround the practice of good corporate governance, moving beyond the standard or general approach to corporate governance (Mulili and Wong, 2011). It is proven by the literature that even if there's strong legislation, the infringement of guidelines of corporate governance has taken place. Therefore, it is paramount that comprehensive realization be introduced to the corporate world to promote a proper viewpoint of corporate governance. Keeping this realization in mind, the next chapter introduces the discussion of corporate governance index – a quantitative metric to measure the corporate governance compliance status of an entity.

## **CHAPTER 4: CORPORATE GOVERNANCE INDEX**

### **4.1 Introduction**

The survival of any business in this modern world depends on the organization's ability to conquer the market they are operating in. In order to secure their presence, organizations in the past have resorted to greedy measures as directed by the top management of organizations such as Enron and WorldCom (Karim et al., 2010). While their actions may have taken care of the short run goals, they couldn't survive in the long run. This is not a desirable outcome for both the business and its stakeholders. In such circumstances, the corporate governance index ensures that the organizations are following certain set of guidelines to avoid undesirable outcomes.

The importance of corporate governance measures has been jumpstarted by the past misconducts of top managements (Jackson and Carter, 1995). The companies got away with these misconducts because there were no set rules that condemned them directly. Thus, the corporate governance guidelines were set up in order to restore public confidence so that companies adhere to certain standards (Oliver, 1995). The companies are now required to maintain a greater deal of transparency so that the investors can make better informed decision regarding investing in the business (Khan et al., 2013). The capital market's health improved as the financial disclosure reflected the business status better. The top management could no longer get away with just serving their best interest. They now have to consider the stakeholder's benefit with every decision they take. The gap that existed between the top management and stakeholders is now mitigated by the good governance polices. All parties involved with the organization benefit from these guidelines as their best interests are ensured.

The existence of corporate governance best practices was developed to combat the inherit business problems that are caused by the selfish agendas of the top management and their lack of accountability towards the stakeholders of the business. The guidelines have gone through phases of trial and error

to ensure that the gap between top management and stakeholders are bridged. The fine tuning did not take place from the get-go; their development will be discussed shortly.

The global marketplace is a tight knit community where countries depend on each other for production specialization as countries increase their focus on productions where they have a competitive advantage. The dependence has led to investment in different regions as the entire production process does not take place in the same place any more (Rashid, 2009). The idea of corporate governance measures came into prominence due to this interaction. When the companies are investing in other regions, they need to ensure that the core structure of how the organization is operated matches with that of the investors. This ensures the long run survival of the firm because when firms make the effort of following mandated corporate governance policies, they are committed towards continuing business. The best interests of foreign and local investors can be attracted by following good governance practices. This ensures a competitive edge for the business. Corporate governance is nothing but the glue that holds together the individual business' and stakeholders' best interests together through the implementation of certain good governance policies (Cadbury, 2000).

## **4.2 Core functions of Corporate Governance Index**

The corporate governance best practices have many components in order to facilitate the good governance practices that is often associated with corporate governance guidelines (Rae et al., 2017). At the end of the day the primary task of a corporate governance guideline is to converge the best interest of the stakeholders of the business with that of the top management who are responsible for taking business decisions - when an index is developed, this is the core idea that needs to be addressed in order to have a desirable outcome for the organization.

The corporate governance guidelines are given great importance around the world because of its ability to reflect the financial potential of businesses. The indices that are assigned to the companies serve as a measure of their valuation. In order to construct an index, firms must prove their abilities in certain criteria which determine their score. These criteria construction is done in such way that the organizations' commitment towards maintaining certain transparency and integrity standards is reflected (Rani et al., 2016). These actions make the top management more accountable to the stakeholders of the company. The index construction allows the potential investors to determine the possible future valuation of the company which helps secure the organization's future profitability in the industry. The index constructions need to fulfil the requirements of some theories which form the fundamental core of any guideline. Thus, before we discuss about the variety of governance index that exists, we must go over the basics of how they are constructed.

#### **4.3 Method of Corporate Governance Index Construction**

The implementation of corporate governance best practices came into prominence due to globalization. The aim was to provide a benchmark set of rules that will bridge the trust between nations so that trade can flow freely. When the parties are aware of the best practices observed in these nations, they can predict the outcome a business can provide and invest accordingly. As a result, the different guidelines that exist uphold certain regional requirements to ensure good governance practices (Ahmad and Omar, 2016). For example: the countries where they prefer to keep the business within the family will not be able to operate with guidelines that require a more fluid transfer of power. When constructing the index to measure corporate governance, the guidelines must ensure that these regional differences are addressed. Otherwise, it will be difficult to ensure that the good governance practices are being followed. The goal is to identify key regional differences and develop policies accordingly to address them.

Globally there are different models to respect these regional differences (Hoynes, 2011). The policies vary depending on the regional priorities which is based on the governance norm of that region. However, the guidelines on their own does not offer substantial indicator as to the long-run status of the organization following them (Khanchel, 2007). In order to understand the future potential of an organization, it must be measured by using a relative index. The index measure will account for the different areas of the business performance to assign a score so that the cross analysis with other firms following the same set of guidelines can be done to predict the long-run potential of the organization. The score is assigned based on certain performance categories: management, accountability and transparency maintained by the organization (Rani et al., 2016). However, these observations cannot be measured directly. Thus, proxies are used to convert the qualitative data into quantitative measure. The qualitative indicator serves the purpose of representing the top management performance in meeting stakeholder needs. The index measures built following this methodology can provide possible predictions regarding the company's future financial performance.

The core principle of corporate governance index measurement is to provide a benchmark score regarding the organization's commitment towards maintaining the good governance practices. The score is comparative as it can be used to compare different companies following the same guidelines. This serves as an indicator to determine the long-run profitability of the business because research has shown that there is a significant correlation between the financial performance of firms and their corporate governance index score. The quantitative measure serves as a tool that can be used to make investment decisions which benefits the stakeholders of the business. In the next section, different kinds of indices will be explained in detail.

#### **4.3.1 Commercial Indices**

The importance of having a well-defined corporate governance index measure in order to determine the state of good governance practice observed by the company is undeniable. The requirements to

calculate the index are facilitated by some well-established commercial players who have had years of experience providing audit and rating related services. They offer these services based on some monetary returns from the companies who are employing their services. The commercial agencies have proven track record which makes them the ideal candidate to offer these commercial rating services.

The commercial indices are prominent because there is always the chance of biased result being provided when a company initiates its own index construction. Since the internal stakeholders will be responsible for the index construction, when done in-house, it is likely that they will prioritize their own best interests. As a result, this task of index construction is outsourced to other firms who specialize in this sector. When they verify the performance of the organization in order to assign the index, it is likely to be an unbiased representation of the company's future that the stakeholders of the business can trust before investing (Daines et al., 2010). This has enabled some firms to exist who specialize in these kinds of index construction on a commercial basis. The better known they are the more likely they are to be trusted by the vast majority of the stakeholders.

However, the commercial index construction has its fair share of flaws. Since these firms only provide rating services, their business relies on repeated service being provided to their customers. It is likely that they need to fulfil their clients' expectation when doing so in order to ensure that they return to them. They can provide a better version of the rating in order to attract more clients from their competitors which raises conflict of interest. This makes the commercial index constructions rather sketchy at times.

#### **4.3.2 GMI Rating**

The GMI rating stands for Governance Metric International. It operates as an independent rating and research agency. GMI is one of the leading players in the market that mostly specializes in the OECD



principles of corporate governance (Xanthakis et al., 2006). The index construction by GMI has taken place by accumulating qualitative data from interviewing the top management of the subjected organizations. The qualitative data is then converted to quantitative index based on the “board accountability, financial disclosure, shareholder rights, compensation policies, market for control, shareholder base, and corporate reputation” (Xanthakis et al., 2006). They also rely on public data as well as private data when assigning the index rating to reflect the true potential of the business. The final index is a score which is measured on a scale of 1-10. Since the index is based on the OECD principles, they are comparable against a wide range of index measures that follow the same guidelines. The trusted methodology used to construct these indices can be used to provide comparative status of individual corporations which the stakeholders can utilize to make investment decisions. The GMI measurement has been able to provide a standardized method of indexing companies which is trusted worldwide to provide a proper performance valuation of the organizations they represent.

#### **4.3.3 Standard and Poor’s Rating**

Standard and Poor’s rating agency has a dominant presence in the commercial space for being one of the most prominent players in the industry. It is an American based credit rating agency who has operations in a wide range of rating related services (Xanthakis et al., 2006). Standard and Poor’s employs the OECD guidelines to construct their rating services. The rating agency has operated in the States since 2001 and it has years of expertise in providing valuable insights into the performance analysis of businesses. It utilizes both public and private data that is accumulated through interview and market research process. The primary business functions it focuses on in order to construct the index measures are: “ownership structure and influence, shareholder rights and stakeholder relations, financial transparency and information disclosure and board structure and process” (Xanthakis et al., 2006). It’s tried and tested OECD principle base makes the index comparable within the industry in order to make investment decision based on the ratings assigned to the organizations. It has the

reputation of being the best in class for providing these rating-based services and its popularity won't die down anytime soon which makes its ratings system robust, giving years of possible comparative score for the clients.

#### **4.3.4 Institutional Shareholder Services**

The adoption of different corporate governance principles can lead to discrepancy in terms of index measures. The Institutional Shareholder Services was established with the goal of bridging the gap that may exist due to institutions following different index measures which makes them less comparable against each other (Beckley et al., 2005). The five key mechanism that are observed through external and internal survey of the individual business i.e., “ownership structure and influence, shareholder rights and stakeholder relations, financial transparency and information disclosure and board structure and process” provide an in-depth analysis of the company's performance (Xanthakis et al., 2006). The quantitative rating score is based on a scale of 1-5. Due to the use of methodology that enables them to be compared against a wide spectrum of indices, the ratings facilitate a comparative analysis of the business. The stakeholders can compare the business performance within and outside the industry with ease. The cross-reference benefit provided by the Institutional Shareholder Services provides the best possible case for international business comparison across different regions.

#### **4.3.5 Credit Lyonnaise Securities Asia**

The regional difference in terms of business norms were discussed earlier on. It was witnessed that the Asian region has a different approach towards the corporate structure of companies than the Western countries (Shen and Chih, 2007). As a result, the Credit Lyonnaise Securities Asia was launched back in 2001 to provide a more comparative analysis index measure for the Asian region. The agency initially started with around 495 organizations in order to establish the benchmark level of comparison between companies. This was the first time that an index measurement was not done

based on developed nation methodology; rather, it was more suitable for the developing status of the vast majority of the countries situated in the Asian region. The comparative rating is constructed based on seven key indicators that are accumulated through private and public data to measure “discipline, transparency, independence, accountability, responsibility, fairness and social awareness” (Shen and Chih, 2007). The key component of Credit Lyonnaise Securities Asia is the weighted structure for measuring the index based on the country’s socioeconomic structure. The Asian region has a rather complex market structure where there is a mix of developed and developing countries. The weighted structure of the index measurement allows the firms to do a fairer evaluation of their performance when comparing against other similar organizations in the region. The other standardized index structures would have failed to fairly evaluate these companies and their valuation would have reflected poorly on the companies operating in the developing regions. The stakeholders are able to take more robust investment decisions due to the weighted index measurement structure of Credit Lyonnaise Securities Asia.

#### **4.4 Academic Indices**

The commercial corporate governance index measure has existed to necessitate the fair evaluation of the performance indicators of a business through an external stakeholder. This is done to provide a fair valuation of the businesses’ performance potential in an unbiased manner as it is outside the influence of their internal stakeholders. However, the index measurements provided by the commercial agencies are not without their fair share of flaws. The academic index measures came into existence in order to account for the shortcomings of the commercial index measurements.

The commercial index measures are usually provided by well-established players in the marketplace. The methodology that they follow are usually constructed based on already established guidelines that are well known and accepted (Daines et al., 2010). In most instances, they do not go through further research and development in order to customize the methodology to address the flaws that the

guidelines may contain. The commercial index measures mostly account for a fixed set of parameters in order to construct the indices with minor deviations in order to set themselves apart from the rest of their competition. Ultimately, the construction of the indices shares the same identical framework, just under different names - based on who is offering them. The differences are usually constrained by their choice of proxy that is utilized to construct the indices.

The biggest flaw of commercial index measure is its use of proxy in order to convert the theoretical framework to reflect the practical world (Nerantzidis, 2016). The truth is that the proxies do not always translate the real-world observations too well to reflect the performance indication of the business. Also, the existence of tough market competition between these commercial rating agencies means that the methodology used to construct these indices are not freely available. This means that they are not replicable by others to justify the accuracy of the index scores that are assigned by these commercial rating agencies. As a result, the academic indices were created to solve this major flaw. The academic indices are usually measured by rigorous market research in order to account for all the possibilities that can affect the business performance. Being academic in nature, they are meant to be recreated and validated by others in order to establish the reliability and accuracy of the methodology. The academic indices can more accurately reflect the true performance of the business due to their nature of transparency and replicability.

The commercial index is a plain and simple approach. These indices utilise the established frameworks in order to provide the index measure. This is enough in most cases to aid the investors with their investment decision. The academic indices address the flaws with the commercial index measures in order to provide a much fairer method of evaluation of business performance. However, there exists fair share of controversy with the academic measures with regards to evaluating their proper efficacy when assigning performance indicators. As a result, commercial indices are the tried

and tested standard that is widely in use because they get the job done consistently that they were designed to do.

#### **4.4.1 Corporate Governance Rating**

There was an extended study on Corporate Governance Rating by Drobetz et al. (2004) based on a previous study by Gompers et al (2003); the aim of this research was to establish whether there exists any significant explanatory power of the corporate governance measure of an individual firm when it is compared against an entire industry. The initial study was done based on a survey that considered around 30 corporate governance proxies distributed into five categories: “corporate governance commitment, shareholder rights, transparency, management and supervisory board matters and, auditing” conducted by interviewing 91 German companies (Drobetz et al., 2004). The results from the study observed that there does exist a significant prominent relationship in terms of the individual corporate governance score of an individual firm when it is compared against the wider industry. However, the study did witness one caveat as it observed that there seemed to be an indication of a negative relationship of the stock returns when compared against the index scores for individual firms. They concluded that this might be due to the model’s inability to address the block ownership of shares that exists in the German market structure. The research was able to establish the significance of index measurement of the individual firms when compared against the rest of the industry which proves the efficacy of such methodology of formulating comparative measures.

#### **4.4.2 Gov-Score**

The Gov-Score is an academic measure based on the basics of Institutional Shareholder Services (Brown and Caylor, 2006). Few proxy measures are constructed here based on the previous index measures from ISS that represented the performance scale of the firms, upper or lower scale, based on comparative firm performance from a study sample. The score tried to account for both the internal and external factors that could affect the corporate governance score of firms by implementing 51

different kinds of measurements. The index measurement of the score is based on the fulfilment of seven primary criteria: “board members are elected annually, company either has no poison pill or one approved by shareholders, options re-pricing did not occur within the last three years, average options granted in the past three years as a percentage of basic shares outstanding did not exceed 3%, all directors attended at least 75% of board meetings or had a valid excuse for non-attendance, board guidelines are in each proxy statement and, directors are subjected to stock ownership guidelines” (Brown and Caylor, 2006). The indicators are converted to binary scores based on their placement in either the upper or lower decile of the scale. The binary score expresses the firm’s performance as either their expected performance which is good or unexpected performance which is bad when compared against the industry standard. The study concluded that the organizations who performed well in the index measures generally paid out more dividends due to better profitability (Jiang et al., 2008). The gov-scores reflected their proper valuations in terms of establishing their performance indicator which was beneficial for the stakeholders in terms of maximizing returns from their investments when making investment decisions.

#### **4.4.3 Key Corporate Governance Index (KCGI)**

The Key Corporate Governance Index is the outcome of an extended study that is based on a study by Brown and Caylor (2006) where the authors have utilized the parameter for Korean public companies (Black et al., 2006). The data obtained from the Korean Stock Exchange Survey which was carried out in 2001 was used to construct the parameters: “board composition, shareholder activism, executive compensation, Delaware corporate law, insider share ownership and, takeover defenses” (Black et al., 2006). However, it has been observed that the results were dependent on signaling theory which was not accounted for in the study. If the signaling theory was accounted for then this would suggest a significant relationship of dependency between the corporate governance index measures and the Russian share ownership. The study then further extended the desired parameters to account for the dependency that was observed previously by introducing five-sub

categories as a proxy for the index measure: “shareholder rights, board structure, board procedure, disclosure and ownership parity” (Black et al., 2006). The study was then later able to provide a justifiable conclusion regarding corporate governance measure. They determined that while good index scores are essential for a well-rounded performance in the capital market to generate the required investments, they did not reflect the profitability that the organization might have in the future. The implied benefit that the firms observed due to having good corporate governance scores is a result of their access to low-cost capital that has benefitted their profitability in accounting terms rather than their actual performance potential when the dependency of signaling theory was taken into consideration.

#### **4.4.4 G-Index**

The G-index was discussed in a study by Gompers et al., (2003) where the authors wanted to evaluate the impact on the valuation of firms due to shareholders’ presence in terms of their importance in reflecting the firm’s performance. The study implemented the use of 24 binary parameters that reflected the good governance scores; the parameters were divided into five categories: “tactics for delaying hostile takeover, voting rights, director/officer protection, other takeover defenses and state law” (Brown and Caylor, 2006). The binary scores were based on the authoritarian nature of the management of the organization. The parameters were given a score of one if the shareholders’ presence in the decision-making process was lower than that of the top management. This enabled the researcher to divide the observations into two groups based on the approach observed by the top management of that firm: “Dictatorship Portfolio” and “Democracy Portfolio” (Gompers et al., 2003). The different groups represent the observations where the shareholders witnessed the weakest and strongest rights respectively based on the approach the top management implemented. The conclusion of the study was based on the resilience of the firm against being taken over by another firm. It was observed that the firms where the shareholders observed the weakest shareholder rights suffered from comparatively lower returns from their dividends when compared against other observations from the

study. As a result, the firms where the shareholders had weaker implementation of their rights generally had lower company valuation in the comparative analysis. Thus, the valuation of firms depends on the shareholders' rights observed in that organization.

#### **4.5 Corporate Governance Index Relevance in the 21st Century**

The basic idea of corporate governance index measure is to identify the commitment of the company towards sustaining the best interest of the stakeholders who are affiliated with the company (Rae et al., 2017). While the ideology was grand when it started as this mechanism was able to address the stakeholders' importance in business which curtailed some of the influence of the top management, the present-day scenario is a bit different. The corporate governance framework is at the pinnacle of change, especially for industries involved with disruptive technology. Traditionally, corporate governance mostly revolved around the idea of the shareholders of the business and it slowly evolved towards including the stakeholders of the business (Kolk and Pinkse, 2010). The environmental impact was only a part of the concept of corporate governance that was bundled up with the stakeholders. However, the social impact of companies is a real area of concern at recent times. The idea of corporate social responsibility is becoming more prominent. Even though this concept can be considered a subsection of corporate governance policies, the idea has its own individual characteristics which is being recognised only recently.

Mobile telecommunication industry belongs to the disruptive technology industry. This is especially true for the recent 5G technology development which has led to fierce rivalry between the West and the East (Tan et al., 2020). The most prominent headlines that resulted from this rivalry were the health and environmental impacts that this technology may possess in the real world if the standards are not implemented correctly. However, there was insufficient data to prove the claims of either party as to what the true extent of the environmental damage could be caused by this revolutionary technology that was taking up the communications industry with a storm (Kostoff et al., 2020). This



situation presented the challenge associated with disruptive technologies. Even though the scale of impact on our lives would be great when this technology is adopted by our society, there may be the consequence of equal or greater proportion of adverse effects which may be far more damaging. The environmental effect due to the actions committed by companies is more important in recent times given the adverse effects of climate change that we are observing at present times. However, the corporate governance index constructions are not able to address the measure of corporate social responsibility in a stand-alone manner which results in diminished functionality of the corporate governance measure in the modern day (Jain and Jamali, 2016). The social impact should receive relevant prominence in the corporate governance index constructions if the measures are to have significant impact in the 21<sup>st</sup> century.

#### **4.6 Application of Corporate Governance Index in the Telecommunication Industry**

The mobile telecommunication industry is one of the most prominent sector in modern times (Beers, 2019). In the recent times, this industry has gone through changes like no other. The technologies that are utilized has come a long way since its heyday when telegraphs were a method of communication. At present, the data hungry consumers have access to smartphones with huge computational abilities and the mobile telecommunication industry has to cater to that. The modern world won't be able to make the desired progress without the support that it receives from the mobile telecommunication industry.

The significance of the mobile telecommunication industry is quite evident due to its presence in our daily lives. When something is considered essential to sustain daily lifestyle, it is common to see that sector being under government's control. The mobile telecommunication industry is not an exception to that concept. It was not that long ago when the mobile telecommunication industry existed purely under the government's umbrella (Nestor, 2005). However, due to rising demand and technological

progress like many other industries, the government was unable to sustain the efficacy of maintaining the state of art mobile telecommunication infrastructure. Thus, as many other industries, this industry was privatized.

While it's been a while since most countries resorted to privatising, this sector has not seen much competition (McGee, 2006). This phenomenon is true for most countries where the situation is identical. When the situation is dissected as to what is causing this issue, the problem seems to boil down to its huge start-up cost. The mobile telecommunication industry solely depends on its upfront start-up cost in order to set up the infrastructure required to provide unhindered service. Any company cannot just enter the market whenever they want to if they want to set up a nation-wide coverage and that is the only way to have any market prominence. This is also true for firms already operating in the industry as they cannot simply just wrap up their operations and leave the market.

The market structure is comprised of oligopoly competition due to huge upfront start-up cost associated with operating in the mobile telecommunication industry (Cai and Tylecote, 2008). It is observed that mobile telecommunication in general is not very dependent on the capital market for its financing requirements. Also, the requirement of mobile telecommunication industry in daily life gives them leverage against government interventions. This enables them to grow without any boundaries while not requiring to address the stakeholder needs. Thus, the top management can get away with actions that are in their best interest due to the information asymmetry that exists. This is a highly technical field which requires certain degree of expertise to operate in.

However, when good governance is observed in these industries, they do seem to reflect great results. This can be due to the fact that these companies are so large that they would suffer from inefficiency if good governance wasn't implemented. As a result, the corporate governance best practices are usually followed in the mobile telecommunication industry in order to sustain the business model.

The prominence of the mobile telecommunication industry in our daily life will grow as time passes by. We are getting more dependent on our requirement of getting connected to the world through digital means. The government will not be able to innovate and keep up with the pace if this sector is state-run. It is likely that private giants will keep on operating in the foreseeable future. It is in the best interest of the stakeholders to comply to corporate governance best practices in order to sustain the business operation as the industry is subjected to exorbitant set-up cost. The long-term profitability and survivability can ensure that all the stakeholders are benefited from the telecommunication industry.

#### **4.7 Conclusion**

The corporate governance best practices are a good measure of determining the individual organization's long-term substantivity. Companies such as Enron and WorldCom might have suffered from their past mistakes but we have learned to implement policies to avoid them (Karim et al., 2010). Our current good governance practices help to merge the gap between the top management and the stakeholders in order to benefit all parties involved with the business.

The interdependence of the economies in modern times is sustained through the good governance practices that are implemented by the companies. It allows the firms to be compared against other firms operating in the same industry by standardized index measures. The investors can make accurate prediction regarding the future potential of the companies from these index measures. While there are debates regarding their efficacy, more academic indices are being formulated to combat the shortcomings of the commercial indices. In the real-world scenario, the commercial indices still serve their purpose better in terms of fairly evaluating the company's long-term profitability. The academic indices still have a long way to go if they are to be implemented in the real-world to evaluate the organizations. The indices that can be agreed on in a global scale can be implemented in the real-

world as they provide the opportunity for the comparison to be made. The corporate governance policy measures have been a key parameter when determining the investment potential of businesses. While there exists variety in terms of what kind of indices to follow, all of them serve the same purpose: they allow the stakeholders to make comparison of individual firm with the rest of the industry. The valuation of the corporation is reflected well by their index measure.

In the current chapter and the previous ones, detail discussion has been presented on the inception and development of corporate governance practices worldwide. To further broaden area specific understanding, in the next chapter, a focused discussion on the corporate governance practices in Bangladesh will be presented.

## **CHAPTER 05: OVERVIEW OF CORPORATE GOVERNANCE**

### **ENVIRONMENT IN BANGLADESH**

#### **5.1 Introduction**

Whilst, the economy of Bangladesh has accomplished a spectacular growth, corporate failure has been experienced by several firms due to weak governance (Haque et al., 2007). Due to deficiencies in corporate governance standards, this nation has experienced two massive collapse of the capital market in 1996 and 2011 respectively (Ferdous et al., 2014). Consequently, it is not unusual to figure out the growing interest in corporate governance guidelines and codes, for emphasizing the significance of practicing good governance. Therefore, this chapter addresses the structure of corporate governance by highlighting the fact that how the provisions of corporate governance codes and guidelines deal with shareholders' participation, board issues, and disclosure. This chapter also investigates the background of economic scenario, examines a critical analysis on the institutional framework of corporate governance, explores government and non-government entities under the regulatory environment, and scrutinizes a comparative analysis of corporate governance guidelines and codes of 2006, 2012 and 2018 – which will assist the policymakers to address the balance by incorporating effective revisions and reforms for the mobile telecommunication industry in Bangladesh.

#### **5.2 Economic Overview**

##### **5.2.1 Gross Domestic Product Growth**

According to IMF, in 2020, Gross Domestic Product (GDP) of Bangladesh is expected to grow despite South Asian Nations experiencing a downward trend which follows the global slowdown (The Wire, 2020). Bangladesh is expected to be the 26<sup>th</sup> largest economy by the year 2030 according to predictions made by HSBC Bank. Last few years, Bangladesh's GDP shows that in 2016 the growth rate was 7.1%, the year after, it had significantly increased to 7.6%, in the year of 2018, it reached to

7.9% and after that in 2019, it was at its highest level ever at 8.2% followed by a slump in 2020 at 5.2% (Trading Economies, 2021).

### **5.2.2 Investments**

Investors get opportunities to invest under liberal Industrial policy in Bangladesh and Bangladesh's government is acting as a facilitator to promote and broaden private investment, comprising of domestic and foreign investment (Bangladesh Bank, 2020). In 2020, Foreign Direct Investment inflow was nearly \$1.74B which was \$2.15B in the preceding year (The Financial Express, 2021). In 2020, according to the latest data, due to the ongoing pandemic the foreign direct investment has decreased by 23.4% which follows the global trend.

## **5.3 Institutional Framework of Corporate Governance in Bangladesh**

The institutional framework of corporate governance can be classified into two sections: internal control and external control. Both of those sections have again two different parts- formal and informal (Draskovic and Stjepcevic, 2012). The formal internal control includes supervisory board, management team, shareholders, guidelines, workers council, and authority relations while the formal external control incorporates competitions authorities, laws on bankruptcy and insolvency-related procedures, property rights and rules of regulating enforcement, exchange rules (e.g. Stock Exchange), principles of auditing and disclosure and accounting standards, reputational agents and institutional organizations (e.g. Bangladesh Bank). However, the informal internal control deals with the issues of specific values and norms, managerial ethos, and codes of conduct while the external control deals with self-regulation in a particular sector, firm's reputation, and societal values and norms. The various institutions that are working in Bangladesh in addressing corporate governance issues are elaborated below:

### **5.3.1 The Securities and Exchange Commission**

The regulatory authority of the capital market in Bangladesh, Bangladesh Securities and Exchange Commission is in charge of issuing codes to strengthen corporate governance for the sake of investors and shareholders. To protect the rights of investors, encourage and upgrade the capital market, and to control the capital market, the Securities and Exchange Commission Act was passed in 1993 (Miazi, 2018). To comply with the Act of BSEC, every listed company in any of the two stock exchanges follows the codes on corporate governance (Bangladesh Securities and Exchange Commission, 2012). By ensuring all those factors, the SEC of Bangladesh assures that the shareholders will not be the target of any dishonest and inequitable trade practices.

The BSEC is responsible for fulfilling the crucial role of mandating corporate governance guidelines which enables organizations to maintain good corporate governance practices (Bala, 2018). The initial introduction to these regulations was through the corporate governance guideline of 2006 which was then revised with the corporate governance guideline of 2012. Finally, the present iteration is the corporate governance guideline of 2018 which is the current industry standard for good governance practices.

In Asia, the Bangladeshi capital market is considered as one of the smallest capital markets where it deals with various problems regarding inadequate research work, investor non-awareness, market intermediaries and brokerage business' non-professionalism, underdeveloped securities market and an inclination towards unethical gains through inadequate transparency and insider trading. Through monitoring and information disclosure, the major role of the capital market is to facilitate good governance (Meah, 2013). In Bangladesh, however, the rudimentary spokes of a well-organized wheel of capital market are not in place. A proper level of sophistication, understanding, and education is not possessed by a significant number of shareholders, therefore, no notable action can

be taken to create pressure on the companies for changing behavior to ensure good corporate governance.

BSEC has made notable strides in recent times with the capital market by promoting bond market (Mufazzal, 2021). This has encouraged significant proportion of organizations to participate in the financial market. Furthermore, the process of clearing initial public offerings has been more streamlined to encourage participation. The commission is making changes in the right direction despite adopting policies that have been damaging to the capital market previously. The new regulatory frameworks have been welcomed by all the stakeholders.

### **5.3.2 Bangladesh Bank**

The banking sector of Bangladesh is governed by the central bank which is highly concerned about a roadmap and mechanism for ensuring corporate governance in the banking sector of Bangladesh. Bangladesh Bank is responsible for monitoring the management of fund and fund suppliers, sanctioning of loan for political purpose, protecting the rights of a shareholder, and maintaining transparency and accountability of administrative activities to ensure that financial institution complies with corporate governance (Mahmood and Islam, 2015).

### **5.3.3 The Institute of Chartered Accountants of Bangladesh**

The Institute of Chartered Accountants of Bangladesh is a professional accounting body that was instituted by Bangladesh Chartered Accountants Order (Presidential Order No# 2 of 1973). This national professional accounting body is fostering the observance and acceptance of International Financial Reporting Standards (IFRS) and International Accounting Standard (IAS) and monitoring the implementation of Bangladesh Accounting Standards (BAS) (Rashid et al., 2007). The Company Act (1994) supports ICAB for ensuring that its accounts comply with the rules, standards, and laws of all BASs. After receiving a notification from BSEC on 29<sup>th</sup> December 1997, ICAB adopted



‘Accounting Standards’ for an effective corporate sector as all the listed companies were instructed to act as per ‘Accounting Standards’ to ensure accountability, transparency, and good governance.

#### **5.3.4 Registrar of Joint Stock Companies and Firms**

Under the ministry of commerce, Registrar of Joint Stock Companies and Firms (RJSC) is an agency responsible for the legal basis of registration that follows The Company Act 1994 (BIDA, 2020). The agency is conducting activities related to legal obligations for limited companies, public companies, trade organizations, and foreign companies (Wisea et al., 2014). The organization controls the association between company and shareholders by ensuring transparency and financial disclosure, and monitoring financial reporting and audit system (Ferdous, 2018). The authority has the right to call for details, explanations, information as the authority deems essential.

#### **5.3.5 Investment Corporation of Bangladesh**

For wealth maximization and successful market operation, corporate governance has been considered as an indispensable tool by Investment Corporation of Bangladesh (ICB); hence, the corporation is thoroughly monitoring guidelines of corporate governance announced by the regulatory authorities. The Board of Directors confirms the rules of governance and principle of integrity to preserve the rights of investors by managing conflicts by ensuring ethics and transparency. ICB is complying with corporate governance elements by ensuring proper composition of board of directors, audit committee, ethics and compliance, and financial disclosure.

#### **5.3.6 Board of Investment**

In compliance with the Investment Board Act (1989), the Board of Investment (BOI) was formed in 1989 to facilitate and promote private investment (CUTS, 2003). The facilitation support encompasses investment promotion and collaboration, covering support, recommendation and aftercare support for the investors (BIDA, 2020b). With a core vision to enhance international

competitiveness, promote both domestic and foreign investment, and contribute to the socio-economic growth, the BOI indirectly ensures accountability and good governance.

In the next section, we will extend our discussion to the regulatory environment of the country.

## **5.4 Regulatory Environment**

The motif of the regulatory agencies is to implement the laws and regulations sanctioned by the legislature. The independent regulatory agencies are acting separately from government entities. Therefore, regulatory agencies can be categorized as government and non-government entities. Currently four major regulatory authorities such as Bangladesh Bank, Registrar of Joint Stock Companies and Firms (RJSC), Securities and Exchange Commission (SEC), and Board of Investment (BOI) are working on corporate governance of Bangladesh from the perspective of instituting corporate governance standard and compliance (Ferdous et al., 2014).

All the companies of Bangladesh are being governed by Company Act 1994. In 2013, The Rana Plaza tragedy demanded to introduce the labor Act 2013 (Amendment). The revised Act replaced the company act to comply with the OECD framework. Second, the Central Bank of Bangladesh, Bangladesh Bank regulates the countries' financial and monetary system. To ensure transparency and accountability, audit system and financial disclosure control is governed by Income Tax Ordinance 1984; insolvency and liquidation issues are maintained by Bankruptcy Act 1997; and illegal commercial transaction issues are controlled by Money Laundering Act 2012. Third, Bangladesh Securities and Exchange Commission (BSEC) monitors and ensures the interest of investors, shareholders, capital issues, and controls the Stock Exchange by following the laws of Securities and Exchange Ordinance 1969; the fundamental principles of establishing Securities and Exchange Commission are being followed by Securities and Exchange Commission 1993. Finally, to expedite

private investment, the Board of Investment (BOI) was established in 1989 by the government of Bangladesh. It is to mention that many studies show that the Investment Board Act of 1989 cannot comply with current needs. For instance, the Bangladesh Export Processing Zones Authority Act-1980 does not support much of the current demand of industrial policy; a re-adjustment is highly required to meet the current requirements.

Non-governmental regulatory agencies include The Institute of Chartered Accountants of Bangladesh (ICAB), Dhaka Stock Exchange (DSC), and Chattogram Stock Exchange (CSE) (Anwar, 2019). The Institute of Chartered Accountants in Bangladesh (ICAB) prescribes the Financial Reporting Standards that are recognized as Bangladesh Financial Reporting Standards (BFRS), incorporating Bangladesh Accounting Standards (BAS) (Deloitte, 2018). BFRS originated from International Accounting Standards (IAS) and later, it has adopted the updated IFRS 2012 to ensure all the listed companies under SEC are maintaining reporting standards. For small and medium firms, ICAB announced *Bangladesh Financial Reporting Standards for Small and Medium-sized Entities*, which is extracted from “*IFRS for SMEs. Section 31*”. Stock Exchanges are generally private and self-regulated entities which include Dhaka Stock Exchange and Chattogram Stock Exchange, and both are regulated under the Securities and Exchange Commission under the Ministry of Finance. Dhaka Stock Exchange works through the Act of Dhaka Stock Exchange Investors’ Protection Fund Regulations 1999, Settlement of Stock Exchange Transactions Regulations 1998, and Margin Rules 1999 (Mian, 2015). Chattogram Stock Exchange controls the capital market by imposed Act such as Chittagong Stock Exchange Trading Regulations 1998, Chittagong Stock Exchange (Internet Based Trading Services) Regulations 2002, Chittagong Stock Exchange (Member’s Margin) Regulations 2002, and General Rules and Regulations of Chittagong Stock Exchange Ltd (Dasgupta, 2014).

The telecommunication industry is being regulated by Bangladesh Telecommunication Regulatory Commission (BTRC) and the companies are following “*Telecommunication Policy 2018*”. BTRC

published the “*Telecommunication Act 2001*” which was amended in 2006 and later “*Amendment (2010) of Telecommunication Act 2001*” was being followed by the industry. Previously, full regulatory authority was enjoyed by the telecommunication regulator; but right after the amendment of the laws, telecommunication ministry was given all the authority of approving tariff and licensing. Under this recent amendment, the government can charge Tk 100 crore- Tk 300 crore for the violation of the license conditions on any telecommunication operators. This law, however, does not contain any details (Mamun, 2015). Additionally, this amendment of the law permits the government to cancel any of the telecommunication operators’ license unilaterally and against the government decision, the victim operator is not permitted to place appeal, excepting the court. Since regulatory decisions require approval from the ministry, BTRC calls for an immediate amendment to this act for reducing the resultant time lag.

## **5.5 Corporate Governance Code and Guidelines in Bangladesh**

### **5.5.1 Corporate Governance Practices in Bangladesh**

The development of the corporate governance practices in Bangladesh is slightly different from that of other developing countries. Bangladesh has a colonial past as this nation was once a part of Pakistan till 1972 (Al Farooque et al., 2007). The industrial structure of Bangladesh after independence was strongly dependent on socialist ideologies. This meant that the industries operated under the ownership of the state which didn’t necessitate the enforcement of corporate governance. Also, due to the agricultural dependency of the nation, the industrial infrastructure took time to grow. The importance of corporate governance was developing as the country went through de-nationalizations of the industries for public ownerships during 1975.

The corporate governance framework adopted in Bangladesh is that of the developing nation as this is still an emerging nation (Bhuiyan and Biswas, 2007). The growth prospects of emerging nation have attracted its fair share of investors in Bangladesh. In order to sustain the investor’s interest, the

establishment of a well-functioning corporate governance framework is necessary as this is the primary measure of boosting the confidence of the investors. The long-term survival of the growing industries in any developing nations needs foreign investors to fast track the future potential of the industries. The corporate governance framework is mandated by many government agencies such as: “Securities and Exchange Commission, Bangladesh Bank, The Institution of Chartered Accountants of Bangladesh, Bangladesh Enterprise Institute, the Institute of Cost and Management Accountants of Bangladesh” to ensure that good governance practices are being followed (Bhuiyan and Biswas, 2007). However, there is fair share of reports of widespread corruption in terms of mandating the good governance practices; the corporate governance framework and the authority to mandate these practices exist in theory (Al Farooque et al., 2007). The reality is that the enforcement of these best practices is quite relaxed. The companies do not have any incentive to implement the good governance practices as the local market never rewards them. The lacklustre performance of the capital market does not provide any financial dependency for the companies and the non-existent enforcement of corporate governance practices from the authorities makes the implementation of good governance polices unnecessary.

However, the situation is improving as the government is encouraging the export industry to grow. In order to do business with other countries, the good governance frameworks are essential as the long-term potential is determined by this. The foreign investors are being encouraged to invest in Bangladesh which mandates the implementation of corporate governance framework so that the foreign counterparts can compare the performance of the local firms and determine their future potential. Transparency and corporate social responsibility are gaining popularity in Bangladesh to keep pace with the rest of the world.

### **5.5.2 Corporate Governance Approaches and Characteristics: Bangladesh Perspective**

Corporate governance has two main approaches: the mandatory/rule-based approach and voluntary/‘soft law’ based approach. In the first approach, a set of rules are required to be followed uniformly

by the companies whereas the second approach focuses on the issue of ‘flexibility’ and it is mostly observed in those particular countries where a firm’s compliance with the guidelines or code is not compulsory except for the disclosure related to compliance. Until recently, ‘comply or explain’ approach was adopted in Bangladesh although the notification of 3<sup>rd</sup> July 2012 requires companies to ‘comply’ with all the conditions to ensure good governance for the interest of investors and capital market (Biswas, 2012). The dominant corporate governance characteristics are summarized as follows:

*Table 3: Characteristics of Bangladesh Corporate Governance*

<b>Characteristics of Corporate Governance</b>	<b>Bangladesh Scenario</b>
Ownership Structure	Concentrated within financial institutions, banks, dominant shareholders and other corporations.
Control oriented finance’s share	A small number of shareholders have a significant level of concentration of control which predominately arise either from financial institutions or family investors.
Financial Market	Small, and barely liquid.
Supervision by Financial Institutions	Required to be extensive, but it is unfortunately minimal.
Supervision by Individual Shareholders	If it is financial institutions or family then YES, since their position of knowledge and power makes them capable, or else it is negative for small investors. There is no formal policy for structures in regulations.
Listing on the Stock Exchange	Small- as a large number of state-owned companies are not listed yet.
Debt-Equity Ownership	Concentrated.
Investor’s Orientation	Not portfolio, Control – Family-Owned.
Shareholder’s Rights	Weak- due to lack of rights related knowledge.

<b>Characteristics of Corporate Governance</b>	<b>Bangladesh Scenario</b>
Dominant Agency Conflict	Within Minority and Controlling Shareholders.
Creditor's Rights	Strong and weak for banks and commercials, respectively.
Board of Directors' Role	Limited.
Bankruptcy and Insolvency's Role	Limited- significant involvement of debt financing.
Independence of Board	To the board, there is no accountability structure of management. The Board Chairperson is a cabinet minister in State-Owned Enterprises (SOEs), thus SOE might be treated as a government department than a corporate organization.
Market for Corporate Control	Since ownerships are concentrated within the family, and regulatory inadequacy and market non-efficiency exist, takeovers are unavailable.

*Source: (Rashid et al., 2007)*

### **5.5.3 Corporate Governance Code and Guidelines: A Comparative Analysis among 2006, 2012 and 2018**

The revised corporate governance guidelines of 2018 and 2012 are somewhat similar to the corporate governance guideline of 2006 in different aspects. Undeniably, the new notification modified or retained the conditions of the 2006 guideline and further added a few more conditions. Therefore, a comparative analysis among corporate governance guidelines of 2006, 2012 and 2018 are discussed in Appendix F.

As it can be seen from that table, many advanced and new conditions are incorporated in the corporate governance guideline of 2012 and 2018. For instance, the revised guidelines require the CFO and

CEO's clarification which states that to the supreme of the management belief and knowledge, the firm affairs are presented in the financial statement based on fair and true view where it is free from any sort of materially omitting and misleading facts, and the firm has neither undertaken any illegal and fraudulent transaction nor any sort of transaction that might violate the firm's code of conduct. Under the 'comply' basis, the new notification has been issued, thus one possible outcome is that the newly listed small companies may face difficulties to comply with all the conditions under the revised guidelines.

#### **5.5.4 Code of Corporate Governance 2018: Reforms and Revisions**

Corporate Governance Code (CGC) addresses issues with regards to the composition of the board and its development, accountability, remuneration and audit committee, and relationships with shareholders. Bangladesh Securities and Exchange Commission announced Corporate Governance Guidelines (CGG) by a notification on 20<sup>th</sup> February 2006 based on "comply or explain" principle (Bala, 2018). The "Guidelines" of 2012 had been replaced in 2018 by "Code" and appeared as a "Corporate Governance Code". Five heads such as Reporting and compliance, External/Statutory Auditors, Audit Committee, Chief Financial Officer, Board of Directors and Head of Internal Audit and Company Secretary had 37 conditions. The guidelines of 2012 consisted of 95 conditions under 7 headings. Contrarily, the code of 2018 has merged 2 of the previous headings and 3 new headings have been included. Therefore, there are 9 headings in total such as "Board of Directors", "Governance of Board of Directors of Subsidiary Company", "Managing Director or Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and Compliance and Company Secretary", "Board of Directors' Committee", "Audit Committee", "Nomination and Remuneration Committee", "External or Statutory Auditors", "Maintaining a website by the Company", and "Reporting and Compliance of Corporate Governance"; these headings comprise of 166 conditions and 3 annexures where *Annexure A* and *Annexure B* are new and "*Changes in existing Annexure*" is in *Annexure-C*. However, some of the newly emerged codes in the Corporate Governance Code are egregiously



debatable; some of them are unwieldy and uncoordinated (Muqtadir, 2018). There is a shorter period for the listed companies to act in accordance with the 2018 code; BSEC asked the companies to implement it within 6 months. The limited timeframe, therefore, has made it difficult for the companies to separately spell out the code of conduct, roles, and responsibility to comply with directive issues. Also, codes are generalized for all listed companies whether it's a large/small or a foreign company.

## **5.6. Corporate Governance in the Mobile Telecommunication Industry**

In the mobile telecommunication sector, corporate governance is performing a critical role as positive results or negative impacts are highly dependent on how the companies follow corporate governance. To monitor and regulate the action of the mobile telecommunication sector, Bangladesh Telecommunication Regulatory Commission is working to ensure corporate governance compliance (Mbu-ogar et al., 2017). There are four major market players in the industry: Grameenphone, Robi Axiata, Banglalink, and the only government-sponsored mobile operator Teletalk Bangladesh Limited. By ensuring good corporate governance, the industry is being able to gain investors' trust, maintain worth of shareholders, and protect shareholders' interest.

Bangladesh Telecommunication Regulatory Commission is acting independently to regulate the industry and the authority is concerned about policymaking, controlling, imposing laws and enforcement of laws. The authority inaugurated its operation in 2002 with the motto of ensuring cost-effective telecommunication services by expanding the tele density (BTRC, 2021). BTRC started its journey with a number of responsibilities and implementing acts where the acts are constituted with both domestic and international laws. There are major acts that are being implemented in regulating and monitoring the current mobile telecommunication industry such as national policy, national legislation, and international law (Begum et al., 2016). Four national policies are explicitly related to the mobile telecommunication sector: “*National Telecommunication Policy-1998*”, “*National*

*Information Communication Technology Policy, 2002*”, “*International Long-Distance Telecommunications Services (ILDTS) Policy, 2010*” and “*National Broadband Policy, 2009*”. All the policies aim to maintain cost-effective telephone services, develop ICT infrastructure and Voice Over Internet Protocol Services, and ensure access to broadband internet. National legislation is governed by “*The Bangladesh Telecommunication Act-2001*”; fundamental rules and regulations are mentioned there. Also, “*The Information and Communication Technology Act-2006*” is under national legislation that provides legal support in terms of cybersecurity affairs. In international law, BTRC is obligated to follow “*Agreement Establishing the World Trade Organization*”, “*General Agreement on Trade in Services*” (GATS) and “*International Telecommunication Union*” (ITU); these entities try to ensure that mobile telecommunication industry of Bangladesh is maintaining international standards and regulations.

## **5.7. Conclusion**

This chapter seeks to identify the practices of corporate governance in Bangladesh where the system of corporate governance consists of rules, regulations, procedures through which a company is controlled, operated and managed. The practice of corporate governance in Bangladesh assesses considerable internal and external aspects like institutional and legal framework, regulatory enforcement in compliance with international accounting standards and financial reporting disclosures, and responsibilities and obligations of both government and non-government entities. This chapter critically analyses the changes in the provision in terms of previous guidelines and to what degree the changes can address the need of the current scenario. The code of 2018 comprises of noteworthy reforms and revisions that assist all the listed companies to maintain four rudimentary components of corporate governance such as transparency, accountability, fairness, and responsibility (Bala, 2018). Inevitably, the practice of good corporate governance eventually will result in the sustainable development of companies operating in the telecommunication industry. Now that a

detailed analysis of the literature has been presented, the next chapter will elaborately discuss the methodology of this thesis.

## **CHAPTER 06: RESEARCH METHODOLOGY**

### **6.1 Introduction**

The previous chapter has illustrated and reviewed the literature on how the corporate governance environment is regulated in the scenario of Bangladesh; this study has reviewed and identified diverse issues for examination and investigation regarding mobile telecommunication sector governance and its further impact on the performance of this particular sector. Now, in this chapter, research approaches employed in this study have been elaborated. The chapter describes all the procedures required to analyze the data of the research. Here, the main purpose of the researcher is to emphasize the data collection and analysis process for the research. Moreover, reasonable justification is also provided in this section for the preferred methods used. In order to provide the research reasoning and significance, the chapter consists of research rationale followed by the research objectives of the study. In addition, the primary and specific research objectives are mentioned along with all the hypotheses for the study. Following this, major three worldviews of research philosophy are mentioned. Afterwards, the fundamental research methods for this study are explained, along with the justification behind using the most appropriate method for the research to fulfil the research objective. Following this, an elaborate explanation can be found about both the data collection and data analysis process. The whole process of data collection has been divided into four major phases. Likewise, an elaborate explanation is provided for the data analysis process which has also been divided into four phases. Details about the software tools required and used to analyze the data is also mentioned. Finally, a synopsis of the whole chapter is given to put the chapter concisely.

### **6.2 Research Rationale**

The main objective of research rationale is to provide logical reasons for choosing a particular topic in order to conduct the research. Also, according to Moola (2015), research rationale states the ways in which a researcher can contribute to the relevant field of study. In addition, explanation and

justification are provided here for the selection of specific research questions. Following this, the purpose as well as any research gap of the study are also highlighted in this segment. The purpose of this study is to find out the current status of corporate governance practices in Bangladeshi mobile telecommunication industry. In order to ensure the protection of due rights of all stakeholders, sound practice of corporate governance plays a vital role. Minimal study has been conducted on this topic beforehand. Thus, this is a significant topic to conduct a research on.

In this study, research gap has been figured out in the field of the Bangladeshi mobile telecommunication sector. That is, insufficient research regarding the practices of corporate governance has been conducted in the mobile telecommunication sector of Bangladesh; especially, given the oligopolistic nature of the industry, an in-depth study of its corporate governance practices from a developing country perspective might unearth some interesting findings. As a result, this research is beneficial to provide in-depth ideas about this topic to the future researchers. This is not only beneficial for the future researchers but also for the potential investors as well as existing shareholders. Moreover, about the whole mobile telecommunication sector, a generic idea regarding the corporate governance practices can be gathered. Such knowledge gives an idea not only about the individual company practices but also about the whole industry. Thus, it helps in the decision-making process by knowing about the practices. In addition, this study can be used by the higher authority for further development in the industry regarding corporate governance practices.

### **6.3 Research Question**

Research question explains the main question the whole research is trying to answer; as a result, the purpose of the research can be easily comprehended. Ariola (2006) mentioned in his book *Principles and Methods of Research* that the main goal of a research can be presented through primary research questions. Also, the author pointed out that the accomplishment of conducting the research can be also conveyed through a research question, along with the intention or purpose of the research. A

summary of the whole research can be obtained from these questions. The research question for the current thesis is as follows: “What is the current status of the corporate governance practices in the mobile telecommunication sector of Bangladesh?”

## **6.4 Research Objectives**

### **6.4.1 Primary Research Objective**

The broad objective of this research is to analyze current corporate governance practices in the mobile telecommunication industry of Bangladesh. The major components of corporate governance are transparency, accountability, fairness, the interest of shareholders, and compliance which are practiced by the four mobile operators in Bangladesh (Kay et al., 2018). By ensuring good corporate governance, the companies can gain investors' trust and practice ethical behavior.

### **6.4.2 Specific Research Objectives**

Specific research objectives are set with the aim to achieve the main purpose of the research by dividing the broad objective into smaller parts. The questions in specific objectives are set in such a systematic manner that answers to these questions will ultimately lead to the answer of the broad objective. Thus, the researchers can keep their focus and attention on the crucial information rather than the unnecessary information. This will lead to a more efficient and easier way to fulfil the ultimate objective of the research. Moreover, feasibility and financial affordability are always given thought to while setting these questions and looking for the answers. In addition, specific research objectives provide guidance to develop the research methodology of the study.

The specific objectives of this research are given below:

- a. To state the current practices and highlight unique features of existing Corporate Governance practices in the mobile telecommunication sector in Bangladesh.*

The board of directors and committees should highly emphasize the laws and regulations to protect the rights of shareholders, accountability, fairness, transparency, and consistency. The board of each company is supposed to overview the organization's governance practices by keeping consistency with the Code of Corporate Governance 2018 published by the capital market regulatory authority, Bangladesh Securities and Exchange Commission. The stated specific objective is supposed to find out whether such good practices of governance are being followed in the mobile telecommunication sector of the country.

***b. To present the perception on Corporate Governance practices held by different stakeholders.***

The idea of corporate governance includes numbers of internal and external stakeholders, therefore, contrasting interest. Generally, the government, investors, customers, employees, and local communities are known as stakeholders; stakeholders have a relationship with the respective mobile telecommunication companies. The current study aims to measure the perceptions held by these different stakeholder groups about the corporate governance practices in the mobile telecommunication sector companies.

***c. To address the major hindrances/barriers in practicing good Corporate Governance.***

As stated earlier, mobile telecommunication industry in Bangladesh is struggling with the burden of a higher level of taxation than that of other developing countries. Again, the country is struggling with privacy and security issues, poor economic background and unstable political situation, issues with policy reform, license uncertainty and unclear processes and terms of license renewal of the mobile telecommunication industry. In light of these issues, the current study aims to identify the barriers to practicing good corporate governance.

*d. To suggest possible ways of strengthening Corporate Governance practices in the mobile telecommunication sector in Bangladesh.*

Here, different challenges regarding the corporate governance practices in the mobile telecommunication industry is addressed. Thus, working on those challenges can lead to improvement of the practices. Numerous ways is indicated to strengthen the practices in the industry that are yet to be practiced by the mobile telecommunication companies. Also, future recommendations about ways to improve corporate governance practices is provided.

## **6.5 Research Philosophy**

One of the significant parts of research work is philosophical worldview according to the book *Research Design: Qualitative, Quantitative, and Mixed Method Approaches* by the authors Creswell and Creswell (2018). This is because researchers can determine the appropriate research approach for the study among the qualitative, quantitative and mixed method approaches with the help of the philosophical worldview. Moreover, the reason behind choosing a particular approach can also be described by research philosophy. Different authors have explained the definition of “worldview” in various ways. For instance, according to Lincoln, et al. (2011) and Mertens (2010), “worldview” can be explained as "paradigm"; Crotty (1998) have used the term "Epistemologies and ontologies". However, despite having numerous meanings, the worldview of the researchers may also rely on the research community that they are from, the advice of the researchers’ mentors as well as the experience and disciplines of the researchers. Among the different worldviews, the four worldviews stood better than the rest which are post-positivism, constructivism, transformative, and pragmatism worldviews.

### **6.5.1 Post-positivism Worldview**

According to Smith (1993), researchers of the 19th century proposed the post-positivism worldview. The main purpose of this worldview is to stand against the conventional belief of accepting the truth.



Phillips and Burbules (2000) stated that human behavior is not certain, thus this worldview figures out different effects and outcomes from research. Moreover, it is believed that to ensure that mankind comprehends the way everything works around them, the theories and principles which regulate them should be tested. With an initial approach, the research is initiated and after that further information is gathered for the purpose to test the theory. The researchers can accept the findings if the outcome of the test matches the initial approach, otherwise the theory is required for another review. The post-positivism worldview is more suitable for quantitative research than for qualitative research. Some assumptions are there for the post-positivist researchers (Phillips and Burbules, 2000). Those assumptions are given below:

- i. The findings are regarded as uncertain and flawed because it is assumed that it is not possible to know the complete truth as knowledge of the findings is considered hypothetical.
- ii. It is believed that an initial claim is conceived by the people which they try to improve. However, the initial claim is forsaken if they find a stronger claim.
- iii. People can still comprehend relevant topics by the help of data, evidence, and information despite it being pointed out previously.
- iv. The relationship between the variables is studied here and on the basis of the data's relationship, essential hypotheses are created. In addition, via quantitative research, this relationship can be detected.

### **6.5.2 Constructivism Worldview**

From the work of Berger and Luckmann (1967) in *The Social Construction of Reality* and Lincoln and Guba (1985) in *Naturalistic Inquiry*, the constructive worldview was commenced. Constructivist worldview can be also identified as social constructivism. "Knowledge about human behavior can be obtained through social interaction"- this is the main assumption of constructivist researchers. Here, researchers try to accumulate various opinions of the respondents as this worldview is suitable for

qualitative research rather than for quantitative research. From these various opinions, researchers can interpret the results in perspective of historical and cultural background. Therefore, a realistic result can be drawn from the findings. Moreover, theory is incorporated from the respondents' data in the constructivist worldview.

According to Crotty (1998), assumptions for constructivist worldviews are given below:

- i. Results are more accurate and reliable because the human opinions are expressed and explained differently based on individual perspective. To gather such sort of reliable results, open-ended questionnaires are most appropriate.
- ii. One of the objectives of this worldview is to comprehend the human being's context. This can help to determine the relationship with the findings.
- iii. This worldview theory is developed with the collected data of the respondents; thus, an inductive approach is used for the constructivism research.

### **6.5.3 Transformative Worldview**

Mertens (2010) stated that during 1980s and 1990s, the transformative worldview gained limelight. At that time, researchers believed that research inspection should be combined with both politics and political change objectives because then, researchers can figure out all types of social sufferings. In the book *Research Design: Qualitative, Quantitative, and Mixed Method Approaches* by Creswell and Creswell (2018), it was mentioned that for the expatriate contents like "Marxists; feminists; racial and ethnic minorities; persons with disabilities; indigenous and postcolonial peoples; and members of the lesbian, gay, bisexual, transsexual, and queer communities", no worldview had been designated. Thus, to address the neglected contents like inequality, oppression, suppression, this transformative philosophical worldview was incorporated. Here, respondents can be very cooperative as they can assist researchers with the preparation of suitable questionnaires, data

collection and data examining. Also, the participants can share their problems and opinions more vividly with the researchers.

Mertens (2010) stated some assumptions for the transformative worldview which are as follows:

- i. The main objective of this worldview is to give attention to those specific groups of people who are being neglected by the society. In addition, another point that is given attention about these groups of people is the way they are pressured by the authorities or leaders.
- ii. The outcome of the studies regarding these diverse groups of people based on race, gender, and socioeconomic class tends to be asymmetric in terms of power of relationship.
- iii. Most appropriate use of this worldview is when the researcher wants to conjoin politics along with injustice or discrimination.
- iv. In this worldview, the reason behind these neglected concerns such as inequality, oppression, domination, and discrimination in society can be figured out. As a result, it becomes easier to enlighten people regarding the significance of such topics.

#### **6.5.4 Pragmatist Worldview**

In the 19th century, Charles Sanders Pierce and Richard Rorty used this ‘pragmatism’ term initially. Then, in 1979, the researchers made this worldview known to the people. The belief of this worldview is that people hold back the past experiences with them as it is not possible to disremember the past experiences completely. Therefore, humans tend to join their previous experience with their current actions. Moreover, the results of these actions help them to see effects in the near future. Therefore, it can be said that people's actions are based on their past experiences, judgment and intelligence, not due to external forces imposed on them. Thus, according to the researchers, everything around us constantly keeps on changing rather than being steady. According to Morgan (2007), different approaches such as “mixed-method study” should be used to explain any specific study as a single approach fails to establish a specific subject.

Cherryholmes (1992) and Morgan (2007) have recommended some bases for research in the pragmatic philosophy; they are as follows:

- i. Assumptions are created from qualitative and quantitative research because the pragmatist worldview is an application of a mixed method.
- ii. The researchers are free to choose any method among all the techniques. This means that the researcher selects that technique which is most appropriate for the study to accomplish its objective.
- iii. Pragmatist philosophy leads to more reliable and accurate data collection as researchers assume that in mixed methods, different approaches are used which help to gather various reliable opinions and information.
- iv. In the pragmatist worldview, researchers like mixed methods because this is the prominent way to figure out the research problem. In addition, in depth information can also be gathered regarding the research problem.
- v. Before commencing the research work, precise and insightful reasons are required to be shown by the pragmatist researchers for using the mixed method. That is, the researchers must disclose the main reason behind using mixed method for the study.
- vi. According to the pragmatist researchers, for some specific research topics, this philosophy is most appropriate, and those research topics are social, historical, and political in nature.
- vii. A single method fails to provide various insights from collected data; however, through the use of several methods, philosophy, and assumptions, researchers can obtain various perceptions about the study.

In order to find out the corporate governance practices in the mobile telecommunication industry of Bangladesh, the pragmatist philosophy has been used in the study to gather and examine data. This is because the pragmatist philosophy follows a mixed method as more than one approach is used

therefore, one can cover up for another's drawbacks which leads to more reliable and valid data collection (Malina et al. 2011). Moreover, as this philosophy recommends both quantitative and qualitative data, they can be compared in the same platform which assists to understand the contradictions between the results and findings, respectively. Therefore, this can help to increase the level of confidence in research findings.

## **6.6 Research Methods**

The research method includes processes, different strategies, and approaches that assist to collect empirical data or documentation for exploration and evaluation to reveal current facts. Research methods can be broadly grouped into three categories which are qualitative research, quantitative research, and mixed methods research. According to Jansen and Warren (2020), researchers should keep the research method fixed because that assures authenticity and reliability of research. While qualitative research focuses on gathering a deeper understanding by observing the participants, quantitative data seeks to acquire statistically logical results.

### **6.6.1 Quantitative Approach**

The process of data collection and analysis of quantifiable data in a structured manner is known as quantitative research. The objective of this approach is to find correlations or test of hypotheses by conducting statistical techniques. The quantitative research approach appeared around 1250 A.D. in need of quantifying the data (Marvasti, 2018). As quantitative research develops on an existing theory, it follows a particular structure in terms of survey and experiment. The presumption of the empiricist paradigm is sustained through a quantitative approach. Leedy and Ormrod (2001) asserted the concept of quantitative research and initiated with finding out the problem statement, generation of hypothesis, a review of literature, and numerical or statistical analysis (Leedy and Ormrod, 2001). This approach utilizes the strategy of examination e.g. surveys, experiments as well as accumulation of information on pre-established tools that yield analytical data (Creswell and Creswell, 2017). The

supremacy of applying a quantitative approach in any research is that the result ensures validity and reliability and is generalizable to the greater population. In order to find correlations or test hypotheses, these numerical data are used. Moreover, using various techniques such as conducting surveys or questionnaires, document screening or observation, numerical data can be collected. After collection of these numeric data, the data can be analyzed with the help of statistical approaches such as mean, inferential statistics, standard deviation etc. Furthermore, unbiased results can be assured as in quantitative approach, no individual opinion is considered.

Nonetheless, few research themes are complex to quantify (Dowd, 2018). Moreover, another drawback of this approach is that it fails to observe the respondent's experience and perspectives. As a result, subjective opinions and feedback cannot be collected; here, all the responses are binary. However, if the objective of the researcher is to study specific facts in the general population, then using a quantitative approach will be most appropriate. For this study, structured questionnaire surveys are used to collect data.

### **6.6.2 Qualitative Approach**

Qualitative research refers to a comprehensive and integrated approach that adheres to unfolding models in a natural setting (Creswell, 2003). This method generates the level of detailed explanation from close participation in real incidents. It consists of direct fieldwork observation and open-ended interviews. This approach also enables researchers to have better comprehension of complex concepts, social interactions, and cultural phenomena. Also, in this approach, different opinions and occurrences can be easily interpreted (Bhandari, 2020). Leedy and Ormrod (2001) stated that structural description is less likely used as it constructs and formulates new theories. Qualitative research data are collected using numerous techniques such as open-ended surveys, focus group discussions, direct observation, life histories, biographies, documents analysis etc. Among these techniques at least two or more are used for data collection purposes. There are five significant areas

of qualitative research that are building upon inductive reasoning e.g., ethnography study, grounded theory analysis, case study, phenomenological study, and content analysis. Ethnography study examines the real-life environment of a person or group. A case study describes an extensive analysis of a specific objective and the phenomenological study involves explaining the nature of distinct phenomena (Dowd, 2018). Additionally, content analysis analyzes the particular part of a content and identifies certain characteristics e.g., patterns or themes. The superiority of implementing the qualitative research approach is the capability to enormously explore and acquire standard descriptive data. Even so, the study may contain intentional or unintentional errors or biases. This is because it becomes challenging to verify collected data due to lack of precision. Also, compared to other approaches, it is more time consuming. Here, generalizability is limited as smaller sample sizes are used here. Information gathered from this approach often becomes unreliable because of the impact of unmanageable factors on collected information. For this research, semi-structured interview, in-depth interview and documentary research were used as techniques to conduct qualitative research. Here, for the research purpose, a mixed method approach has been used because in order to come up with a more comprehensive result in findings, a combination of two or more two approaches is more preferred as it fosters pedagogical interaction. Further advantages about conducting the mixed method will be discussed in the upcoming part.

### **6.6.3 Triangulation Approach through Mixed Method Study**

In research, incorporation of more than one single approach is signified as triangulation (Heale and Forbes, 2013). The objective behind this approach is to uplift the level of confidence in the portion of findings by confirming a postulation through the use of either two or more than two measures (Heale and Forbes, 2013). To come up with a more comprehensive result in findings, a combination of two or more rigorous approaches is a must as it fosters pedagogical interaction.

Since triangulation combines both qualitative and quantitative approaches to respond to a particular research question, the outcome might be categorized as (I) there is a possibility of convergence in the result which leads to duplicate conclusion; (II) despite matching with various phenomena or facts, the result might be reciprocal to one another and used to adjunct the discrete result; (III) the result might be divergent or antithetical (Onwuegbuzie et al., 2003). Moreover, one of the significant advantages of triangulation through mixed-method research is that both quantitative and qualitative data are compared in the same platform which assists to understand the contradictions between the results and findings respectively (Wisdom and Creswell, 2013). In this method, as more than one approach is used, one can cover up for another's drawbacks which leads to more reliable and valid data collection (Malina et al. 2011). However, in mixed-method, the qualitative method is dominated by the quantitative method due to the support of a methodological hierarchy (Conrad et al., 2014). Also, using more than one method can make the work complicated and balancing so many techniques may cause errors in data collection. Moreover, the quality of the research findings can be hampered using mixed methods because often some researchers lack experience and ideas regarding combining both the methods in the most efficient manner.

#### **6.6.4 Choosing Method for the Current Study**

To construct a deeper insight and present an additional vigorous conclusion to meet and support the specific objectives, this study entailed using a triangulation approach through mixed method study. A combination of qualitative and quantitative data collection methods is incorporated to ground the experiences and viewpoints of the participants (Wisdom and Creswell, 2013). This study will add breadth to interdisciplinary and multifaceted research since it assists to encourage interchanging ideas and philosophies of qualitative and quantitative intellectuals. Moreover, this method has an excellent combination of methodological pliability and flexibility that are permissible in various study designs to clarify additional information that might not be possible to obtain if there is a dependency on one single approach (Wisdom and Creswell, 2013). Moreover, amalgamating quantitative and qualitative



data, the study collected comprehensive and rich data to meet its predetermined objectives that contribute to ensuring validity and reliability of this study; thus, it illustrated a deeper understanding of how corporate governance is being practiced in the mobile telecommunication industry of Bangladesh.

## **6.7 Data Collection**

This section of the chapter provides a detailed elaboration of the data collection methods required to conduct the research. To analyze and investigate contextual and insightful data, the data collection process was designed and implemented methodically. Data collection helps to accumulate and organize data to ensure reliability of research (Kabir, 2016). Also, Kabir (2016) mentioned that it is essential to identify authentic data to figure out the answers to the research questions. Therefore, choosing relevant data collection methods is a significant part of the study. Moreover, according to Themes (2019), data collection can support the relevant findings of the study and can also aid to draw justified conclusions regarding the research. Since this study incorporated the triangulation approach, the data were collected using both primary and secondary sources to obtain the participants' point of view. Information which is directly accumulated from first-hand source is known as data collection from primary source (Streefkerk, 2018). For instance, interviews, surveys and censuses, diaries, creative works etc. are examples of primary sources. Author also pointed out that primary data is more reliable and updated because here, data is collected from the original source in real time. Moreover, in primary data collection, researchers have the privilege of finding the precise and relevant information they are looking for. However, it takes a lot of time to collect information from the original source as the cost is more compared to secondary data collection. Also, in complex situations of certain study, it is not feasible to collect relevant data. On the other hand, Cameron (2018) stated that secondary research refers to that information which are accumulated by previous researchers but can be used by others also. In comparison to primary data, secondary data can be

accumulated readily in less time as researchers can access information from various platforms. In addition, data is much more affordable because often information is given out without any charges.

In the current study, primary sources included survey questionnaires, semi-structured interview, and in-depth interview while company websites, regulator websites, and annual reports of the companies were synthesized, scrutinized, and utilized to collect information from secondary sources.

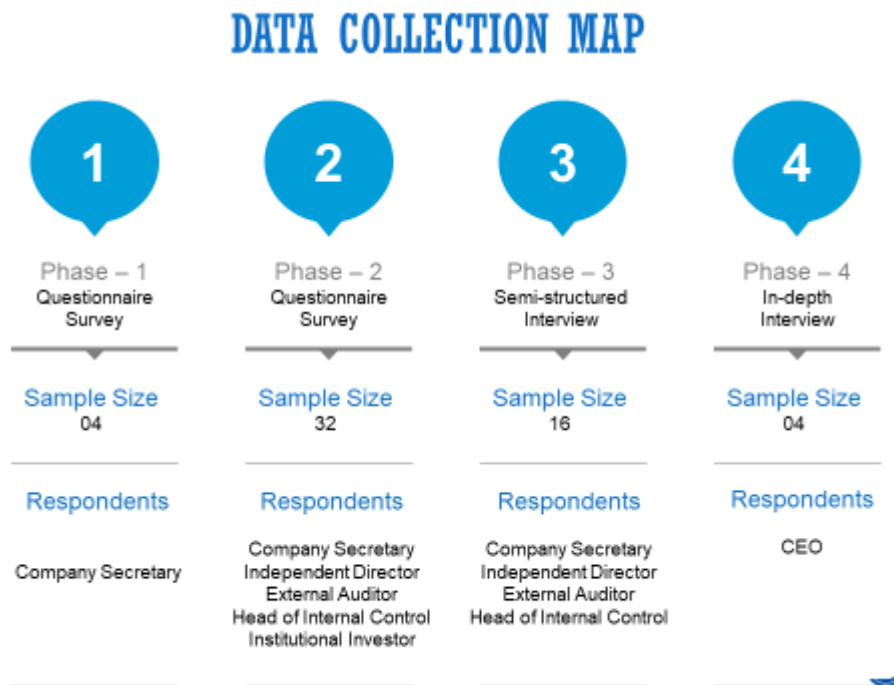
The subsequent part will provide detailed description of separate segments or phases of the whole data collection process.

#### **6.7.1 Overview of the Different Phases**

For this study, the whole data collection process was categorized into four different phases. Data relating to corporate governance practices in Bangladesh in the mobile telecommunication industry was accumulated using different methods. For the purpose of data collection, all the four mobile telecommunication companies in Bangladesh were used in the study. These companies are Robi Axiata Limited, Banglalink Digital Communication Limited, Grameenphone and Teletalk Bangladesh Limited.

In the first phase, fact-based questionnaires regarding the corporate governance practices were given to the Company Secretaries of the four mobile telecommunication companies of Bangladesh for the study. The second phase consisted of a questionnaire survey about corporate governance – aimed at measuring stakeholder perceptions – and these were answered by several Company Secretaries, Independent Directors, External Auditors, Head of Internal Control, and Institutional Investors. In the third phase, semi-structured interview data about corporate governance practices were also collected from the Company Secretaries, Independent Director, External Auditor and Head of Internal Control. Finally, in phase four, in-depth interviews were taken from the Chief Executive Officers of the mobile

telecommunication companies. The objective of this fourth phase was to gather further detailed essential information about the corporate governance practices in that particular industry. The whole process is illustrated in the figure below:



*Figure 15: Data Collection Map*

#### 6.7.1.1 Phase 1: Questionnaire Survey

##### Objectives of Phase 1

The purpose of the first phase was to gather information on the Corporate Governance practices in the mobile telecommunication industry of Bangladesh. This information would be accumulated with the data which were collected from the company secretaries from the four companies with the use of questionnaire surveys consisting of 73 questions. This method was primarily chosen as the most appropriate method for the data collection process as this would provide an insight on the level of compliance of the corporate governance practices of the mobile telecommunication companies in accordance with the Corporate Governance Code issued under the Bangladesh Securities and Exchange Commission (BSEC).

For this phase, questionnaire survey data was used. McLeod (2018) stated that a group of questions makes up a questionnaire survey. A questionnaire provides the same questions to all respondents (Merriam, 1988; Easterby-Smith et al., 2012). In various ways, questionnaire surveys can be conducted. Some of the ways are by using telephone, computer, google docs, via email, posts on social media platforms or websites.

Being aware of the benefits and limitations about questionnaire surveys is important in order to assure whether this method will be useful for collecting data for the study. In these methods, data can be collected easily as face-to-face communication is not necessary. Respondents can submit the forms as per their convenience. Moreover, Jones et al. (2013) discussed that at a lower cost questionnaire can be distributed to many respondents rapidly. Here, respondents can provide their honest opinions as their identity is not revealed in the report; also, as a result, more genuine information can be collected. However, there are some hindrances with this method. For instance, often respondents by mistake skip some questions and as researchers do not supervise during that time, it creates problems. In addition, often respondents face difficulty understanding the technical questions and become demotivated to submit or answer the survey. Thus, this may lead to inaccurate results. Despite these drawbacks, due to its characteristics of delineating a large population (Babbie, 2004), this study incorporated a questionnaire survey for outlining corporate governance constituents in the Bangladeshi mobile telecommunication sector. Since the same questions were asked, this study ensured a better measurement for all the participants and provided standardized stimuli by diminishing unreliability. Here, the questionnaires contained 153 items. Using corporate governance code (2018) and OECD (1999) framework, this study emphasized on ownership/shareholding, boards, compensation, and transparency through disclosure and audit as fundamental pillars of corporate governance. Thus, the questionnaires' elements accurately reflected all the major ideas and concepts in the questions that assisted to uplift the questionnaire's validity<sup>3</sup>.

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<sup>3</sup> This kind of validity is referred as Face Validity (Bryman, 2016)

### Methods of Questionnaire Survey

Numerous types of questionnaires can be structured to find out the corporate governance practices in the mobile telecommunication industry of Bangladesh. However, an appropriate type for the questionnaire must be used to collect data as this can assure authentic and reliable collection of data (Aryal,2020).

Pappas (2015) mentioned that questions aimed at collecting concrete facts comprise of precise and evidence-based answers as WH questions such as who, when, how types are asked. Here, opinion-based questions are not asked, thus answers do not vary rather they are easy and quicker to answer and examine. These questions are more authentic and accurate compared to any other type of questions, stated by Wolf et al. (2016) in their book named “*The SAGE HANDBOOK of Survey Methodology*”. In addition, as these questions are straight forward, this encourages more respondents to participate. Regardless, these various advantages have some drawbacks. Respondents cannot provide proper justification for their answers and often it becomes tough for them to answer complex issues in a direct way. In the first phase of our research, this study has used concrete facts/information which refers to the authentic data that can rationally be presumed to contribute to exploration, comprehension, and solution of the stated problem at hand. These facts are information that contain truth or are concerned with verifiable details rather than feelings or concepts (Herzog and Dielman, 1985).

### Description of Phase I

Phase 1 of the data collection process consists of accumulation of data with the use of questionnaire surveys from the Company Secretaries. For this study, a data survey to collect facts or information about the corporate governance practice of the companies has been constructed (Appendix A) with the help of Corporate Governance Code 2018, OECD principle, and Code of Conduct. The respondents were company secretaries from each of four mobile telecommunication companies. All

the four (4) surveys were received from the company secretaries of each of the companies. Below the breakdown of the number questions are given:

*Table 4 Breakdown of the Number of Questions*

<b>Corporate Governance Committee</b>	<b>Number of Questions</b>
<b>Board of Directors</b>	20
<b>Management</b>	06
<b>Independent Director</b>	03
<b>Audit Committee (AC)</b>	12
<b>Nomination and Remuneration Committee (NRC)</b>	10
<b>External Audit</b>	05
<b>Reporting and Disclosure</b>	07
<b>Ownership and Shareholder Protection</b>	08
<b>Miscellaneous</b>	02
<b>Total</b>	73

The table above shows the areas on which the questions are made and the number of questions on those areas. Questions are designed in accordance with the Corporate Governance Code 2018 and Code of Conduct to gain an insight on the companies about the fact that whether they had in fact followed the codes accordingly. The survey asks the company secretaries about the Board of Directors such as the number of directors present in their company along with the years of the experience they had in their respective fields, and duties and activities. The respondents were asked whether the Board of Directors regularly monitored the duties of the Managing Directors (MD), Independent Directors (IDs), Chief Executive Officer (CEO) and other committees. Then the respondents were briefly asked about the Independent Directors such as about their relevant experience in fulfilling their roles and responsibilities and whether they held any other positions in any other enlisted companies. They were

strictly asked whether the independent directors received any forms of remunerations other than the meeting allowances as this information needed to be disclosed to understand the practices in the industry. The next area of questions focused on the management team of the companies. The members of the management team consisted of the Chief Executive Officers (CEO), Chief Financial Officers (CFO), Managing Directors (MDs), Company Secretaries (CSs) and finally the Head of Internal Audit and Compliance (HIAC). The respondents were asked whether the Board had complied with the Code while appointing these positions and clearly set out the roles, responsibilities, and duties of these mentioned positions. The next few categories consisted of questions about the different committees that existed in the companies such as the Audit Committee (AC), Nomination and Remuneration Committee (NRC) and External Audit. Here, some of the common questions that the company secretaries were asked about these committees were about the number of members present along with the number of independent directors in each committee. Additional questions were also added in the survey about the roles and duties with regards to each of the committees. For instance, respondents were asked about the Term of Reference (ToR) and other remuneration policies under the NRC category while questions about the auditing process were asked to both the Audit Committee and the External Audit. Company secretaries also had to answer a few questions about the Reporting and Disclosure policies of the companies such as whether the annual report contained information like the audit reports and reporting and compliance certificates for the stakeholders. Finally, the respondents were asked about the category of Ownership and Shareholder Protection of their companies. Here, questions about the number of shares issued and voting shares were asked along with the shareholding status of the companies.

#### *Discussion on sample size*

For Phase 1, data was collected from all the four (4) mobile telecommunication companies in Bangladesh. For the collection of fact-based data, four company secretaries were selected from each of the four companies and the survey was sent to them. The fact-based survey consisting of 73

questions. Data collected from the respondents were used for the analysis of the study in the later chapter.

#### 6.7.1.2 Phase 2: Questionnaire Survey

##### Objectives of phase 2

The purpose of the second phase is to gather further information about the Corporate Governance practices in the mobile telecommunication industry using additional information from different respondents. This information were collected from five different types of respondents from each of the four companies. These respondents are the Company Secretaries, Independent Directors, External Auditor, Head of Internal Control, and Institutional Investors of the companies. The method used for data collection was like the first phase as a questionnaire survey was used; however, in the second phase, a questionnaire survey consisting of 83 perception-measurement questions was used in order to understand the perception of different stakeholders about the Corporate Governance practices in the mobile telecommunication industry of Bangladesh.

##### Methods of questionnaire survey

This study has conducted a data survey aimed at measuring stakeholder perceptions to receive feedback on previous or current practices of corporate governance among companies. Such a kind of data survey gathers the knowledge about individuals' understanding or feeling regarding some specific problems and issues of corporate governance; therefore, the survey results help to set up a baseline, analyze the trend, and determine goals (Erickson, 2013). Generally, in data surveys aimed at measuring respondent perception, respondents' different point of views can be comprehended. This study used a survey of 83 questions to understand perception scores in terms of companies' practicing the elements of corporate governance. This questionnaire was set in the form of Likert scale to collect the opinions of the respondents about the corporate governance practices. Interpretations of data are easier by complying to this method and also this is universally accepted. Nonetheless, reasons behind



participants' marking or giving a specific score on the scale cannot be known from the participants. Also, many participants avoid marking the extremes to be on the safe side (LaMarca, 2011).

Description of phase 2

Phase 2 of the data collection process also consists of the use of a questionnaire survey to collect facts about the companies' corporate governance practice. However, unlike Phase 1, in the second phase, another survey was conducted to measure respondent perceptions; here, company secretary, independent director, external auditor, head of internal control, and institutional investor were performing the role of respondents from mobile operator companies- Grameenphone, Banglalink, Robi Axiata and Teletalk. The number of questions from committees on corporate governance is given below:

*Table 5 Breakdown of the Number of Questions*

<b>Corporate Governance Committee</b>	<b>Number of Questions</b>
<b>Board of Directors</b>	15
<b>Independent Director</b>	05
<b>Management</b>	05
<b>Risk Management</b>	05
<b>External Audit</b>	06
<b>Reporting and Disclosure</b>	05
<b>Audit Committee (AC)</b>	21
<b>Nomination and Remuneration Committee (NRC)</b>	18
<b>Corporate Governance Practices</b>	03
<b>Total</b>	83

Table 2 shows that the questionnaire used in the second phase consists of 9 different categories in which the questions were made. These questions were prepared in accordance with the Corporate Governance Code 2018 and the Code of Conduct and with the motive to gain an insight into the minds of different stakeholders of the company. These questions were all designed into a Likert Scale statements where the respondents had answered the question by circling from 1 - 5 where the numbers represented Strongly Disagree, Disagree, Neutral, Agree and Strongly Agree respectively. Here, the questions covered several areas within each category such as the Board of Director category consisted of 15 questions and these statements discussed about practices such as the Board setting the objectives clearly for the company and ensuring that they regularly assessed the performance of the employees against the objectives that the board had set out; other statements about the Board asked whether the Board ensured that reports received from other committees were thoroughly checked and proper feedback were given. The questionnaire also provided statement about the Independent Directors of the company where statements were given such as: the independent directors had sufficient knowledge about the organization that they were working with and had sufficient resources to continue their duties and responsibilities. The respondents were then given perception-measurement statements about the management team of the companies where it was asked to what extent the respondents agreed with the given statements: the roles and responsibilities of the management teams as well as the risk management team were set clearly by the board, and they were given post-evaluation reviews on the report performance, and they successfully established a system to raise concern for the risk management team. Respondents were also asked about the External Audit team with regards to issues such as ensuring the quality and compliance level of audit in accordance with financial reporting standards, effectively inspecting the internal control and non-financial areas of the company such as health and safety. The next sets of statements focused on the Audit Committee and the Nomination and Remuneration Committee. Here, statements included: both the committee members had sufficient knowledge in their respective fields and properly carried out their responsibilities; the Audit Committee members had been successful in monitoring the external audit

firm's compliance with the existing ethical and regulatory requirements of Bangladesh; Nomination and Remuneration Committee members effectively reviewed and recommended to the Board, or approved the annual salary, bonus, and other benefits of the president and other officers and directors. Finally, the questionnaire consisted of few statements about the Corporate Governance practices such as: the company had successfully implemented the practices as per the government's directive. The responses to these statements have also been used in the analysis of the Corporate Government practices in the later chapter.

*Discussion on sample size*

In Phase 2, different respondents were chosen to understand the perception of different stakeholders. These respondents were the Company Secretaries, Independent Directors, External Auditors, Heads of Internal Control, and Institutional Investors of the companies. The questionnaire survey was sent to these respondents in different numbers. These number of surveys were sent to all the four (4) companies. A total of 36 surveys were sent. From these questionnaires, 32 surveys from the respondents were obtained while 4 of the surveys were not submitted by the respondents. Therefore, results were drawn from these 32 respondents. The table below represents a detailed analysis of the sample size and sample frame for phase 2:

	<b>Company Secretary</b>	<b>Independent Director</b>	<b>External Auditor</b>	<b>Head of Internal Control</b>	<b>Institutional Investor</b>	<b>Total</b>
<b>Grameenphone</b>	1	2	3	1	3	10
<b>Robi</b>	1	2	3	1	3	10
<b>Banglalink</b>	1	-	3	1	2	7
<b>Teletalk</b>	1	-	3	1	-	5
<b>Total</b>	4	4	12	4	8	32

### 6.7.1.3 Phase 3: Semi-structured Interview

#### Objectives of phase 3

The objective of Phase 3 was to gain additional information about the mobile telecommunication industry with regards to the Corporate Governance practices. The purpose of this phase is to communicate with the respondents in person to gather further information that the researcher could not collect using questionnaires in the earlier phases. In addition, a benefit of using this phase is that follow-up questions might arise while going through the data collected in the previous phases which the researcher might ask to the respondents. Therefore, this phase was used as another data collection method to gather additional non-quantitative.

#### Method of interviews

A formal face-to-face conversation between two or more people is known as an interview (Reddy, 2020). In-depth information can be gathered through interviews from the respondents. Face -to-face interaction tends to reduce the chances of misinterpretation and helps to strengthen the bonding between the parties. As a result, participants cooperate more. Also, a comfortable environment makes the interviewee confident about the confidentiality, thus can share additional elaborate opinions about the relevant topic. However, DeFranzo (2014) pointed out some setbacks of conducting interviews. Cost of conducting an interview is more as people need to be hired to take the interview and also the transportation cost adds more to the expenses. Moreover, conducting such interviews are more time intensive and the sample size is also usually small. Also, the research progress sometimes gets delayed if the interviewees fail to manage time for the interview due to their busy work schedule. Nevertheless, interview refers to a purposeful conversation for collecting information (Marshall and Rossman, 2014). According to the claim of Rubin and Rubin (1995), less structured interviews are more suitable for field research due to its flexibility, interactivity, and continuity (Reaz, 2006). Since the qualitative process starts with a semi-structured interview to secure a comprehensive insight on

how the qualitative process involves corporate governance mechanisms to regulate the practices of governance within the companies; hence, both semi-structured interviews and in-depth interviews are incorporated in this study for ensuring a greater coverage breadth.

Semi-structured interview is employed in this study to extract in-depth information. Here, researchers can ask open-ended questions to interviewee and can ask more to follow up questions based on their response. To clear up vague responses and get detailed sufficient answers, a semi-structured interview assists its interviewers with the opportunity of investigation (Mambondiani, 2011). Moreover, deeper information can be extracted through the flexibility of semi-structured interviews in respect to the issues being scrutinized (Creswell and Poth, 2016). Due to the flexibility in remodeling and reformatting the interview questions based on its conversations (Anderson, 2004), a semi-structured interview creates considerable possibilities of empirical disclosure of information. Such interviews are greatly beneficial to gather sensitive information as interviewers can create a friendly environment where respondents can share their information without hesitation. Here, in phase-03, the semi-structured interview was carried out with each of the organizations' company secretary, independent director, external auditors, and head of internal control respectively; hence, the entire sample size was 16. Therefore, having a smaller sample size allowed researchers to conduct a more thorough interview. This is because there were 4 respondents from each company in the semi-structured interview, thus there was a considerable amount of time to know about additional information.

### Description of phase 3

Phase 3 of the data collection process consisted of conducting semi-structured interviews with the respondents from the telecommunication industry. In this phase, semi-structured interview was conducted with four respondents from each of the four companies. These respondents were Company Secretaries, Independent Directors, External Auditors and finally Heads of Internal Control. The motive of choosing these respondents was to reassure the findings from the earlier two phases.

Researcher was able to obtain the reasoning behind the answers of the respondents in these phases. The semi-structured interview consisted of a total of 16 respondents and the interviewer asked them to share their opinion about their notion of an ideal practice and describe their enthusiasm towards achieving the Corporate Governance practices in their companies. Respondents were asked whether it felt like their companies had been successful in achieving the standard of practices. Additional questions which took place over half an hour on average with the respondents allowed the researcher to gain an insight into the minds of the respondents which was crucial to understand how the mobile telecommunication industry in Bangladesh functions. The table below represents a detailed analysis of the sample size and sample frame for phase 3:

	<b>Company Secretary</b>	<b>Independent Director</b>	<b>External Auditor</b>	<b>Head of Internal Control</b>	<b>Total</b>
<b>Grameenphone</b>	1	2	1	1	4
<b>Robi</b>	1	2	1	1	4
<b>Banglalink</b>	1	-	1	1	4
<b>Teletalk</b>	1	-	1	1	4
<b>Total</b>	4	4	4	4	16

#### 6.7.1.4 Phase 4: In-depth Interview

##### Objectives of phase 4

The final and the fourth phase of the data collection process also consists of gathering information about the Corporate Government practices using interviews from the Chief Executive Officers of each of the four companies, the goal of which is to know whether or not implementation of corporate governance practices are actually beneficial for the employees and the companies as a whole and also to know, whether these practices are aligned with the welfare of the company as well as the society. Therefore, from this phase, some exceptional information can be gathered.

### Method of interviews

Lastly, an in-depth interview has been incorporated in this study to ensure excellence in generating a significant level of understanding. To explore the respondent's perspectives and viewpoint on a particular circumstance, idea, or instance, an in-depth interview is intensively conducted with small-scale participants (Boyce and Neale, 2006). This qualitative research technique offers a more absolute picture regarding the study that further creates opportunities to gain a deep insight into behaviors, thoughts, and ideas of the respondents which ultimately pave the way to explore contemporary issues in a rigorous manner (Guest et al., 2013). In phase-04, in-depth interview was conducted with the CEOs of 4 mobile telecommunication organizations; hence the total sample size under this phase was 04. Under a more relaxed atmosphere, the respondents can provide much detailed and in-depth information (Boyce and Neale, 2006), and that feature significantly assisted to present the perception on governance practices in the mobile telecommunication sector; thus, in-depth interviews assisted to meet the research objective.

### Description of phase 4

Phase 4 consists of in-depth interviews with the Chief Executive Officers of the companies in the mobile telecommunication sector. Here, with the four CEOs, an informative conversation took place. The main objective behind having an in-depth conversation was to know whether the employees were being happy and benefitted with the implementation of corporate governance practices, as satisfaction and acceptance of these practices would ultimately benefit the company as a whole. Therefore, CEOs were asked to share their opinions regarding the corporate governance practices. Moreover, further questions were asked regarding the alignment of corporate governance practices with the welfare of the company as well as the society. Such exceptional in-depth knowledge could be only gained from the top management and these insights were beneficial to get more reliable and comprehensive results for the study.

### **6.7.2 Pre-Testing and the Pilot Study**

The pilot study refers to carrying out a small-scale execution of an extensive and comprehensive study or a part of a comprehensive study that lasts for a short period by involving a smaller group of respondents, sites or institutions; pre-testing allows testing the research instruments to check whether there are any issues related to wording and measurement of questions and instruction's clarity that might hinder the instrument's aptness to collect information in an economic and standardized fashion (Van Teijlingen and Hundley, 2001). According to Hurst et al. (2015), before providing the questionnaire to all the respondents, a selective number of participants are chosen to fill up the survey form. This is because such a small survey helps researchers to figure out any sort of issues or confusions in the questionnaire which the participants can indicate. Pilot test can also examine if data collection methods such as interviews surveys and questionnaires are suitable for the study.

Based on the feedback of the respondents, further changes can be done before carrying out the full-scale study. For instance, difficult sentence structure can be rephrased into simpler sentences and questionnaires can be resigned if participants get offended or uncomfortable with the questionnaire. One of the significant advantages of pilot tests is that it helps to decide whether the researcher should conduct the study or not. This leads to save expenditure and time of the researcher. Even resource wastage can be minimized as viability of the research can be also studied. However, there are some drawbacks of conducting such tests. Often researchers manipulate the participants to answer as per the demand of the researchers. This can cause misleading results of the pilot-study. Moreover, it can never be fully guaranteed that a successful pilot-study also means a successful full-scale study. This is because opinions of a small number of people might not match with the large scale of target group people.

To pinpoint the areas of difficulties, through pilot study, it is needed to lower the measurement error and participant burden, identify the necessary resources, correctly interpret the question and figure



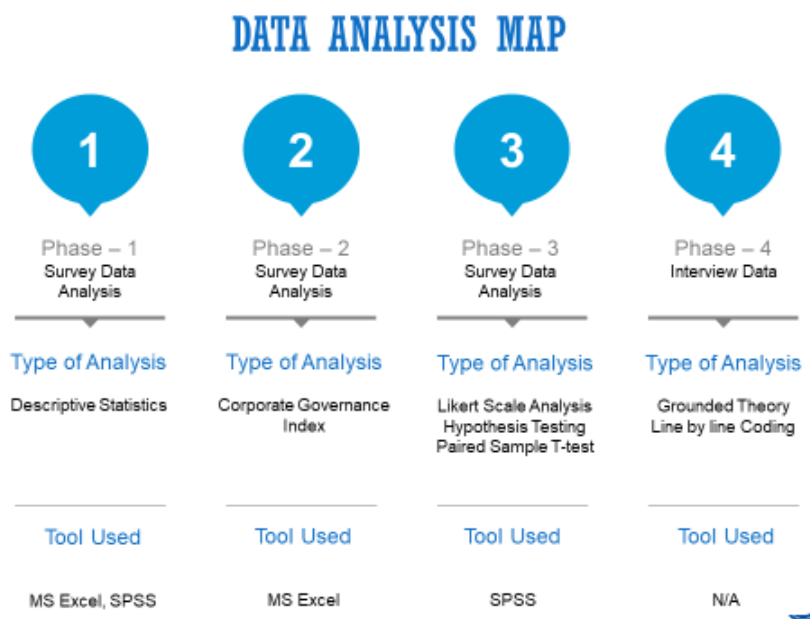
out the probable practical complications which might arise in any study procedure (Ruel et al., 2015). In this study, pre-testing was conducted systematically with the assistance of experts in question erection to identify probable difficulties followed by incorporation of an identical method of administration. A pilot test was run to inspect the wording and relevancy of the questions to detect how much time is required to finish the questionnaire and to identify related problems that could have emerged during completion and further subsequent outcome analysis. For this study, to assure feasibility of the questionnaire survey, a pilot study was also conducted. Five random participants from the telecommunication sector were chosen. These participants gave their feedback on the questionnaire. According to the suggestions of the participants, necessary changes were made and modified. For instance, one of the questions in the first set of questionnaires asked the company secretaries to write about the shareholding status of the company. One of the respondents pointed out that it was difficult to describe the shareholding status of the company in a sentence form. Therefore, to make the questionnaire more effective, a table was added later so that respondents can answer that question with more ease.

## **6.8 Data Analysis**

The purpose of data analysis is to summarize huge data which are accumulated from various sources. These summarized data are then examined to help the researchers with the decision-making process. Moreover, numerous trends and relationships can be figured out with the use of logical and analytical reasoning of the collected data (Galletto, 2016). The objective of the data analysis process is to come to an authentic conclusion from the summarized data gathered from the participants. This study identifies the appropriate technique of data analysis to apply statistical tools systematically to outline and demonstrate, recap, and analyze the data. Data analysis of the first set of questionnaires took place with descriptive statistical analysis and construction of corporate governance index while data analysis of the second set of questionnaires was conducted over Likert scale analysis; on the other hand, interview data was analyzed using grounded theory technique.

### 6.8.1 Overview of the Different Phases

For this research, the whole data analysis process is classified into four different phases. Here, data relating to corporate governance practices in Bangladeshi mobile telecommunication industry is analyzed. The first three phases out of the four consists of survey data analysis. The first and second phase focuses on descriptive statistics and corporate governance index respectively. The third phase focuses on a series of analysis such as the Likert Scale Analysis, hypothesis testing, and paired sample t-test. Phase four discusses interview data which focuses on grounded theory and line by line coding. Moreover, in order to analyze these findings of the phases, Microsoft Excel and SPSS software have been used. Different phases of the data analysis process are detailed below:



*Figure 16: Data Analysis Map*

#### 6.8.1.1 Phase 1: Survey Data Analysis (Descriptive Statistics)

In data analysis phase-01, descriptive statistics was performed. In this study, descriptive statistics is incorporated primarily due to two fundamental reasons: (I) to deliver essential information regarding the variables in its dataset and (II) to underline prospective relationships among the variables. Since, descriptive statistics assists to gain a comprehensive insight on how the information/data are allocated

across the range of credible values and provide an accurate and precise picture of data (McHugh and Villarruel, 2003), in this study, descriptive statistics is visually represented with the help of MS Excel and SPSS. Moreover, SPSS provides an absolute graphical representation and allows more or less all basic and some excellent statistical analysis (Larson-Hall, 2015) that ultimately assisted to attain the result of this research; in addition to this, descriptive statistics also distinguishes those statements that the companies comply with from those which they do not comply with in the mobile telecommunication industry of Bangladesh. That is, it will be shown in terms of percentage that which companies comply with the statements and which companies do not - along with required explanation.

In the first phase of the analysis, the four companies' percentage of compliance is calculated. An overall average percentage about the mobile telecommunication industry was figured out based on the results of individual compliance. This result portrays the level of compliance of the overall mobile telecommunication industry with the statements. An illustration for such a scenario can be shown with this question: “Do the new directors receive a full, formal and tailored induction on joining the board?” The main objective here is to figure out the percentage of companies providing different types of induction to the newly joined directors of the company. In this manner, every single question would be analyzed to identify the level of compliance in accordance with the corporate governance code and other guidelines. Moreover, these results provide a bigger picture about the corporate governance compliance status in the mobile telecommunication industry of Bangladesh.

#### 6.8.1.2 Phase 2: Survey Data Analysis Corporate Governance Index

In phase-02, Corporate Governance Index (CGI) is used to analyze the collected facts from the first set of questionnaire survey to measure the potency of corporate governance mechanism. To calculate the corporate governance index score, a data survey was conducted where each of the four companies' respondents was asked to respond to a set of questions. Here, the score was added based on the level of compliance; 01 point was given for complying with each individual question; 0 for not complying

with the criteria of that specific question. Hence, each of the company's total score out of 73 was calculated, and afterward, a mean score of four companies was computed by using MS Excel to come up with an industry average. Undoubtedly, good corporate governance practices guide the entire economy towards significant performance and ensure capital investment sources (Javaid and Saboor, 2015); therefore, to analyze and investigate the relationship between standard of company's corporate governance practice and its performance, this study constructed a Corporate Governance Index (CGI) for Bangladeshi mobile telecommunication companies.

To elaborate the scoring process with an example here: for instance, the company secretaries of the mobile telecommunication company were asked whether the company has policies or regulations for the protection of the shareholders' rights. If the answer of the respondents were yes, this would refer that their company complied with the code of having policies or regulations for the protection of the shareholders' rights. On the other hand, no would refer that companies did not have regulations or protection thus, did not comply with the code. In a graphical representation, results of all the 73 questions were then portrayed. If one of the companies complied with only 45 questions out of the 73 questions, it would result in a score of 45 out of 73. This score was later converted into a 100 - point scale, thus the company would get 64.29 points out of 100. Then, a bar chart result of all the 4 companies' scores out of 100 would be shown along with proper labelling by using the similar process.

#### 6.8.1.3 Phase 3: Survey Data Analysis (Likert Scale Analysis)

In the third phase of data analysis, this study uses Likert scale analysis. The scale consists of 5 points; it starts from "Strongly Disagree" and ends up with "Strongly Agree" (Joshi *et al.*, 2015). In this study, a Likert scale is formulated. The study is interested in finding out the composite score which stated the character trait of practicing corporate governance within organizations.

To describe the third phase of the data analysis process, Likert Scale Analysis is used as a method to analyze the responses of the respondents to the second set of questionnaire surveys. The analysis consists of statements that are scored from 1 to 5-point scale where 1 refers to the lowest level of agreement and 5 refers to the highest level of agreement to a question. Once the information had been gathered from Phase 2 of the previous data collection process, these results would then be calculated in terms of level of agreement with certain statements. For example, the Board of Directors in the questionnaire consisted of 15 questions. The results of these questions would be averaged and presented in a graphical chart. In a similar manner, all the scores of the other categories were also averaged and presented in the same chart for each of the four companies. The charts were analyzed using statistical software. Later, using these data, hypothesis testing would be done to measure the difference in perceptions across different stakeholder groups.

#### 6.8.1.4 Phase 4: Interview Data (Grounded Theory)

Grounded Theory is appropriate to use for obscure situations and such circumstances generates an explanatory theory. Also, this method is grounded with the accumulated information, thus it stands out from the rest of the methods. In three different genres, grounded theories can be categorized; these are Traditional Grounded theory, Evolved Grounded theory and Constructive grounded theory. Selection of the Grounded Theory methodology requires right understanding of the topic and creation of well-designed content for the study. The objective of grounded theory is to collect data and to conduct line by line coding of the information. Then second-order themes are created by converting the sentences into smaller phases. Lastly, to portray the bigger picture of the study, these second order themes are grouped together and converted into a final overarching theme. Line by line coding of grounded theory is used to analyze the interview data as it presents a methodology to expand the understanding of collective phenomena that was not developed pre-theoretically with the existing paradigm (Egan, 2002). To understand the wide description, grounded theory has been used in this study as it provides a systematic and accurate process of collecting and analyzing the data. After

collecting data from interviews, data analysis was conducted through several stages of coding (Tie et al., 2019). Coding comprises of a short label that identify the core concepts, notional repetition in data, and creates the crucial link between accumulating or generating data therefore, originating a theory that clarifies the data. In this study, in the primary stage of line-by-line coding, the initial coding phase started with the purpose of fragmenting the data; later, significant words were labeled. Next, intermediate coding was structured based on initial coding; the researcher started to modify the basic data toward an abstract concept, letting the theory to appear from the data. After that, advanced coding produced a theory which was grounded in the information and contained explanatory power. To analyze the line-by-line coding under quantitative data, this study has used NVivo software as it transcribed the data.

## **6.9 Validity and Reliability**

This part of the study used the abstraction of validity and reliability to assess the research quality to specify how rigorously a test or method has evaluated something. To measure consistency, ensuring reliability is a significant factor, and to measure accuracy, verifying validity is a remarkable component. Ensuring both validity and reliability in this study allowed us to acquire condensed and precise results along with generalizing the findings towards a wide-ranging population.

### **6.9.1 Validity**

Validity is a precision measure where the data is accurately reflected through the findings (Noble and Smith, 2015). This process can assure the researchers whether they can really measure the anticipated objectives of the research. One of the significant parts of research is to assure the validity of the research as there is possibility of obtaining inaccurate and irrelevant data if validity is not established properly. Moreover, validity can point out the questions which are most appropriate to use for the study. According to Middleton (2020), to assure the research validity, researchers should incorporate the highest possible standard of scientific research. In addition, validity has two fundamental aspects:

(I) internal validity (credibility), and (II) external validity (transferability) (Mohajan, 2017). To assure internal validity, appropriate strategies i.e., triangulation, reflexivity, and saturation needs to be unfolded while non-reactive measures and precise descriptions for study replication are incorporated to elevate external validity. For this study, some steps have been carried out to initiate validity for our study. For instance, the most relevant and suitable sampling method has been selected for the study. Then, as the questions were prepared based on established theory, highest standards have been ensured for the selection of measurement methods. Even, after conducting the pilot study, the questions have been improved based on the feedback in order to assure proper validity. Further, the most applicable and appropriate sampling method and suitable timeframe have been selected to ensure the study's validity, while based on the study characteristics, a relevant and apposite methodology has been incorporated. Additionally, the participants have neither been coerced nor negatively influenced to select particular options from the answer set. To have a high degree of validity, the study's aim and objectives have been operationalized and established and assessment measures have been matched to its predetermined goals.

### **6.9.2 Reliability**

Reliability on research ensures the degree to which collection of qualitative and quantitative data creates firm and compatible results (Mbu-ogar et al., 2017). Again, the concept of reliability indicates a measurement that provides unchanging results with identical value. The main purpose of reliability is to ensure that every time, similar answers can be collected from the respondents when they are asked to fill up the survey. On the other hand, if the answers of the participants change every time, this will mean a deficiency in reliability. If such a situation arises, the survey should be improved and adjusted based on the feedback. Thus, this will ensure future reliability. Findings from here can be depicted as scientific evidence for the research. Reliability can be of various types but the two most familiar types among all of them are Test-Retest Reliability and Alternate Form Reliability. In test-retest reliability, at two different points of time information is gathered from the same group of people.

In both the points of time, if researchers find the same result, this will indicate high test-retest reliability. On the other hand, in alternate form reliability, the stability of the respondents' answers is verified by providing them the same test in different styles. That is, the main gist of the questionnaire remains the same, but sentence structures are changed, or synonyms are used. Hence, in this study, it measures stability, constancy, and accuracy of research. For this research in order to ensure reliability, first of all, data has been collected through two sets of questionnaire surveys. Furthermore, information has been collected through semi structured interviews. Finally, in -depth interviews have been conducted with the CEOs to observe whether the goals and perceptions of the top management aligned with the middle management or not.

## **6.10 Summary**

The chapter commenced with a synopsis of the whole research methodology followed by a research rationale which showed the significance and justification for choosing the topic of corporate governance practices in the mobile telecommunication industry of Bangladesh. Then primary and specific research objectives of the study were shown in the research objective segment. The main goal of a research can be presented through primary research objectives. In specific research objectives, the broad objective of the research is divided into smaller parts to attain the main purpose of the research. The next segment of the chapter discussed the basic assumptions of the research philosophy. Among the four worldviews, the pragmatism worldview has been used for this research purpose as both quantitative and qualitative methods have been used for this research. Afterwards, three different research methods were discussed. For this research, the triangulation method has been used as in this method as more than one approach is used therefore, one can cover up for another's drawbacks which lead to more reliable and valid data collection. Next, the chapter focused on data collection methods which consisted of four different phases. The first two phases of the data collection process aims to accumulate sufficient information through two sets of data surveys about the corporate governance practices in the mobile telecommunication industry. On the other hand, the



third and fourth phase of the research consists of semi-structured and in-depth interviews with the top management to obtain additional information from the respondents. Afterwards, the data analysis process has also been conducted into four different phases. The first phase consists of descriptive statistics, the second phase consists of Corporate Governance Index and the third and fourth phase consists of Likert Scale Analysis, hypothesis testing and Ground Theory analysis. Here, two different software have been used which are Microsoft Excel and SPSS for the analysis of the collected data. In the next chapter, analysis and findings from the collected data will be presented in detail.

## **CHAPTER 07: FINDINGS AND ANALYSIS OF QUESTIONNAIRE SURVEY**

### **DATA**

#### **7.1 Introduction**

The main objective of this chapter is to portray an elaborate illustration regarding the respondents' responses gathered from the given questionnaire along with an analysis of the data. Firstly, the chapter consists of the participants' background. Afterwards, an explanation of the collected facts (through the first set of questionnaire surveys) about the corporate governance practices of the companies is provided, followed by the construction of corporate governance index. Then, a similar explanation on responses to the second set of questionnaires aimed at measuring stakeholder perceptions on corporate governance practices in the mobile telecommunication industry is also included; this is also followed by the construction of another corporate governance index. Next, based on the collected data, the listed eight hypotheses are tested. Lastly, test results are discussed in-depth for better understanding of the gathered information.

#### **7.2 Analysis of Questionnaire Response (Part I)**

In this section of the chapter, an elaborate analysis of the responses to the first set of questionnaires aimed at collecting facts about corporate governance practices of the companies is presented. This is to note that information has been presented on all the four companies working at the local level (Bangladesh). Additionally, as Banglalink and Robi are not publicly listed companies in Bangladesh – hence not bound to follow the corporate governance codes in the country – information has also been presented at the parent or holding company level for these two organizations.

##### **7.2.1 Respondent Background**

The respondents for this particular study are from the mobile telecommunication industry, more specifically from Robi Axiata Limited, Grameenphone, Banglalink and Teletalk Bangladesh Limited.

From these companies, only the company secretary has been selected as the respondent for these first set of questionnaire surveys. The company secretary has in-depth knowledge of the company as a whole and has a good understanding of the companies' corporate governance practices. Therefore, these respondents are the appropriate participants for the survey.

Among the four companies in the mobile telecommunication industry, only one of the companies is a listed company under Dhaka Stock Exchange (DSE). This particular company is Grameenphone, and it was enlisted in DSE in 2009. As a result, only Grameenphone is obliged to comply with all the codes of Corporate Governance, 2018. However, for the remaining three companies, Banglalink, Robi and Teletalk, it is not compulsory to comply with the corporate governance practices. While preparing the questionnaire for this survey, most of the statements were prepared based on the corporate governance guidelines presented in different reputable sources such as the Corporate Governance Code, 2018 as per Bangladesh Securities and Exchange Commission (BSEC), Corporate Governance Framework as per The Organization for Economic Co-operation and Development (OECD), and European Corporate Governance Institute (ECGI). The series of 73 questions were formed by combining guidelines and codes from these sources. Despite the fact that three of the four companies were not enlisted, the purpose of conducting this research is to identify whether the compliance status of these companies in the mobile telecommunication industry in Bangladesh met the standards set by the aforementioned different governing bodies. If the companies manage to comply with the given codes and guidelines, this would be a good indication of proper compliance to good corporate governance practices in Bangladesh.

### **7.2.2. Questionnaire Structure and Results**

This thesis focuses on the corporate governance practices of the mobile telecommunications industry. Therefore, the questionnaire focuses on nine areas of corporate governance: board of directors, independent director (ID), management, audit committee, nomination and remuneration committee,

external audit, reporting and disclosure, ownership and shareholder protection, and miscellaneous issues. Each area comprises of several questions that help effectively determine the companies' corporate governance practices. There is a total of 73 questions which are all fact- based. The responses to the different areas of corporate governance are illustrated below:

#### 7.2.2.1 Board of Directors

The company secretaries were firstly asked about the number of people who had filled up the position of Board of Directors. As per the Corporate Governance Code, it has been clearly mentioned that the total number of the Board of Directors in the company should be at least 5 (five) and no more than 20 (twenty) at maximum. The responses from all the four companies shows that the number of Board of Directors were 4 (four) for Banglalink, 8 (eight) for Robi Axiata and 10 (ten) members for both Grameenphone and Teletalk Bangladesh. Furthermore, Banglalink's parent company Global Telecom Holding have 5 (five) members and Robi's parent company Axiata Group Berhad have 9 (nine) members in the Board of Directors.

Similarly, the company secretaries were then asked about the number of people who are working as the Independent Director for the mobile telecommunication companies. The Corporate Governance Code states that one-fifth of the total members in the Board of Directors must consist of Independent Directors. This has been set as a requirement to maintain a balance between the ratio of internal and external members. The result shows that the number of independent directors on the board for Grameenphone and Robi Axiata are 2 which fulfills the criteria of 1/5<sup>th</sup> IDs on the board. On the other hand, both Banglalink and Teletalk Bangladesh does not have any independent directors among the board members. However, the parent company of Banglalink, Global Telecom Holding have 2 independent directors in the board fulfilling the 1/5<sup>th</sup> IDs criteria. Also, Robi's parent company Axiata Group Berhad have 4 Independent Directors which fulfilled the 1/5<sup>th</sup> criteria.

Bangladesh Securities and Exchange Commission (BSEC) states that Independent Directors of any of the enlisted companies cannot be an executive in that particular company where he/she holds the position of independent directors in the preceding two years. In order to determine whether all the companies had followed this code while selecting independent directors, the company secretaries were asked this question in the questionnaire survey. The results shows that the Independent Directors of Grameenphone have not been executives of their companies before. However, Robi Axiata have independent directors who had been an executive - although for more than five years ago. Here, Banglalink and Teletalk have no Independent Directors. Thus, it can be said that in none of the local or parent companies who have IDs violated this code: IDs had not been an executive in the preceding two years.

company secretaries were then asked about the independent directors in their companies and the type of relationship they have with the associated companies, be that pecuniary or otherwise. This means that whether the independent directors are involved with other subsidiaries in any form of relationship. Ideally, the independent directors of the companies cannot hold any sorts of pecuniary or other types of relationship with the associated companies of the parent company. According to the result, in Grameenphone, Robi Axiata, parent company of Banglalink and Robi, the independent directors does not have any other relationship.

The next question asked the company secretaries whether the IDs are a partner or an executive of the mobile operators' statutory audit firm.; The data collected shows that independent directors of Robi Axiata are partners or executives. On the contrary, the independent directors of Grameenphone are not a partner or an executive of the concerned company. Therefore, it can be said that Grameenphone have managed to follow the given code while the rest of the companies do not. However, both the parent companies for Robi and Banglalink have appointed independent directors who are non-executive directors which complies with the corporate governance code.

As per the Corporate Governance Code, an independent director cannot hold a position of independent director in any other enlisted companies under Bangladesh Securities and Exchange Commission. To test the companies' compliance with this code, company secretaries were asked if their independent directors holds the same position in any other companies. In case, the answers were yes, a follow-up question was asked to them regarding the number of companies they are involved with. The results show that the independent directors of Grameenphone and Robi Axiata are not in any other role in any other listed companies. This indicates that they are complying with the code. Furthermore, if we consider the parent companies' independent directors for Banglalink and Robi, their actions are also in compliance with the corporate governance code.

The code also states that the position of the independent directors cannot be empty for more than 90 (ninety) days and the company must do everything within its power to fill up the position as early as possible. To identify if the position of the independent directors in the companies had ever remained empty, the company secretaries were asked about the position and number of days it had remained empty if indeed the position was vacant. The position of two companies which are Grameenphone and Robi Axiata had never been empty while in case of Banglalink and Teletalk as mentioned earlier, there was no position for the independent director in the company. However, the parent companies of Banglalink and Robi have independent directors in the board and the position was not empty for more than 90 (ninety) days.

Next, company secretaries were asked about the designation of the independent directors in their company and were then asked to mention the number of years of experience of each of the independent directors in the field that was mentioned by the company secretaries in the earlier question. Company secretaries were also given choices to choose from, for instance, a business leader who is both a promoter and a director of an unlisted company and mobile telecommunication a minimum paid-up capital of Tk. 100,00 million or of any listed company or a member of any national

or international chamber of commerce or business association; corporate leader who is or was a top-level executive, but not lower than a Chief Executive Officer, Managing Director, Deputy Managing director or a Chief Financial Officer. The other designations were the Head of Finance or Accounts, Company Secretary, Head of Internal Audit and Compliance or Head of Legal Service or even a formal official government or statutory or autonomous or regulatory body. These positions show the qualification of independent directors and their capabilities to work in an enlisted company as per the Code. Also, the Corporate Governance Code states that independent directors of the enlisted companies must have a minimum experience of 10 years in the respective field that is stated by the code under Bangladesh Securities and Exchange Commission. Therefore, responses from the company secretaries show that the independent directors from Grameenphone fulfilled the classification as per the code. One of these two individuals was a Former Advisor (Minister) to the Caretaker Government of Bangladesh as well as the Vice Chancellor (VC) of a reputed university, while the other independent director was a Former Governor of Bangladesh Bank. On the other hand, one of the two independent directors of Robi was a former Managing Director and the other independent director was a Chartered Accountant with an experience of 5 years. Furthermore, the parent companies of Robi and Banglalink complied with all the conditions in the questionnaire.

In addition, a question was asked about whether the positions of the Managing Director and Chief Executive Officer was in fact played by two different people in the company as per the code. The response shows that all the companies did hire different people for these two positions.

The next question asked whether the Managing Director and/or the Chief Executive Officer (CEO) held the same position in another listed company. The objective behind this question is to verify with the code which states that the Managing Director and/ or the Chief Executive Officer (CEO) shall not hold the same position in another listed company. The results show that all the four companies and

the parent companies for Banglalink and Robi complies with the code as they did not hold the current position of chief executive officer and managing director in any other company.

As per the Corporate Governance Code, the chairman of the board shall be elected among the non-executive directors of the company. The company secretaries were asked whether their company complied with this code and the response indicates that except Banglalink, all the other three companies; and the parent companies of Robi and Banglalink's chairperson of the board is a non-executive director of the company.

The following question was about whether the board had clearly defined the respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer. In the Corporate Governance Code, it is stated that the board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer. As per the information from the company secretaries, it showed that the board of Grameenphone, Banglalink, Robi Axiata and their respective parent companies of Robi and Banglalink have successfully defined the roles and responsibilities while the company secretary from Teletalk Bangladesh stated that their board does not properly define the roles and responsibilities of the respective positions.

A company should conduct its board meeting at least once every month. To know about the compliance to this code in the mobile telecommunication industry, company secretaries were asked whether the company conducted its board meetings on a regular basis. If yes, then a follow up question was asked which is how frequently the meeting was conducted. The findings show that both Robi Axiata and Teletalk Bangladesh conducts a board meeting once every month. Grameenphone conducts a total of 10 (ten) meetings in a year and Banglalink conducts a meeting quarterly. Furthermore, both the parent companies of Robi and Banglalink conduct meetings monthly.



Data was gathered from the participants to know whether the company recorded the minutes of the meetings as well as kept required books and records. It is mentioned in the Corporate Governance Code that there should be recorded meeting minutes as well as required books and records for all the companies. The responses from the company secretaries showed that all the four companies and the parent companies of Robi and Banglalink complies with the code in the matter of recording minutes and maintaining books and records of the meeting.

The objective of the next question was to figure out whether the board had a code of conduct for the chairperson of the board, other board members and Chief Executive officer of the company. In accordance with the Corporate Governance Code, the board should have a code of conduct for the chairperson of the board, other board members and Chief Executive officer of the company. While the company secretary of Teletalk Bangladesh stated that board of Teletalk did not have a code of conduct for the members in their board, the company secretaries of Grameenphone, Banglalink and Robi Axiata mentioned that their board did have a code of conduct for the positions mentioned above and they also provided a sample of the code of conduct from their respective companies. The parent companies of both Robi and Banglalink also have established code of conduct for the board.

A particular code from the Corporate Governance Codes mentioned that the companies should have a code of ethics for all its stakeholders. Therefore, company secretaries were asked whether their respective companies complied with this code or not. The company secretary from Teletalk Bangladesh stated in the survey that their company did not provide any code of ethics for all of its stakeholders. On the other hand, the remaining three companies and the parent companies of Robi and Banglalink have a code of ethics for all its stakeholders.

The next question was asked with the purpose to know whether the board monitored the company's risk management and internal control systems. As per the Corporate Governance Codes, it is the

responsibilities of the board, and they should monitor risk management and internal control systems. As mentioned earlier, all the companies except Teletalk Bangladesh properly monitors the risk management and internal control systems of their own companies.

The Corporate Governance Code states that the new directors should receive a full, formal and tailored induction on joining the board. This allows the new directors to gain proper knowledge about the company as well as the industry itself. To know whether the companies comply with this code, the company secretaries were asked regarding this compliance in their respective companies. The responses show that all the boards of the companies do in fact provide a full, formal and tailored induction to the new directors during their time of joining the board.

Finally, information was gathered on the board of directors to know whether the chairman regularly reviewed each and every director and assessed their training and development needs. According to the Corporate Governance Code, it is the duty of the chairman to regularly review each director and assess their training and development needs to improve their performance. The results show that the chairman of Grameenphone and Robi Axiata complies with this code as they regularly evaluate the performance and training needs of their directors. However, for Banglalink and Teletalk Bangladesh, they do not evaluate their directors regularly in accordance with Corporate Governance Code. The situation changed when the parent company's policy for Banglalink and Robi was considered as the respective chairman regularly reviews the directors' performance.

#### 7.2.2.2 Independent Directors

The objective of the first question in this area was to figure out whether the independent directors received any form of remuneration other than meeting allowance. The responses of the company secretaries show that the independent directors of Grameenphone do not receive any form of remuneration other than meeting allowance whereas the independent directors of Robi Axiata receive

other remuneration once every month. Meanwhile, due to the absence of independent directors in Banglalink and Teletalk, there was no form of remuneration nor meeting allowance. However, the independent directors of Robi's parent company receive both remuneration and meeting allowances. On the other hand, information regarding this for Banglalink's parent company Global Telecom Holding isn't not available but their majority shareholder VEON Luxemburg S.A. have policies for both remuneration and meeting allowances.

The next question was asked to figure out whether the independent directors of the companies have designated office places especially for them. It was found out from the results that Robi Axiata had no designated places for their independent directors. On the other hand, independent directors of Grameenphone have a place designated for them.

Data were also accumulated from the participants to know whether all the independent directors had any relevant experience in order to effectively fulfil their roles. The responses show that both Robi and Grameenphone's IDs does have relevant experience in the mobile telecommunication sector. Furthermore, the parent companies of Robi and Banglalink appoints directors who have sufficient experience and qualification under their belt to perform effectively for their designated roles.

#### 7.2.2.3 Management

Company secretaries were asked whether the board has appointed a Managing Director (MD) or Chief Executive Officer (CEO), a Company secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC). Corporate Governance Code states that companies shall appoint these positions which are Managing Director (MD) or Chief Executive Officer (CEO), a Company secretary (CS), a Chief Financial Officer and a Head of Internal Audit and Compliance (HIAC). Here, the outcome of the survey exhibits that all the four mobile telecommunication

companies have Managing Directors (MD). Therefore, it can be said that all the companies have complied with the given code.

In addition, the Corporate Governance Code also states that the positions of the MD or CEO, CS, CFO and HIAC should be filled by different individuals. To know whether the companies comply with this code, the company secretaries were asked about this code compliance. The responses show that all the companies comply with the code because they had filled the required position by different individuals.

The next question was about whether the MD or CEO, CS, CFO and HIAC held any executive position in any other company at the same time. In accordance with the Corporate Governance Code, the MD or CEO, CS, CFO and HIAC should not hold any executive position in any other company at the same time, rather associate themselves with only one company at a moment. The results collected from the participants showed that Grameenphone, Banglalink, Robi Axiata, Teletalk Bangladesh and the parent companies of Robi and Banglalink MDs do not hold any executive position in any other company at the same time. Therefore, all the companies comply with the given code.

A particular code of Corporate Governance stated that the Board should clearly define respective roles, responsibilities, and duties of the CFO, the HIAC and the CS. Thus, company secretaries were asked whether their board complied with this particular code. In response to this question, it was found out that the board of all the mobile telecommunication companies which are Grameenphone, Banglalink, Robi Axiata Teletalk Bangladesh and the parent companies of Robi and Banglalink have clearly defined respective roles for all of these positions. Thus, the industry complies with the code.

The next question was asked with the objective to know whether the MD or CEO, CS, CFO and HIAC regularly attend the meetings of the board. As per the Corporate Governance Code, the MD or

CEO, CS, CFO and HIAC should regularly attend the meetings of the board. The results show that the MDs of Grameenphone, Banglalink, Robi Axiata and both the parent companies of Robi and Banglalink regularly attend the meetings of the board which means they comply with the code. However, Teletalk Bangladesh did not comply with the code as their MD do not attend the board meetings on a regular basis.

The last question for the management category was asked to know whether the MD or CEO and CFO certify to the board that they reviewed financial statements for the year. It is mentioned in the Corporate Governance Code that the MD or CEO and CFO should certify to the board that they reviewed financial statements for the year. The responses from the participants indicated that all the companies in the mobile telecommunication sector complied with the code as the MDs certified to the board that they reviewed the financial statement for the given year.

#### 7.2.2.4 Audit Committee

The first question under the audit committee section in the questionnaire survey asked the company secretaries whether there was an audit committee as a sub-committee of the board. The code requires all the enlisted companies to have an audit-committee as a sub-committee of the board. The response shows that Teletalk did not have an audit committee in their company while Banglalink and Robi have the audit committee at the board level of the holding company. On the other hand, both the company secretaries of Grameenphone and Robi Axiata stated that their company has an audit committee as a sub-committee of the Board.

The code also said that the companies set forth the roles, responsibilities, and duties of the committee members in writing and when asked to the company secretaries of Grameenphone and Robi Axiata, both the boards of the companies as well as the parent companies of Robi and Banglalink have

successfully provided the duties in a written form for the members of the committee and complies with the code.

The company secretaries were asked about the number of members present in the audit committee as the code stated that the committee must consist of at least 3 (three) members. The results show that Grameenphone have exactly 3 members in the audit committee while Robi Axiata have 4 members in their committee. Furthermore, the parent company of Banglalink and Robi have 2 (two) and 4 (four) members in the audit committee respectively.

As per the Corporate Governance code under the audit committee, it is required by the board to assign members to the audit committee who are non-executive directors of their respective companies excluding the chairperson of the board. Grameenphone, Robi Axiata and both the parent companies of Robi and Banglalink complies to this code and appoints the members to the audit committee accordingly.

While one of the previous questions required the company secretaries to answer the number of members present in the audit committee, the next question asked them about the number of independent directors present in the audit committee as it is necessary for the companies to have at least one independent director in the audit committee as per the code. Grameenphone, Robi Axiata and Banglalink's parent company complies to this code and appoints one independent director in their audit committee accordingly. Robi's parent company have 3 (three) independent directors in the audit committee.

When it comes to the audit committee, it is stated in the Corporate Governance code that the audit committee must contain at least one member who has 10 (ten) years of relevant experience in the fields of accounting or fields that are related with financial management. The company secretaries of

Grameenphone, Robi Axiata and both the parent companies of Robi and Banglalink stated that one of the members from the audit committee does have relevant experiences in the particular fields and therefore complies with the code.

The company secretaries were also asked whether they played the role of secretary of the committee as it was required by the code. Their responses were the same for all who had audit committees which was that they indeed play the role of a secretary of the committee.

The code also required the chairperson of the audit committee to be an independent director and the response from the company secretaries revealed that the companies with the audit committee did in fact appoint an independent director to be the chairperson of the audit committee.

While the previous questions were focused on the members of the audit committee, the next set questions were directed at the policies of the audit committee such as the number of meetings that took place in the board in their last financial year. While the Corporate Governance code states that the audit committee has to hold a minimum of 4 (four) meetings throughout the financial year, it could be seen that Grameenphone had held a total of 9 meetings during 2018 while Robi Axiata had complied with the code and held 4 meetings. Furthermore, Banglalink's parent company held 12 meetings and Robi's parent company held 24 meetings in 2019. This showed that the companies had complied with the code.

The code also required the audit committee to set a proper agenda before the actual meeting took place for a more effective meeting. The responses show that the audit committee of Grameenphone, Robi Axiata and the parent companies of both Robi and Banglalink had successfully created a proper agenda that would be covered in the meeting.

Apart from the number of meetings and the agendas of the audit committee meeting, the Corporate Governance code clearly mentioned that the date of the meeting should be forwarded to the members at least 3 (three) working days before the actual meeting. To check whether the companies such as Grameenphone and Robi Axiata follows the code, company secretaries were asked how many days before the meeting the agendas were circulated to the members of the audit committee. The company secretary of Grameenphone said that their audit committee circulated the agendas 5 days prior to the meeting while the company secretary of Robi Axiata revealed that they circulated the agendas 7 days prior to the actual date the meeting took place. In both cases, they comply with code while conducting the meeting for the audit committee.

The final question provided a list of responsibilities and asked the company secretaries whether they believed that these responsibilities fell within the scope of the audit committee. Bangladesh Securities and Exchange Commission states that these responsibilities need to fall within the scope of the audit committee in order to comply with the Corporate Governance code. These responsibilities ensures that the audit was carried out in compliance with the accounting standards and laws; assessing the findings with the management team as well as the team of external auditors; meeting with both the internal and external auditors separately to discuss about the results from the auditing etc. The company secretaries of both Grameenphone and Robi Axiata stated that the audit committee had followed these responsibilities during auditing their respective companies.

The overall findings from the responses from the company secretaries show the Grameenphone and Robi Axiata complies with all the codes of corporate governance practices in accordance with the Corporate Governance Code and other guidelines. On the contrary, due to the absence of an audit committee, both Teletalk Bangladesh and Banglalink specifically fails to comply with the codes under the audit committee. However, Banglalink's parent companies complies to all the questions under audit committee.



#### 7.2.2.5 Nomination and Remuneration Committee

The following sets of questions are similar to the previous questions under the audit committee where the same company secretaries were asked about a different committee in the company which is Nomination and Remuneration Committee (NRC). The very first question from this category was asked to the company secretaries about whether there was a nomination and remuneration committee as a sub-committee of the board, just like the audit committee. The Corporate Governance code requires all the committees in the company to be sub-committees of the board. The responses were similar with the findings of the audit committee. Both Grameenphone and Robi Axiata have a nomination and remuneration committee in their company, and Robi had a nomination and remuneration committee at the board level of the parent company. While, Banglalink's parent company Global Telecom Holding doesn't have a subcommittee of the board as Nomination and Remuneration committee, 5 (five) of the board members are given the responsibility of the Compensation committee. However, Global Telecom Holding's majority shareholder VEON Luxemburg S.A. have a designated Nomination and Remuneration committee as a subcommittee of the board. On the other hand, Teletalk Bangladesh does not have any nomination and remuneration committee in their company. Therefore, the company secretaries of Banglalink and Teletalk Bangladesh skipped this category as well and continued with the questions of the next category.

The Corporate Governance code requires that the Terms of Reference be written in a clear and precise manner for all the members of the nomination and remuneration committee in order to help them understand and follow the objectives. To determine whether the companies in the mobile telecommunication industry had complied with this code, company secretaries were asked about their company in this matter. The responses show that both Grameenphone and Robi Axiata complied with this code as they provide a written term of reference for the members in the nomination and remuneration committee. Furthermore, the parent companies of Robi and Banglalink also comply to this code as they provide a written term of reference for the members of the committee.

The next question of the survey asked the company secretaries about the number of the members who worked under the nomination and remuneration committee as the minimum number of members that is required to be present in a committee is 3 (members). The members present in both Grameenphone and Robi Axiata were 3 in their nomination and remuneration committee, which proves that these two companies have followed the code of appointing at least three members for the committee. Furthermore, the parent companies of Banglalink and Robi had 5 (five) and 3 (three) members respectively.

Although the code states that the number of members that needs to be present in the nomination and remuneration committee is at least 3 (three) members, the code also adds that out of these members, the board must appoint one independent director in the committee. As a result, the company secretaries were asked about the number of independent directors present in the nomination and remuneration committee, to which the company secretaries responded by saying that Grameenphone, Robi Axiata, and both the parent companies of Robi and Banglalink have managed to appoint one independent director out of the three members.

Company secretaries then faced a similar question where they were asked whether they acted as the secretary of the nomination and remuneration committee - just like the audit committee in the earlier category. The company secretaries of Grameenphone, Robi Axiata and both the parent companies of Robi and Banglalink does play the role of secretary of the nomination and remuneration committee as per the guideline.

Furthermore, the Corporate Governance code states that an independent director needs to be appointed as the chairperson of any committee in the company, which in this case is the nomination and remuneration committee. While there are no nomination and remuneration committee in Banglalink and Teletalk Bangladesh, company secretaries of Grameenphone, Robi Axiata and both

the parent companies of Robi and Banglalink revealed that the board had appointed an independent director as the chairperson of the nomination and remuneration committee.

Once the researcher had finished gathering information about the members and their responsibilities, her focus had changed to the activities of the committee and its policies. Firstly, the company secretaries faced a question on the survey, where they had to answer the number of the meetings that were conducted over the last financial year. Here, the company secretary of Grameenphone shared an important information which was that the nomination and remuneration committee had been formed on 11th December of 2018. This means that Grameenphone had newly complied with the code. However, the company secretary had provided the number of meetings held in 2019, which had been 5 (five) meetings till the date of interview with the company secretaries. This means that the committee has complied with the code which mentioned that at least 4 (four) meetings must take place in the period of one year. On the contrary, Robi Axiata who complied with all the previous codes, failed to comply with this particular code of holding at least four meetings. The company secretary of Robi said that only one meeting was held. Therefore, only Grameenphone follows the code among the four companies. However, both the parent companies of Banglalink and Robi held 21 (twenty-one) committee meetings for the financial year of 2019.

All the committees of the companies are required to provide an agenda before the meeting is conducted by the committee members. Therefore, the researcher had also asked the company secretaries whether the nomination and remuneration committee of their companies had been successful in providing any agenda before the actual meeting as prescribed. The company secretaries of Grameenphone Robi Axiata, and the parent companies of Robi and Banglalink ensured their committee provided a proper agenda to the members of the committee before the meeting was conducted. This shows that both of these companies follow the code.

It has been also specified by the Corporate Governance code that the date and the agenda of the committee meeting should be circulated at least 3 (working) days before the date of the meeting. Therefore, the researcher asked the company secretaries about the number of days their company took to notify the agendas of the meeting prior to the meeting taking place. Results show that Grameenphone circulate the agendas five days prior to the meeting while Robi Axiata circulate the agendas seven days before the meeting to its members which is more than the days specified by the code.

Finally, the last question from the category of nomination and remuneration committee asked the company secretaries whether proceedings from each of the meetings were duly recorded in minutes as specified by the Corporate Governance code. The company secretaries of Grameenphone, Robi Axiata and both the parent companies of Robi and Banglalink had stated that their committee had indeed recorded the proceeding and complied with the code.

All the results from the data of nomination and remuneration committee indicates that Banglalink and Teletalk Bangladesh does not succeed in complying with Corporate Governance code under Bangladesh Securities and Exchange Commission and other guidelines as they do not have a nomination and remuneration committee in their company, but their parent company manages to comply. On the other hand, Grameenphone and Robi Axiata complies with most of the codes and guidelines.

#### 7.2.2.6 External Audit

According to the Corporate Governance code, companies should not engage external or statutory auditors to perform some specific services of the company. Such services are internal audit services or special audit services; broker-dealer services; bookkeeping and other services related to accounting; appraisal or valuation services or fairness opinion; etc. This question was asked to the

company secretaries to know about the compliance to the code. The results from the survey show that Grameenphone, Robi Bangladesh and both the parent companies of Robi and Banglalink have managed to comply with the code by not engaging in most of the specific services. However, Banglalink and Teletalk fails to comply with the code as they engage the external auditor in some of the specific services.

The next question was asked to the company secretaries to know whether any partner or employees of the external audit firms possess any share of the company they audit, at least during the tenure of their audit assignment of that company. In the Corporate Governance Code, it was mentioned that partners or employees of the external audit firms should not possess any share of the company they audit, at least during the tenure of their audit assignment of that company. From the given responses, it was found that all the four companies comply with the code because partners or employees of the external audit firm of Grameenphone, Banglalink, Teletalk Bangladesh, Robi Axiata and both the parent companies of Robi and Banglalink do not possess any share of the company they audited.

The code also required that family members of the partner or employees of the external audit firm not hold any shares in the said company during the tenure of their audit assignment of the company. According to the result accumulated from the company secretaries, all the companies in the mobile telecommunication industry complies with this code because the family members of the partner or employees of the external audit firm do not hold any shares in the mobile telecommunication companies (clients).

The objective of the next question was to know whether the representatives of the external or statutory auditors remain represented in the Annual General Meetings. In accordance with the Corporate Governance Code, the representatives of the external or statutory auditors should remain present in the Annual General Meetings. The findings of the survey show that the representatives of

Grameenphone, Banglalink, and Teletalk Bangladesh remain present in the Annual General Meetings; this means they comply to the code. On the contrary, representatives of Robi Axiata did not remain represented in the Annual General Meetings, thus failing to comply with the code. However, the parent companies of Robi and Banglalink comply to the requirement as their representatives stay present in the Annual General Meetings.

The final question under this category was whether the performance of external auditors was evaluated or not; if so, who evaluated the performance. Corporate Governance Code mentions that the performance of external auditors should be evaluated. The company secretary stated that all the companies which are Grameenphone, Banglalink, Robi Axiata Teletalk Bangladesh and both the parent companies of Robi and Banglalink complies with the code because their external auditors' performance are evaluated. The Audit Committee evaluates the performance of the external auditors of Grameenphone; for Banglalink, their Board and shareholders evaluate the performance of external auditors. Then, for Robi Axiata, the Audit Committee evaluate the performance of external auditors and lastly, in Teletalk, the Board of Directors evaluate the performance of the external auditors.

#### 7.2.2.7 Reporting and Disclosure

The company secretaries were asked whether the companies published annual reports or not. As per the Corporate Governance Code, the companies should publish the annual reports every year to inform the stakeholders such as the shareholders about the performance of the company. According to the results of the company secretaries, both Grameenphone and Teletalk Bangladesh complies with the code by publishing the annual reports on their website. On the other hand, Banglalink and Robi Axiata fails to comply with the code as they do not publish the annual reports publicly. However, Banglalink and Robi's parent companies, Global Telecom Holding and Axiata Group Berhad, respectively publish the annual reports on a regular basis which fulfills the compliance requirements.

A particular code from the Corporate Governance Code mentions that the annual report should also contain the director's report. Therefore, this was asked to the company secretaries and the results show that in the annual reports of Grameenphone, Teletalk Bangladesh and Robi's parent company, the director's report is included which means they comply with Code. Furthermore, the governance policy of the parent company of Banglalink requires the disclosure of the director's report in the annual general meeting.

The purpose of the next question was to know whether the annual report covers certain specific areas for instance-whether it contains industry outlook, shareholding of parent or subsidiary company, audit committee (AC) report, reporting and compliance certificate, clause regarding cash dividend/bonus share etc. As per the Corporate Governance Code, the annual report should cover these areas. The survey result show that Grameenphone complies with the code fully because they cover all the required areas in their annual report. Also, Teletalk Bangladesh covers all the areas except two areas which are Audit Committee Report and Report and Compliance Certificate. Meanwhile, the company secretary of Robi Axiata informed that they do not comply to this code but would be including all of the areas mentioned above by the year 2021. Furthermore, Robi's parent company includes their good governance policy compliance in their annual financial statements. Lastly, Banglalink does not comply with this code as they do not include any of these areas in their annual report. However, Banglalink's parent company have good governance policies regarding their disclosure in the annual general meeting.

The next question was regarding whether the company obtained a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on a yearly basis. It is stated in the code that the company should obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other

than its statutory auditors or audit firm on yearly basis. From the obtained results, it shows that Grameenphone and Robi Axiata comply to the code. However, Teletalk Bangladesh fails to comply with the code as they were unable to obtain a certificate. Lastly, Banglalink does not obtain any certificate due to not publishing their annual reports and meeting other criteria as per the code. On the other hand, the parent companies of Robi and Banglalink maintains all the professional certificates mandated by the standards that are dictated by the countries of their respective corporate office locations.

Data was collected from the company secretaries to know whether any statement was given by the directors of the company in the directors' report – stating that the company has complied with the conditions put forward in the major corporate governance codes/policy books prevailing in the country. In the Corporate Governance Code, it is mentioned that directors of the company should state in the directors' report whether the company has complied with the conditions put forward in the major corporate governance codes/policy books prevailing in the country. The responses from the company secretaries show that Grameenphone and Teletalk Bangladesh complies with the code as their directors provided a statement about the compliance with the Corporate Governance code and assured that their company had complied with most of the major codes prevailing in the country. Banglalink complies to its parent company VEON's corporate governance code of conduct because of their obligations as a business partner. Furthermore, the company secretary of Robi Axiata did not provide any response to this question because the company secretary had mentioned earlier that they did not provide any directors report but are planning on providing this information from the coming years. However, Robi's parent company does comply to the major Corporate Governance Codes as mentioned by the annual financial statements.

The code of Corporate Governance also mentions that the annual report should set out the number of meetings of the board and committees and individual attendance by directors. Therefore, company



secretaries were asked about this compliance. Findings reveal that Grameenphone and Teletalk Bangladesh complies with the code by setting out the number of meetings in the annual report. However, Robi Axiata and Banglalink does not provide the number of meetings of the board and committees as they do not publish their annual reports to the public and fails to comply with the code. On the other hand, the parent company of Banglalink had 21 (twenty-one) and Robi had 25 (twenty-five) meetings during the financial year of 2019.

Another code of the Corporate Governance stated that the board should provide other information in the annual report about how the performance evaluation of the board, its committees and its individual directors had been conducted. The result show that only Grameenphone have complied with the code as their board states the method of performance evaluation of its members in the annual report. On the contrary, Teletalk Bangladesh do not comply with the code as they do not disclose the method that is used to evaluate the performance of the board members. In addition, Robi Axiata and Teletalk does not also provide the information on this matter and fails to comply with the code. However, both the parent companies of Robi and Banglalink manages to comply to the requirements of this code.

The findings from the responses to these questions show that out of the four companies in Bangladesh, Bangalink and Robi Axiata fails to follow guidelines of Reporting and Disclosure while Grameenphone complies with each of the codes which were asked to the company secretaries. On the contrary, Teletalk Bangladesh complies with some of these codes while failing to implement some others.

#### 7.2.2.8 Ownership and Shareholder Protection

The first question under this category was to know the total number of shares of the companies. From the result of the company secretary, it was found that the number of shares for Grameenphone was 1,350,300,022 shares in the market. The number of shares for Teletalk Bangladesh, Banglalink and

Robi Axiata is 2,000,000,000, 10,000,000,000 and 4,714,140,000 shares, respectively. The parent companies of Robi and Banglalink have 9,169,541,482 and 4,721,121,558 shares, respectively.

The next question asked the company secretaries about the total number of voting shares in their companies. As per the company secretary's answers, it was found that the total number of voting shares for Grameenphone was 1,350,300,022 and for Banglalink, the voting shares was 4,760,377,996 and for Robi Axiata it was 4,714,140,000. On the other, the reason for Teletalk Bangladesh not having any voting share was the fact that Teletalk is a state-owned global system for mobile communication (GSM), and long-term evolution (LTE) based mobile phone operator in Bangladesh.

The next question of the survey required the company secretaries to fill-in a table, stating the shareholding status of the mobile telecommunication companies in Bangladesh. Company secretaries were asked to provide few information on the shareholding status such as the name of the shareholders, category of the shareholders with the options being either institutional or individual, types of shares held by the shareholders with the option of either voting or non-voting, and finally the number of the shares for each of the shareholders along with the value in percentage. While the annexure was provided along with the questionnaire survey, the company secretaries of Grameenphone, Banglalink and Teletalk Bangladesh had filled-in the table with relevant information; the information for Robi could not be collected. However, the information regarding this could be collected for both the parent companies of Robi and Banglalink from their respective financial statements.

The objective of the next question was to figure out whether shareholders are the decision makers for ownership change or not. According to the company secretaries, the shareholders of Grameenphone, Banglalink and Robi Axiata are the decision makers for ownership change for their respective

companies. However, in the case of Teletalk Bangladesh, the company is government owned, therefore, the shareholders are not the decision makers for ownership of the company.

The company secretaries then faced a question which was about whether the views of the shareholders are communicated to the board as a whole or not. Survey findings show that the point of views of shareholders of Grameenphone, Banglalink, Robi Axiata were communicated to the board as a whole. On the other hand, in Teletalk Bangladesh, views of the shareholders were not communicated to the board as it was a state-owned company.

The purpose for asking the next question was to know whether the company has any policies or regulations for the protection of the shareholders' rights. From the accumulated information, it was seen that three of the four companies have policies about the shareholders' rights protection. Those companies are Grameenphone, Banglalink, Robi Axiata. However, the question does not apply to Teletalk as it is a state-owned organization.

Next, the researchers' objective was to find out whether at the time of the annual general meeting (AGM), the chairman of the audit, remuneration and nomination committees of each of the companies were always present in order to answer questions. The company secretary mentioned that only the chairmen of Grameenphone and Robi Axiata are always present at the AGM to answer the questions by the shareholders. The question does not apply to Teletalk as it is a state-owned organization. Finally, the response to this question could not be collected for Banglalink. However, the representatives of the parent companies of Robi and Banglalink are required to be present during the annual general meetings.

The last question in this category was to know about the number of days before the AGM when the notice of the AGM is communicated with the shareholders. From the results, it was found out that

Grameenphone, Banglalink and Teletalk Bangladesh notifies its shareholders 14 days prior to the AGM. However, Robi Axiata notifies their shareholders 21 days prior to the AGM. The parent companies of Robi and Banglalink notify the shareholders 28 days and 21 days prior respectively before the annual general meeting.

#### 7.2.2.9 Miscellaneous

In order to protect the creditors of the companies, organizations should have a policy for paying of its creditors. Therefore, the company secretaries of the mobile telecommunication companies faced a question where they were asked if their company had a similar policy in paying its creditors. All the companies except Teletalk Bangladesh have a policy implemented in paying their creditors.

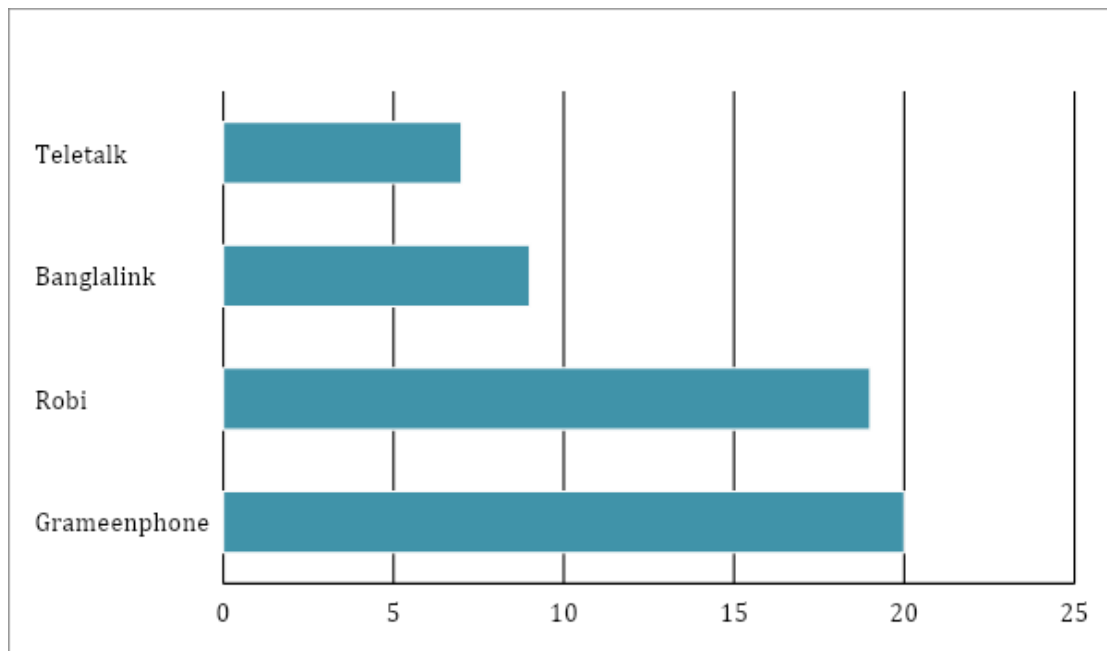
In the final question of the entire questionnaire survey, the company secretaries were asked if their company had ever defaulted any of its loans throughout the years of operation. Additionally, the company secretaries were also asked to provide the number of times the companies had defaulted its loan in case the answer was yes. The response of all the companies was the same as all the company secretaries said that none of the companies have defaulted on their loans.

### **7.2.3 Questionnaire Survey Results**

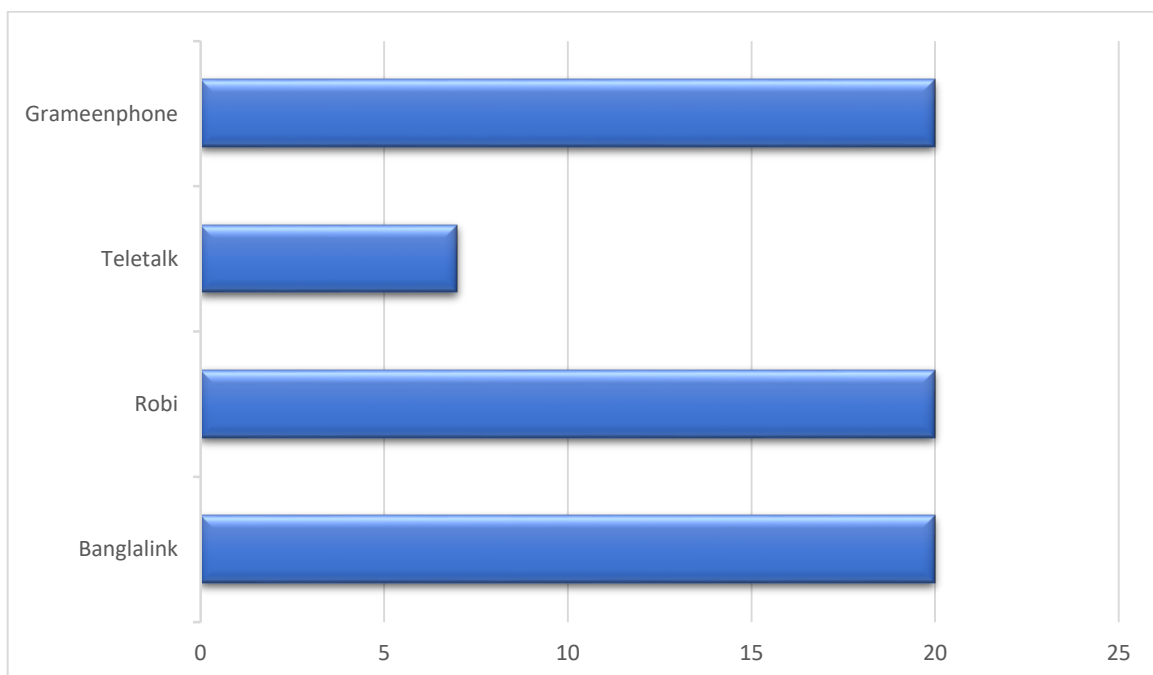
The following charts have been generated based on the responses of the survey. These charts provide a visual representation of how the mobile telecommunication industry of Bangladesh is performing in terms of corporate governance compliance. The following data helps demonstrate which companies are performing best in each individual category.

From the figure below, it can be deduced that among the four mobile telecommunication companies, Grameenphone is complying the best in the board of directors category; the reason behind its high score is that it has complied with all the 20 questions in the category and has gotten a full score. On

the other hand, Robi has obtained the second highest mark – 19. Moreover, Teletalk and Banglalink has gotten a significantly lower score since they do not have any independent directors on the Board. However, the parent companies of Banglalink and Robi has fulfilled all the requirements which has improved their respective scores.

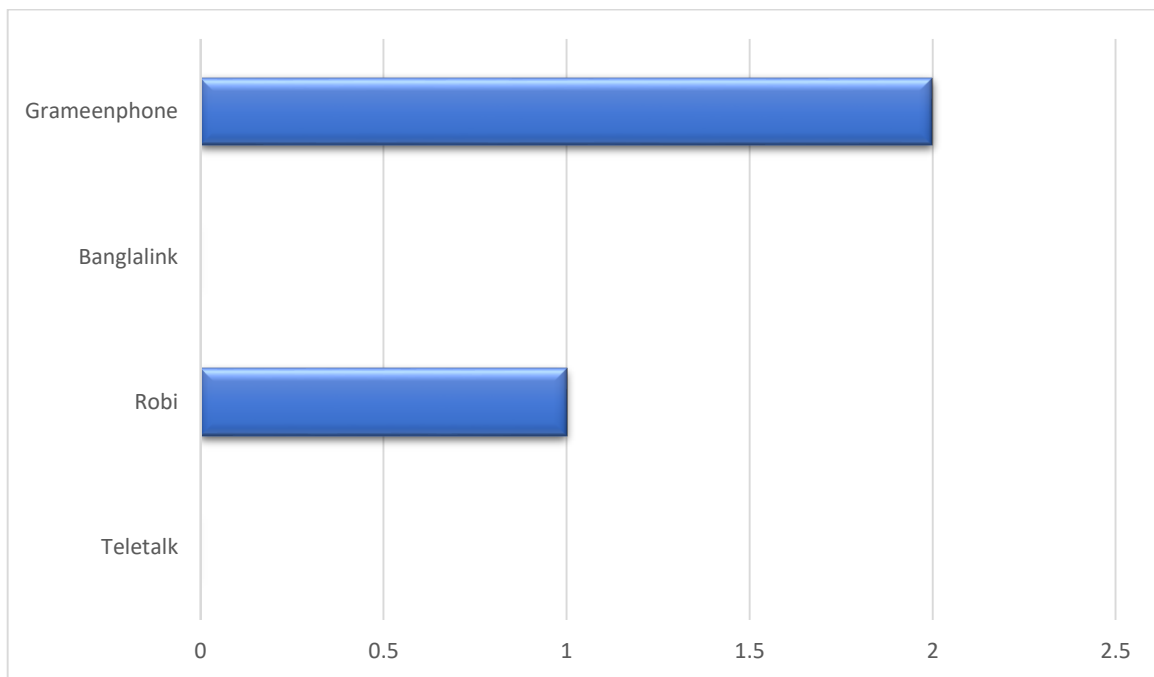


*Figure 17: Score in 'Board of Directors' Category*

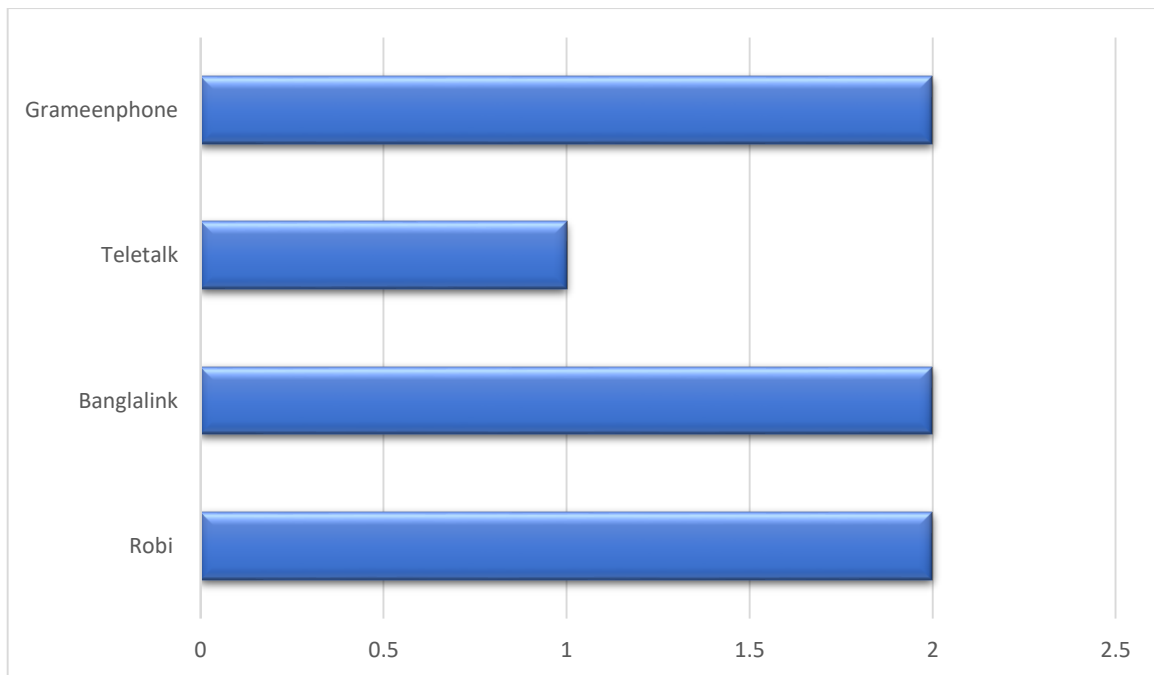


*Figure 18: Score in 'Board of Directors' Category at the parent company level*

The chart below shows that Grameenphone has a higher score because its independent directors had sufficient skills to carry out their jobs properly. Moreover, Banglalink and Teletalk does not have an ID at the local level. Moreover, only Grameenphone received a designated office space for themselves. Furthermore, at the parent company level, both Banglalink and Robi's score improved as they have more independent directors in the board than the 1/5<sup>th</sup> requirement and they possess more than sufficient skill required for their role.

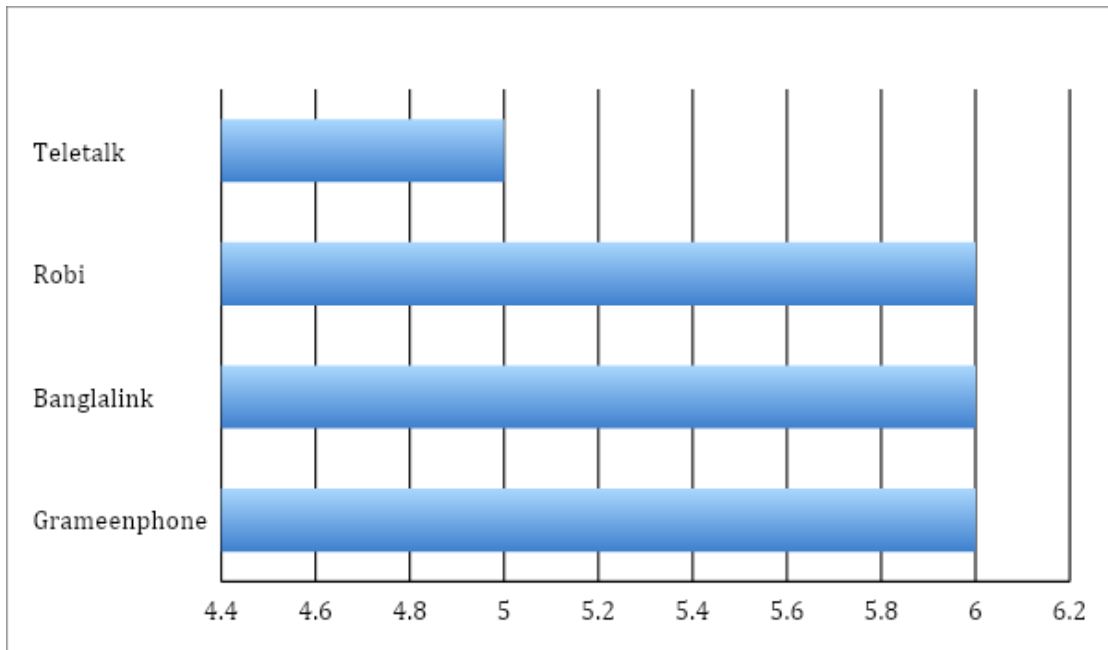


*Figure 19: Score in 'Independent Director' Category*

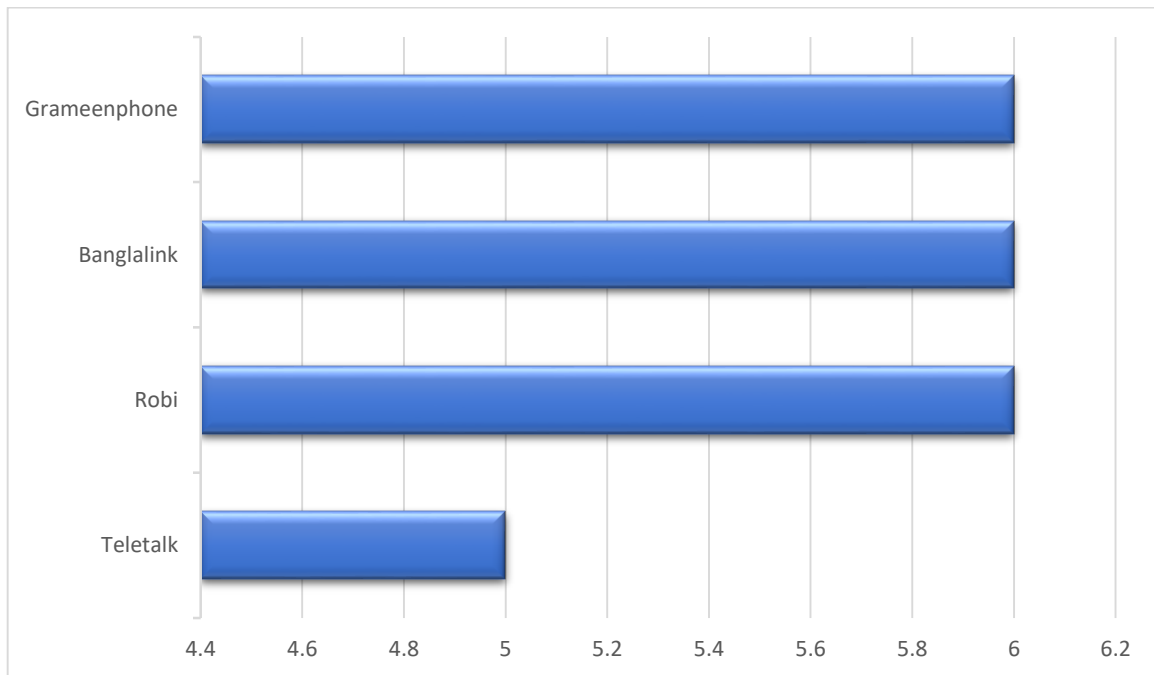


*Figure 20: Score in 'Independent Director' Category at the parent company level*

As shown in the chart below, for the management category, Teletalk scored 5 whereas Robi, Banglalink and Grameenphone all scored 6. The reason behind Teletalk scoring less than the other companies is mainly due to the fact that its management does not regularly attend the meetings of the Board. Apart from this specific difference, the rest of the questions had the same answer from all the companies. Robi, Banglalink, Grameenphone and Teletalk all have clearly defined respective roles, responsibilities and duties of the company secretary, chief financial officer and head of internal audit and compliance. Furthermore, when the parent companies of Robi and Banglalink were considered for the management category, their respective scores do not change.



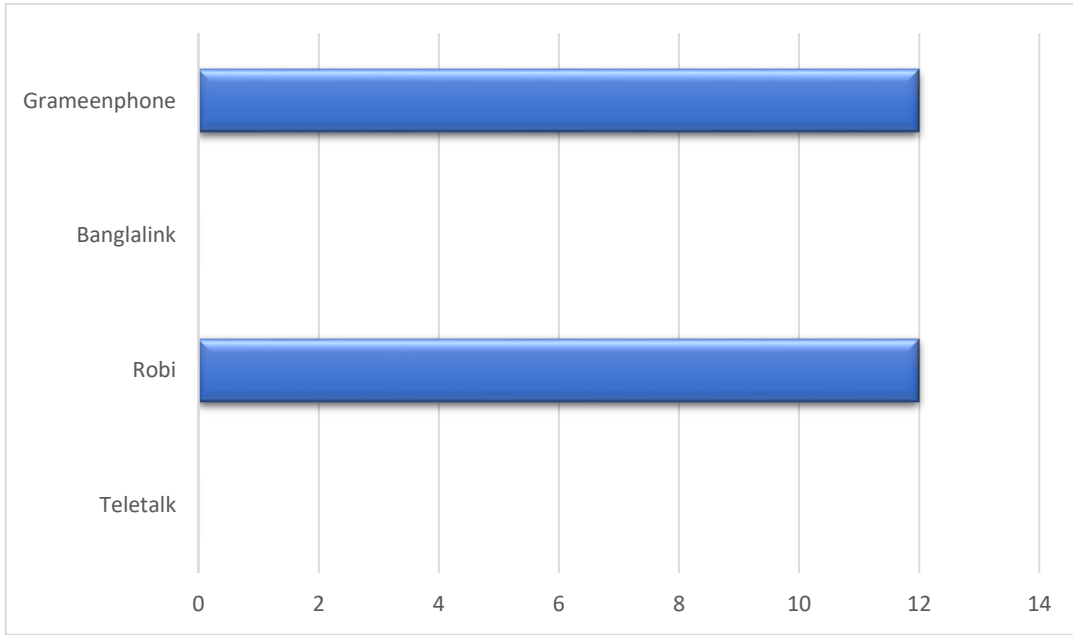
*Figure 21: Score in 'Management' Category*



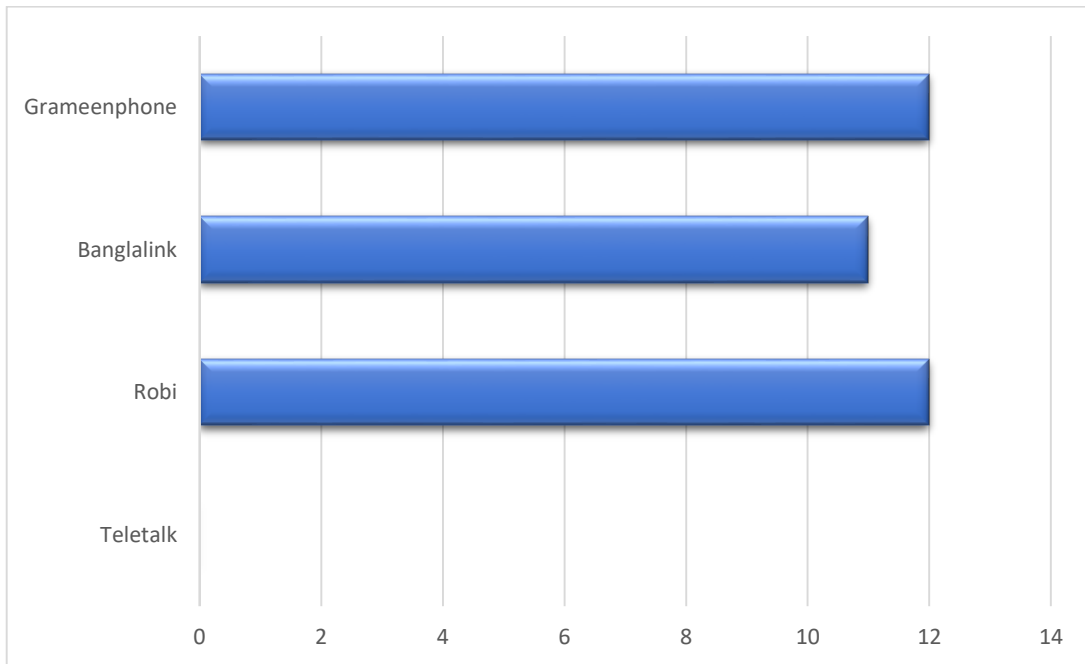
*Figure 22: Score in 'Management' Category at the parent company level*

The Audit Committee category had a total of 12 questions. The chart below shows that Grameenphone, and Robi has received similar scores. On the other hand, Teletalk and Banglalink (local level) have received a value of zero implying that they do not comply to any of the questions in this particular category.





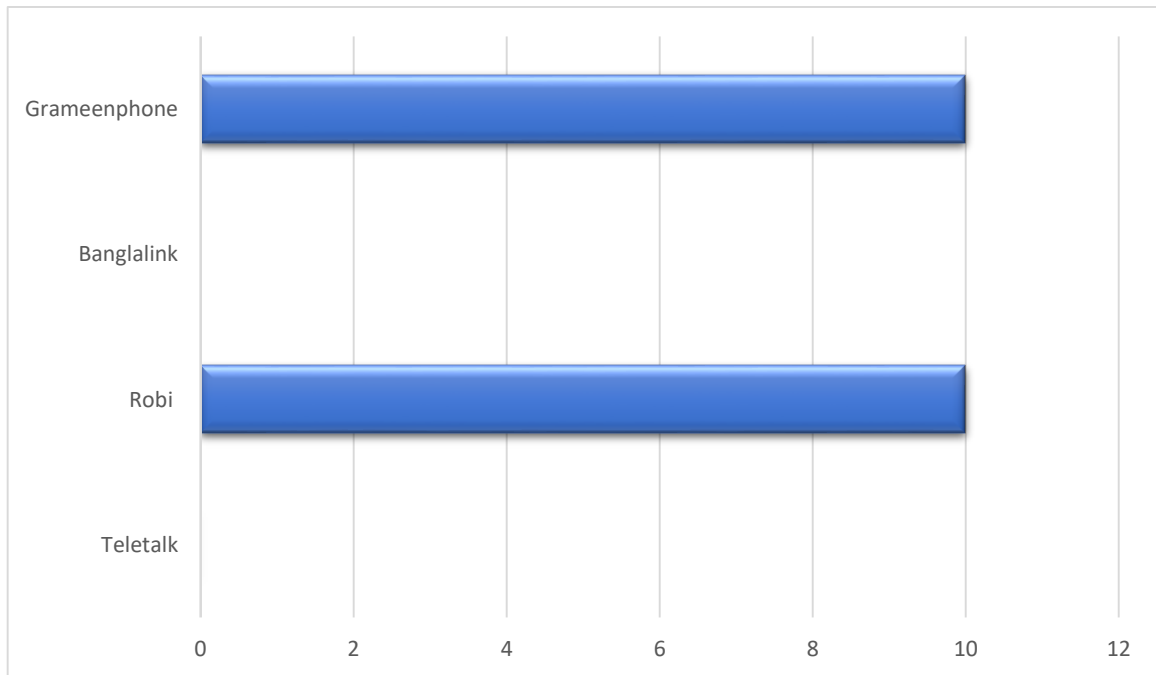
*Figure 23: Score in 'Audit Committee' Category*



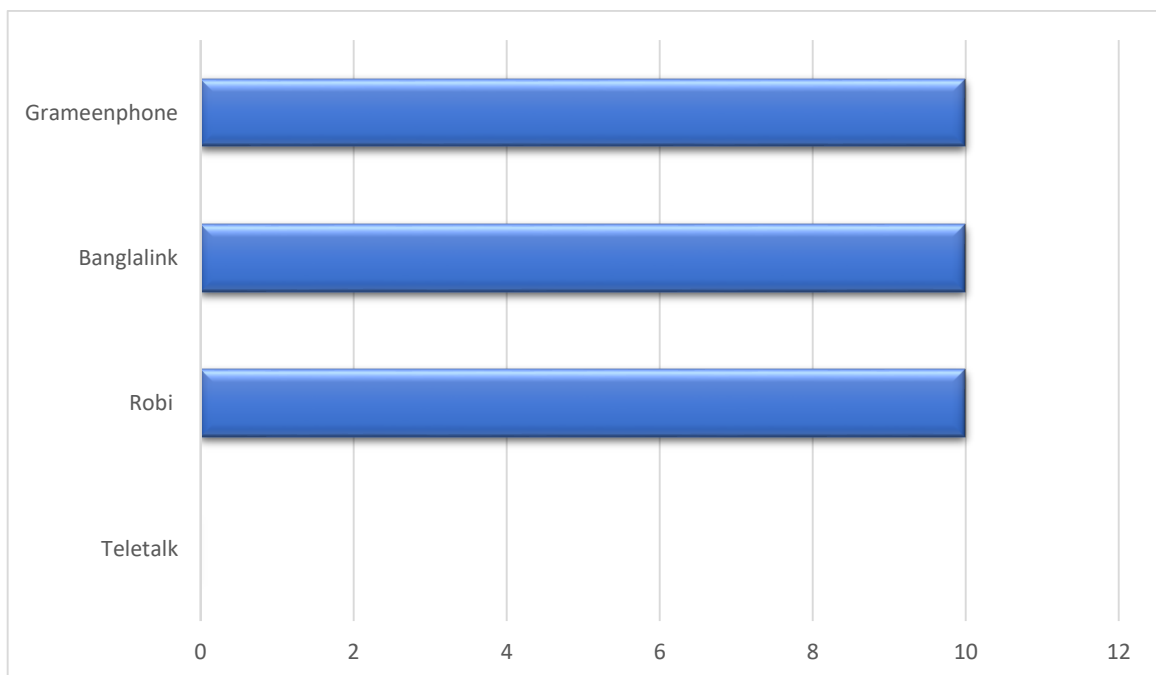
*Figure 24: Score in 'Audit Committee' Category at the parent company level*

The responses in the nomination and remuneration committee were the same for Grameenphone, and Robi. On the other hand, Teletalk and Banglalink (local level) have obtained a value of zero implying that they do not comply to any of the questions in this particular category. But both the parent

companies of Robi and Banglalink complies to the requirements. On the other hand, Teletalk complied with none of the survey questions in this category, thereby scoring zero.

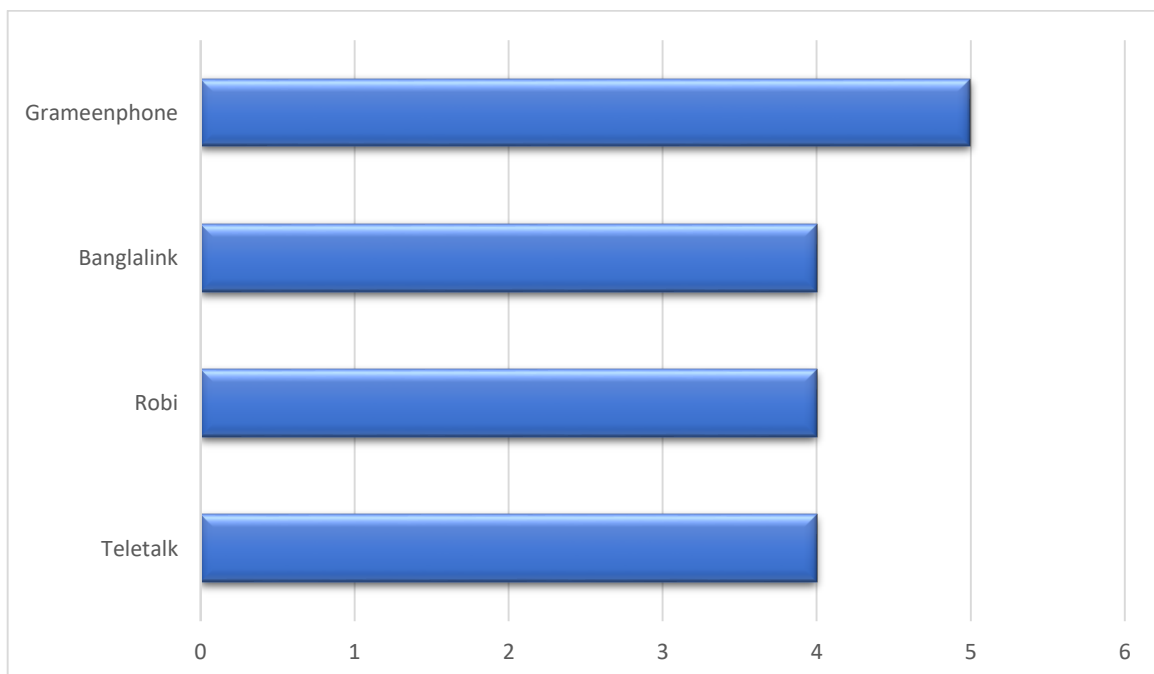


*Figure 25: Score in 'Nomination Committee' Category*

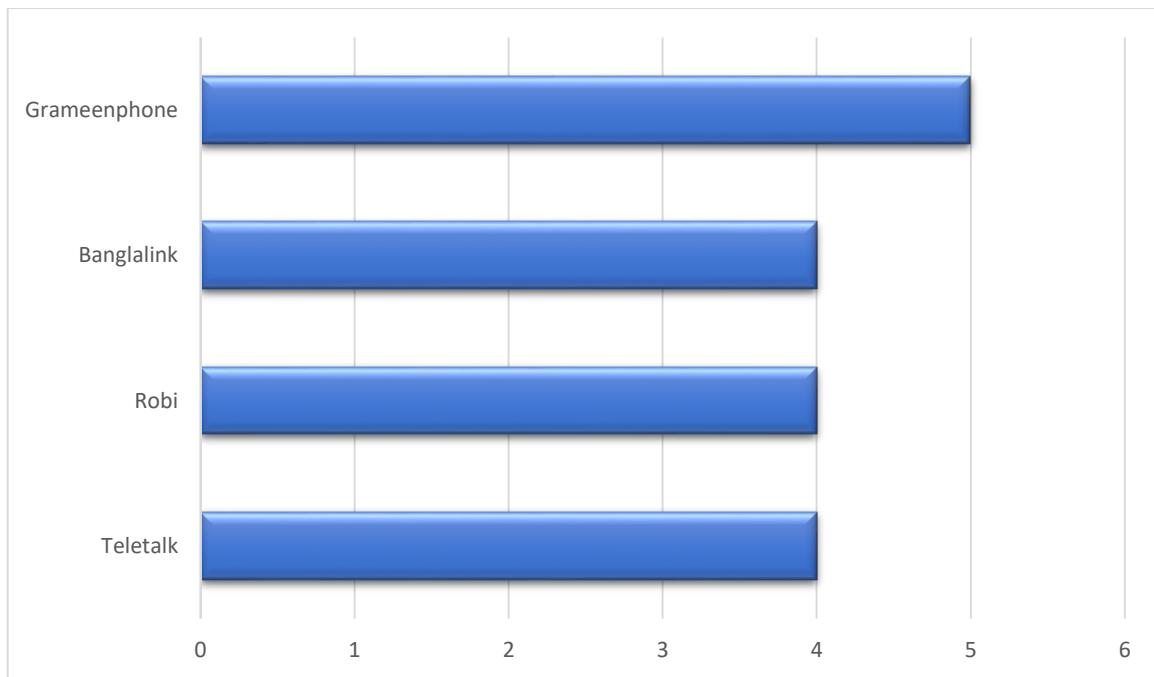


*Figure 26: Score in 'Nomination Committee' Category at the parent company level*

The figure below shows that the four companies have obtained very similar scores; they complied with most of the questions more or less uniformly for this category. Firstly, no partner or employees of the external audit firms possess any share of the company they audit, nor did the family members of the partner or employees of the external audit firms hold any shares in the respective company. Moreover, the representatives of external or statutory auditors in Grameenphone, Banglalink and Teletalk always remain present in the annual general meeting, and the performance of external auditors for all four companies are evaluated regularly. However, there is no change observed when the parent companies of Robi and Banglalink was considered.

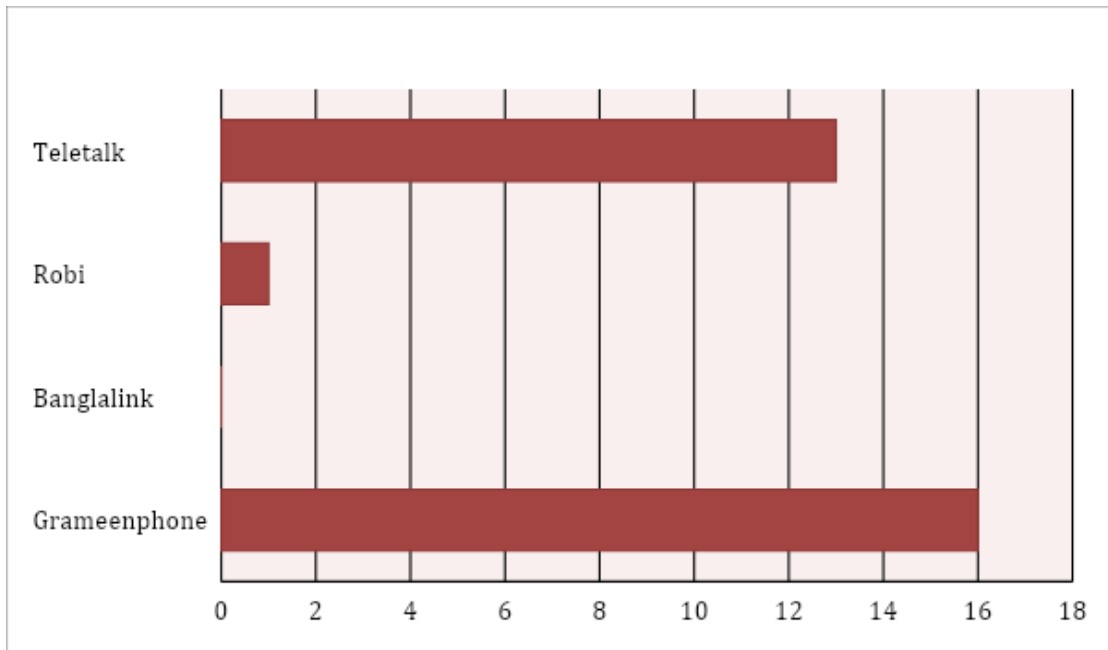


*Figure 27: Score in 'External Audit' Category*

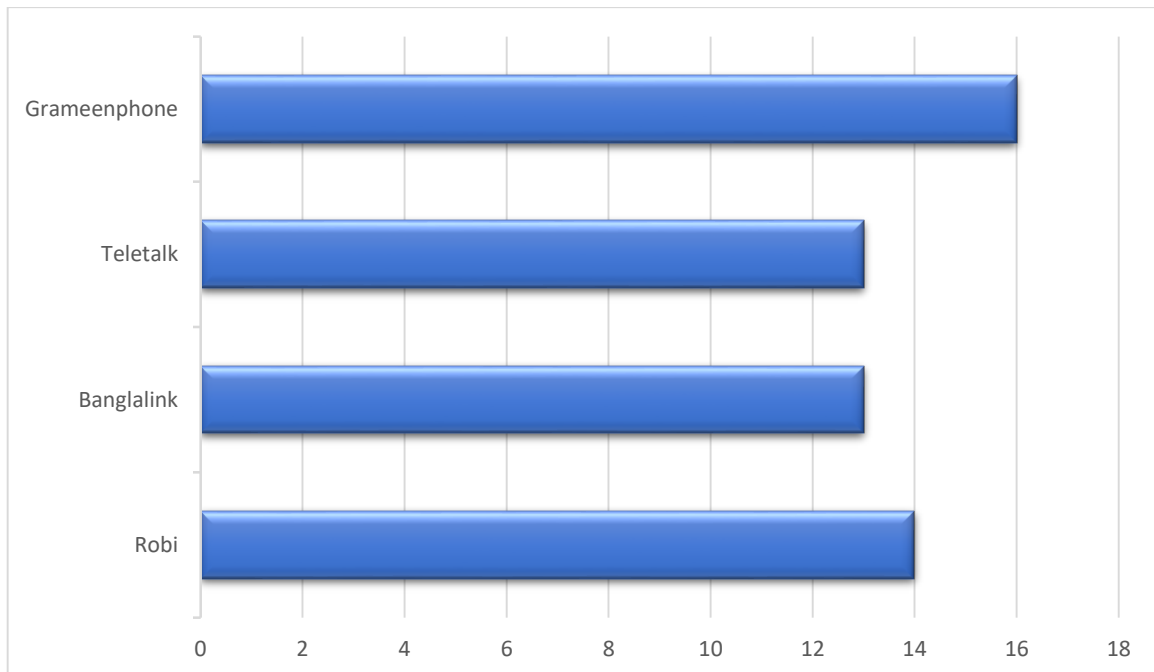


*Figure 28: Score in 'External Audit' Category at the parent company level*

The figure below shows that Grameenphone has obtained scored the highest among all the other companies. Teletalk obtained the second highest score; On the contrary, the scores of Robi and Banglalink both are tremendously lower. Grameenphone and Teletalk both publish their company's annual report consisting of the director's report, while others do not. Moreover, both of the companies' directors have stated in the directors' report whether their company comply with the conditions put forward in the major corporate governance codes/policy books prevailing in the country. Grameenphone is the only company that has mentioned in their annual report the performance evaluation the company has conducted on its board, committee and individual directors. Thereby, Grameenphone complies with all the questions in this category that others fail to do so. However, when considering Banglalink's parent company the score was on par with Teletalk, and Robi's parent company does not lag that much behind.



*Figure 29: Score in 'Reporting and Disclosure' Category*



*Figure 30: Score in 'Reporting and Disclosure' Category at the parent company level*

#### **7.2.4 Corporate Governance Index**

The table below shows the corporate governance index values generated from the survey that had a total of 73 questions. The corporate governance index was calculated by multiplying each of the total categorical scores with  $100/73$ . This allows us to get a comparison in terms of 100. For example, in

the case of Grameenphone, to calculate the scores for the category “Board of Directors”, the researcher determined the number of questions that Grameenphone had complied to under a particular category and rewarded a point for each question, which totaled to 20 (twenty) in the case of “Board of Directors”. Grameenphone had successfully complied with all the questions and was rewarded twenty points. Therefore, the researchers had then multiplied the point with 100/73 and the score for that particular category was 28.57. In a similar manner, all the calculation was carried out and provided in the table above.

*Table 6: Score in Various Corporate Governance Aspects*

<b>CATEGORY</b>	<b>GP</b>	<b>BL</b>	<b>RB</b>	<b>TL</b>
BOARD OF DIRECTORS	28.57	12.85	27.15	10.00
INDEPENDENT DIRECTOR (ID)	2.85	1.43	1.43	1.43
MANAGEMENT	8.57	8.57	8.57	7.15
AUDIT COMMITTEE	17.15	15.71	17.15	0.00
NOMINATION AND REMUNERATION COMMITTEE	14.28	14.28	14.28	0.00
EXTERNAL AUDIT	7.15	5.72	5.72	7.15
REPORTING AND DISCLOSURE	22.86	0.00	1.43	18.57
<b>Total</b>	100.00	58.58	75.71	44.28

*Table 7: Score in Various Corporate Governance Aspects at the parent company level*

<b>CATEGORY</b>	<b>GP</b>	<b>BL</b>	<b>RB</b>	<b>TL</b>
BOARD OF DIRECTORS	28.57	28.57	28.57	10.00
INDEPENDENT DIRECTOR (ID)	2.85	2.85	2.85	1.43
MANAGEMENT	8.57	8.57	8.57	7.15

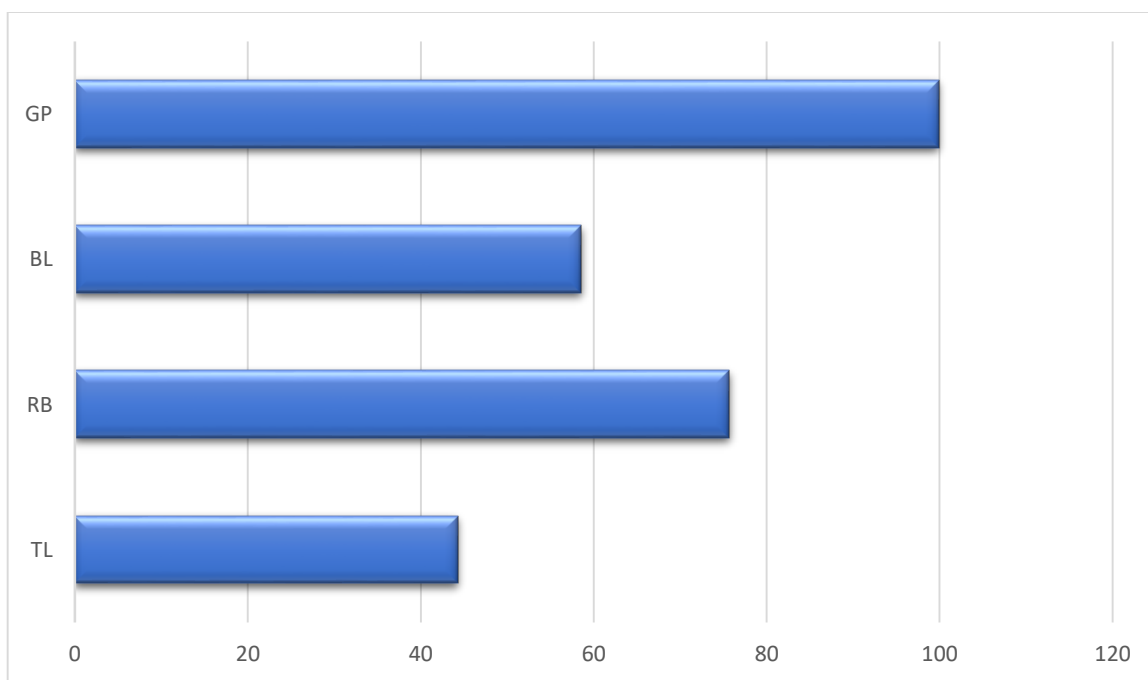
<b>CATEGORY</b>	<b>GP</b>	<b>BL</b>	<b>RB</b>	<b>TL</b>
AUDIT COMMITTEE	17.15	15.71	17.15	0.00
NOMINATION AND REMUNERATION COMMITTEE	14.28	14.28	14.28	0.00
EXTERNAL AUDIT	7.15	5.72	5.72	7.15
REPORTING AND DISCLOSURE	22.86	18.57	20.00	18.57
<b>Total</b>	100.00	94.29	97.15	44.28

From the four mobile telecommunication companies, Grameenphone has obtained the highest total value of an astonishing 100 out of 100, meanwhile Teletalk obtained the lowest score of 44.28. In addition to scoring the highest among all the companies in the industry, the results of Grameenphone showed that out of the seven categories the board of directors, audit committee, reporting and disclosure category has obtained significantly higher scores, which allowed Grameenphone to achieve a higher total compared to others. Robi has earned the second highest total; as the table states: Robi in terms of Board of Directors, Audit committee and Nomination and Remuneration Committee category scored almost the same as Grameenphone. However, Robi has lost significant scores on Reporting and Disclosure, where the practices in terms of reporting standards were not implemented effectively. Therefore, it can be deduced that both Robi and Grameenphone practice more or less the same level of corporate governance compliance except in the case of “Reporting and Disclosure” category. Banglalink and Teletalk, on the other hand, has ranked third and fourth respectively in the corporate governance index. While Banglalink has scored relatively well in most of the categories, it managed to score zero in the category of Reporting and Disclosure; both the scores of Banglalink and Teletalk are relatively low in the Board of Directors category. Teletalk has scored zero in both Audit committee and Nomination and Remuneration Committee category, thereby obtaining the lowest ranking. Grameenphone has performed outstandingly well in this category because it is a public limited company and therefore had to maintain all regulations as per Bangladesh Securities and

exchange commission. Robi is second in line to becoming a public limited company; once the transition takes place, it is plausible that Robi will increase its score drastically.

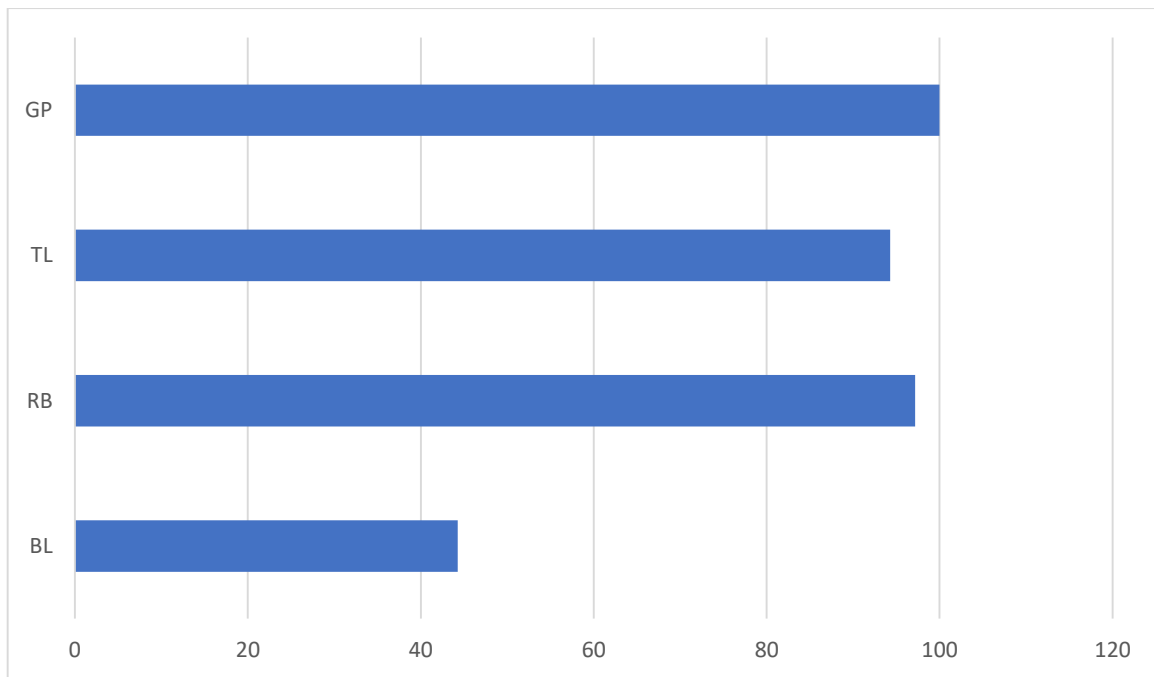
However, when considering the parent companies, Banglalink and Robi have scored significantly different. Robi has scored the second highest by making up for the poor scores received by the local company for Reporting and Disclosure category. In fact, Banglalink and Robi scored almost the same as Grameenphone in terms of Board of Directors, Independent Director, Audit committee and Nomination and Remuneration Committee categories.

The figures below demonstrate the total scores obtained by each of the four operators:



*Figure 31: Corporate Governance Index Scores (Fact-based)*





*Figure 32: Corporate Governance Index Scores (Fact-based) at the parent company level*

## **7.3 Analysis of Questionnaire Response (Perception-Measurement Questions)**

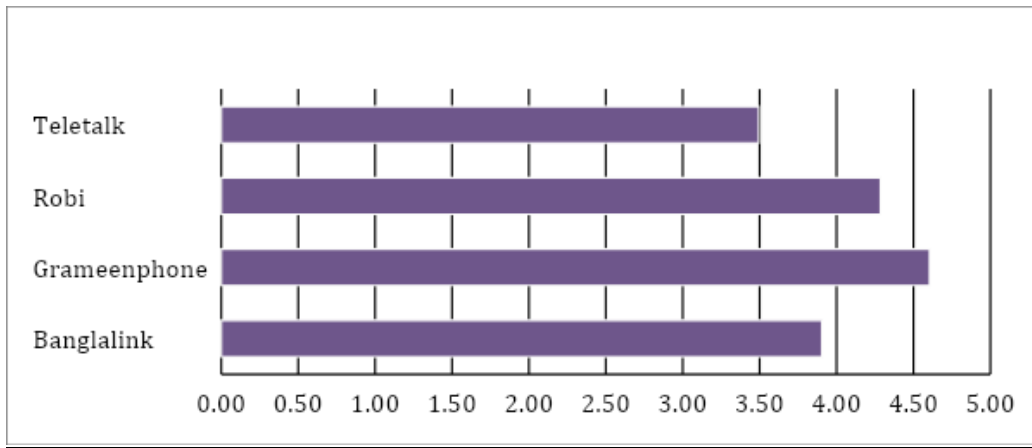
### **7.3.1 Respondents' Background**

The respondents chosen to fill out this questionnaire are the company secretary, the independent director, institutional investors, external auditors, and head of internal control and compliance. The company secretary has been selected since they have an in-depth knowledge of the company; for instance, they have a detailed understanding of the companies' financial position, its debts, its market share and how the company operates. Moreover, the independent director monitors the company and might be able to present a neutral view of the company. Furthermore, external auditors evaluate and review the financial statements of a company, and are independent of the entity being audited, therefore their responses might provide an unbiased point of view. Similarly, institutional investors have been selected which may include banks, credit unions, insurance companies, pensions, hedge funds, investment advisors, and mutual funds.

### **7.3.2 Questionnaire Structure and Results**

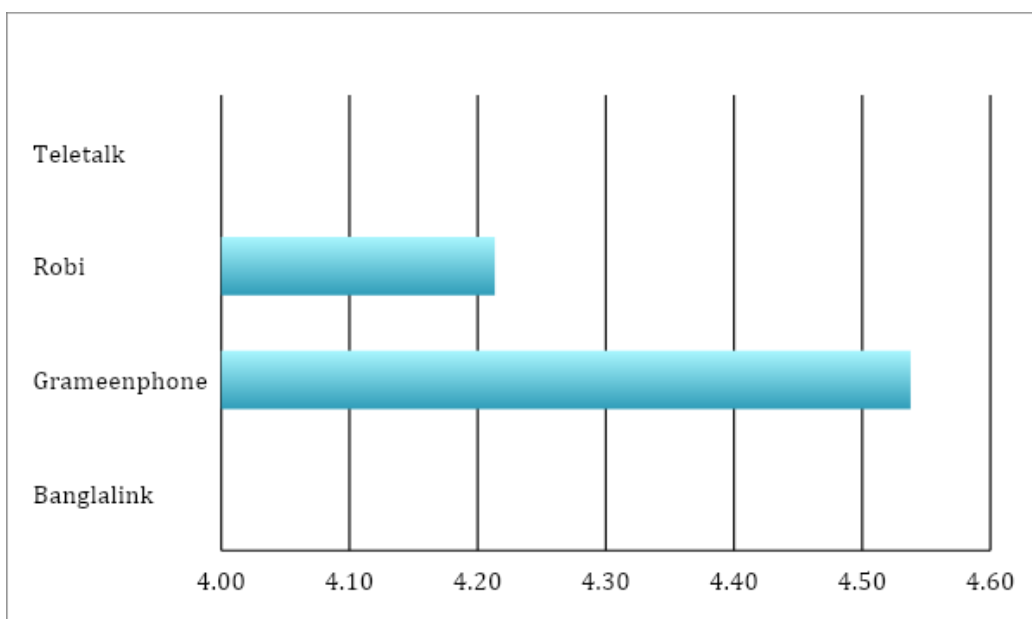
This questionnaire comprises of questions categorized under 9 categories: Board of Directors, Independent Directors, Management, Risk Management, External Audit, Reporting and Disclosure, Audit Committee (AC) and Nomination and Remuneration Committee (NRC). The questions are based on a Likert scale where, 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, and 5= Strongly Agree. Incorporating these perception-based questionnaires enables us to get a clearer picture of the governance status of the mobile telecommunications industry of Bangladesh.

As can be seen from the chart below. for the board of directors category, Grameenphone has scored the highest. Firstly, Grameenphone's board has a realistic assessment of its performance against its objectives at regular intervals. Grameenphone has a high score for most of the questions in this category, as a result the company has achieved a higher average. The second highest score has been obtained by Robi, that has a score higher than four for all the questions in this category. In addition, its board is perceived to be particularly effective in evaluating the performance of the company's senior executives since it has scored the most for this question compared to the other questions. On the other hand, Banglalink's Board is quite effective in evaluating the performance of the company's senior executives; however, the respondents has not agreed strongly to the statement that Board members and management staff responsibilities are clearly set out in writing. Finally, Teletalk has a score lower than all the other three mobile telecommunication companies. Moreover, Teletalk's lowest score that has weighed down its average is that the company has not succeeded in making effective reports that detailed the Board's/subcommittees/management's objectives for the year. Furthermore, Teletalk does not conduct sufficiently long board meetings to effectively cover appropriate business issues.



*Figure 33: Perception Score in Board of Directors Category*

Next, from the chart below, we can see that Grameenphone has a higher average than Robi. Grameenphone’s independent directors are perceived to allocate sufficient time to keep themselves updated about the current industry mechanisms; however, the respondents did not strongly agree that the independent directors of Grameenphone are well acquainted with the fundamentals of the organization’s business. Although the Independent directors of Robi also show strong dedication to the current industry mechanism, they are provided with fewer resources to carry out their roles when compared to Grameenphone. However, both the companies’ independent directors are able to perform their roles in an independent manner.



*Figure 34: Perception Score in Independent Directors Category*

From the figure below, it can be inferred that four of the companies have obtained quite similar averages; however, Teletalk lagged behind slightly. Grameenphone has a higher value by comparison, since all the respondents had given a score more than 4 to all the questions in this category. Moreover, the respondents strongly agreed that there were clearly defined respective roles, responsibilities and duties of the Chief Financial Officer, the Head of Internal Audit and Control and the Company Secretary in Grameenphone and Robi. Grameenphone’s Board has also received early-warning signals from the management about all problems/regularities ahead that might adversely affect key outcomes, targets or financial performance. Robi has obtained a score of 4.57, implying that it has a good overall management performance. Robi’s management not only provides a thorough analysis of performance against budget, targets and key outcomes, and discusses any necessary remedial action, but also provides the Board with timely and robust post-evaluation reviews for all major projects and programs. On the other hand, Banglalink and Teletalk have obtained a slightly lower score for the question regarding management’s timely update. Lastly, Teletalk has received a score less than 4 for all the specific questions in this category; it has received the highest for the question related to management defined roles, however, scored poorly in the question of whether the Board received early-warning signals from management.

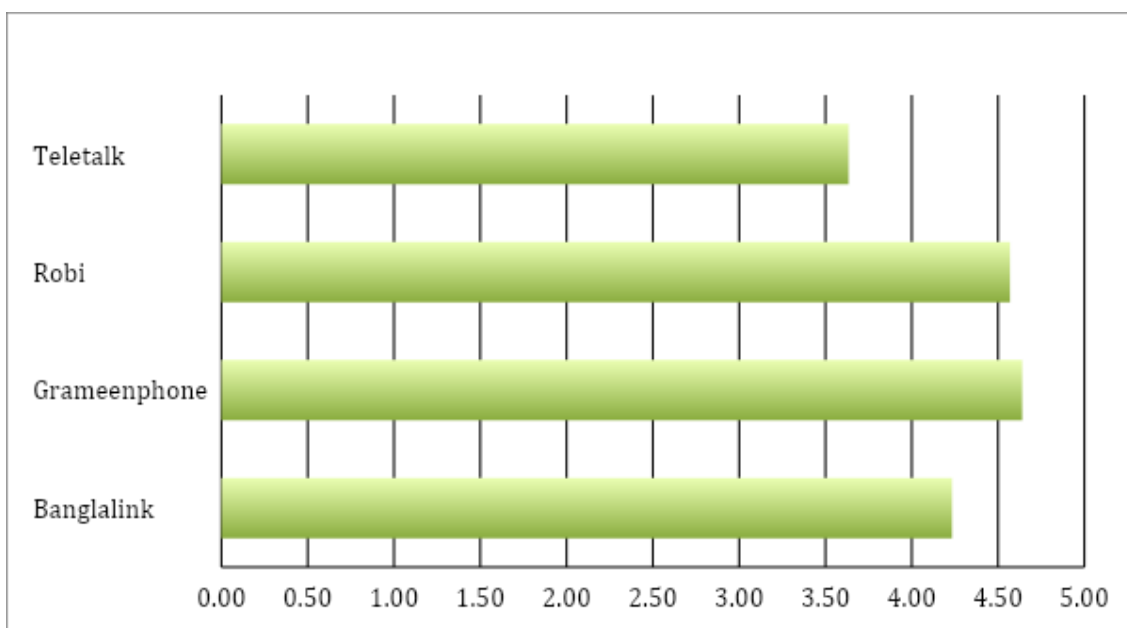
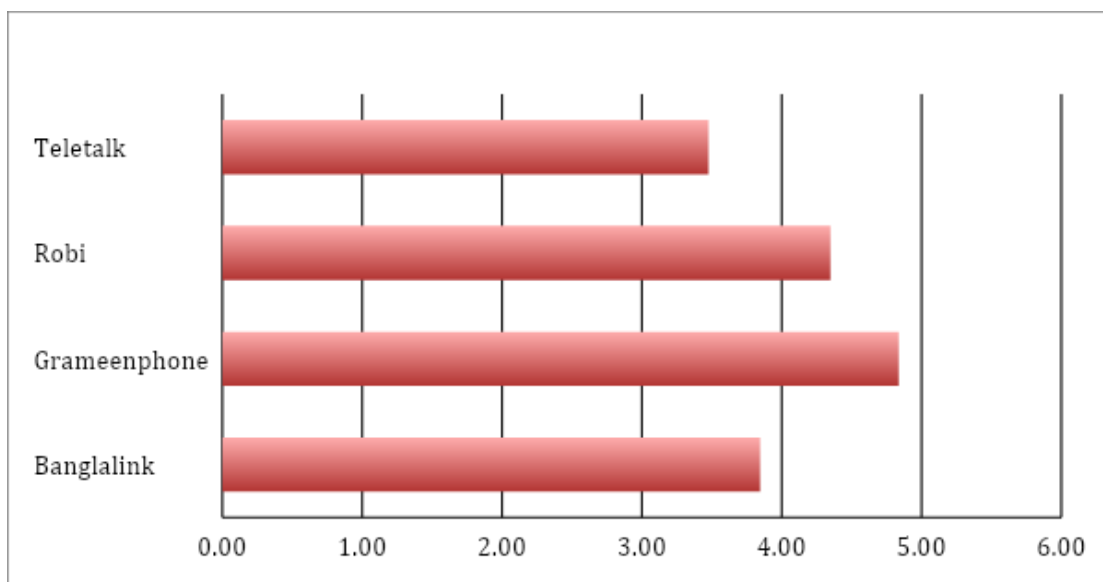


Figure 35: Perception Score in Management Category

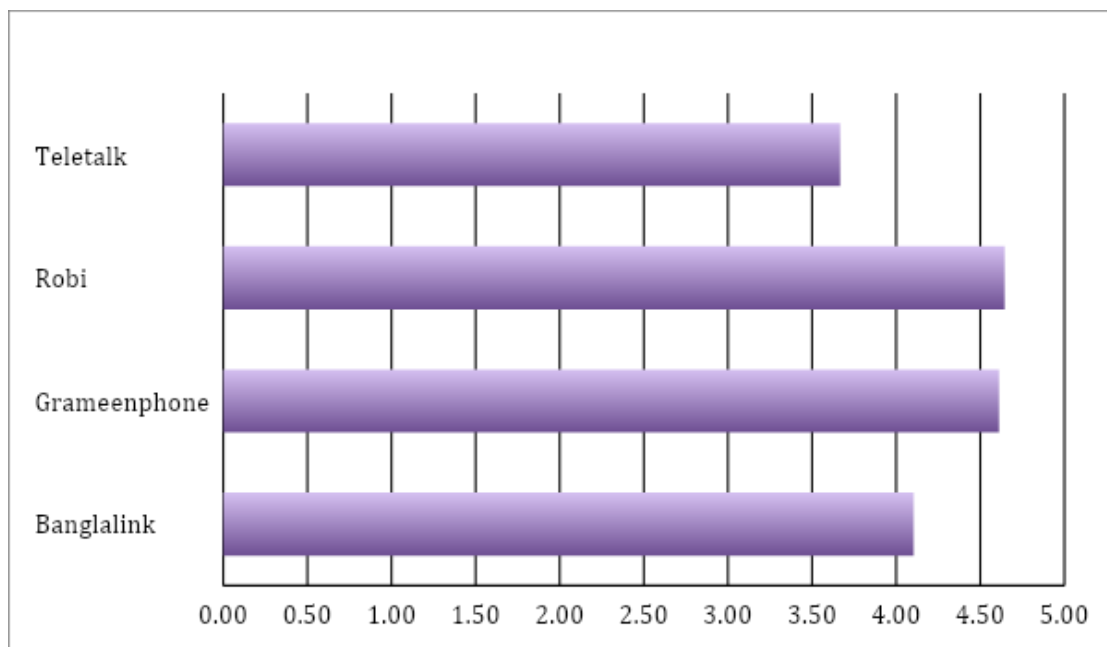
For risk management category's average, Grameenphone has managed to earn an exceptionally high score. The respondents strongly agreed that Grameenphone had an established system to raise concerns. Grameenphone has also received a perception score close to 5 because the company has clearly set guidelines on its maximum risk appetite and sound health and safety practices are implemented to protect the organization. Robi has received a score close to 4.35, since it has clearly set guidelines on risk. Although, Banglalink's system for raising concern is reviewed regularly to ascertain effectiveness, Banglalink is not perceived to have a well-defined system to raise concerns, and therefore, they have achieved only an average of 3.85 in this category. Teletalk's overall average is 3.48; the average is weighed down because the organization lacks certain health and safety practices that are needed to protect the organization against unnecessary litigation and reputation risk. Nevertheless, it has a slightly higher perception score for questions related to whether Teletalk had an established system to raise concerns, consists of a sound guideline to review risk and whether the system was reviewed regularly.



*Figure 36: Perception Score in Risk Management Category*

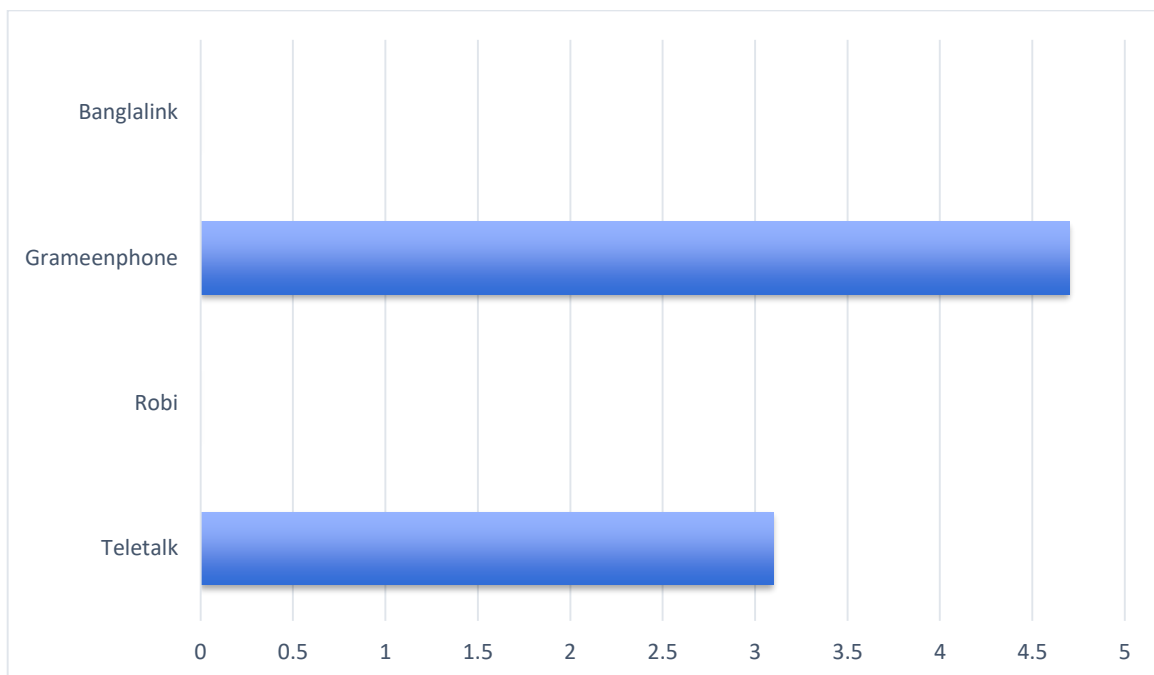
Next, as shown in the chart below, the average score for Banglalink is 4.10. Although external audit could independently perform their duties, the performance of the external auditors in Banglalink is

not perceived to be regularly and effectively evaluated. On the other hand, Grameenphone and Robi has obtained indistinguishable averages. The external auditor of Robi performs effective audits on non-financial areas such as health and safety, the auditors are also able to work independently and inspect the internal systems and controls of the company, thus qualifying them to have a higher average. Grameenphone has received a similar score for three of the perception questions which was slightly higher than the average and for the rest of the three questions in this category, they have received a value lower than the average. Grameenphone’s external audit performs effective audits for non-financial areas, and the auditor provides detailed recommendations based on these audit findings. Teletalk has a much lower average as can be seen from the chart below; the reason behind this is that they have received a low score for the questions related to whether an external auditor effectively inspects the internal systems and controls of the company. The respondents also gave a score less than 4 since external audit in Teletalk does not effectively audit the quality and compliance level of financial reporting activities. However, the performance of the external auditors is effectively evaluated in Teletalk.



*Figure 37: Perception Score in External Audit Category*

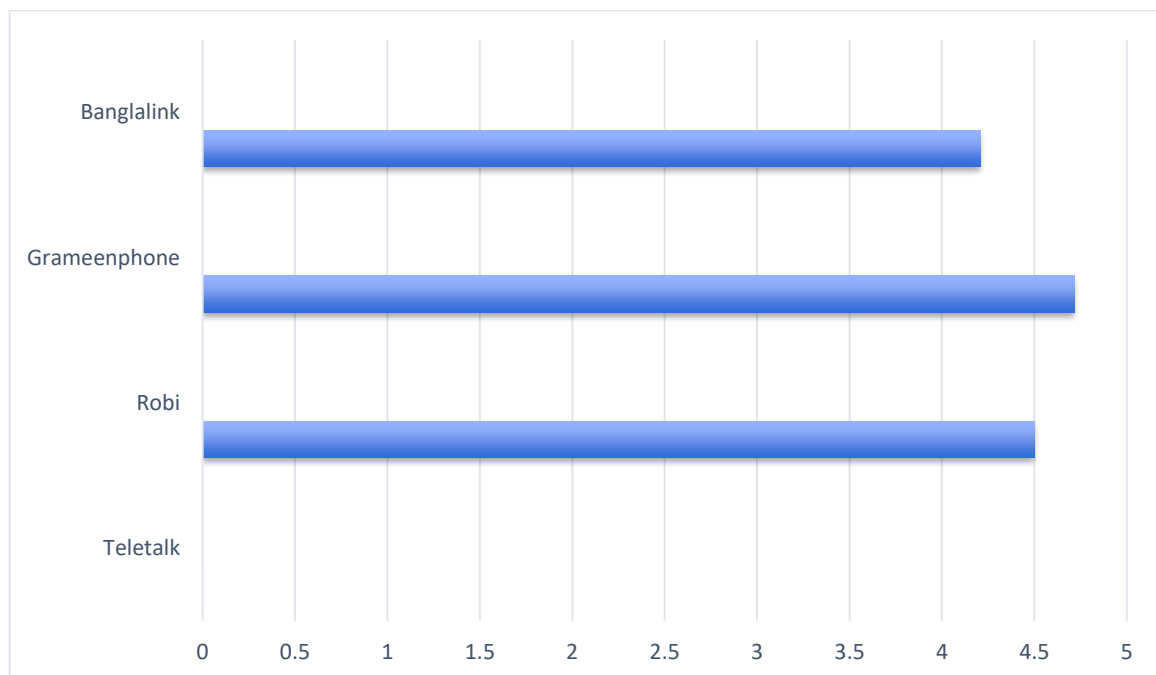
For the reporting and disclosure category, Grameenphone has the highest average. Grameenphone’s annual reports are very detailed and precise that represents the true financial status of the company. So, they are able to create reports that has satisfactory quality. Moreover, Grameenphone regularly prepares insightful reports on the organization’s risk management and internal control systems. These key attributes allow Grameenphone to achieve a high average. On the other hand, as Robi and Banglalink does not publish reports, the perception scores in this category do not apply to them. On the other hand, Teletalk had an average lower than 4 indicating that most of the respondents gave a somewhat neutral response to all the questions. Teletalk has the lowest average of 3.13; because Teletalk also fails to create detailed reports and thus the quality was not satisfactory.



*Figure 38: Perception Score in Reporting and Disclosure Category*

From the figure below, the Audit committee averages can be found which shows that Grameenphone has attained the highest score which is 4.72. Grameenphone has received a perceived score higher than 4.5 in all the questions and some close to 5, thus Grameenphone has a strong perceived compliance compared to others, on average. Grameenphone consists of an effective and sufficient size of audit committee, which has members that have sufficient knowledge on accounting and/or

auditing practices. Moreover, the audit committee members assess and review the annual internal audit work plan. Robi, too, has a high overall average. Robi’s audit committee has a charter that clearly outlined its objectives, duties and responsibilities; there exists adequate authority for the committee to carry out its responsibility and has ready access to relevant information if required. However, the respondents voted on “agree” and on “strongly agree” for questions related to whether the audit committee receives prompt responses from the management in carrying out its duties and whether its members devote sufficient time to the committee's affairs. Finally, the audit committee scores do not apply to Teletalk as they do not have an audit committee (Banglalink has one at the parent level).

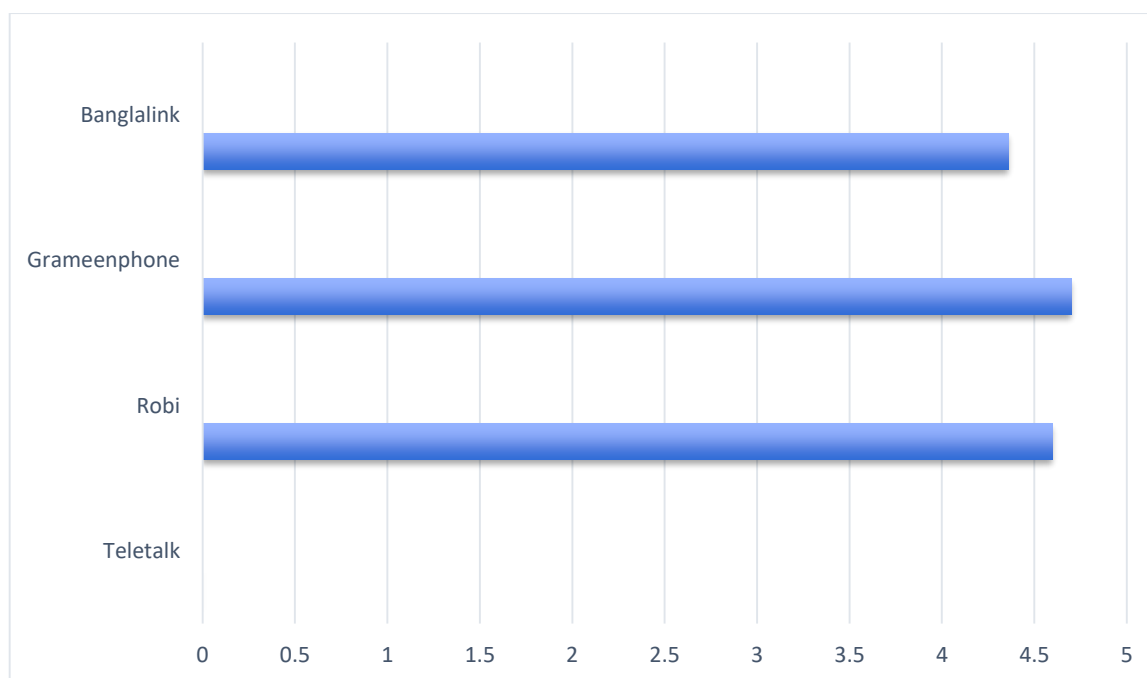


*Figure 39: Perception Score in Audit Committee Category*

For the nomination and remuneration category, Grameenphone and Robi have a very similar score. Both of the mobile telecommunication companies consist of a nomination and remuneration committee (NRC) that can work independently, and all members can express their views freely and independently in the meetings. Furthermore, their NRC was provided with sufficient resources including secretarial support to carry out its duties. The NRC members of Robi has a very clear



understanding of their responsibilities and duties. Finally, the nomination committee scores do not apply to Teletalk as they do not have an audit committee (Banglalink had one at the parent level).



*Figure 40: Perception Score in Nomination and Remuneration Committee Category*

Finally, as shown in the table below, considering the data average for the four mobile telecommunication companies, Grameenphone has scored the highest with 4.68 while Teletalk has obtained the lowest score of 2.34. Grameenphone has scored admirably across the board and Robi came in close second place while losing scores mostly in reporting and disclosure category. Banglalink has placed third due to poor performance in the categories of Board of directors, independent directors, Risk management and Reporting and disclosure.

*Table 8: Inter-company comparison of the scores*

<b>Category</b>	<b>Banglalink</b>	<b>Grameenphone</b>	<b>Robi</b>	<b>Teletalk</b>
Board of directors	3.90	4.61	4.29	3.49
Independent directors		4.54	4.21	
Management	4.23	4.64	4.57	3.63
Risk management	3.85	4.84	4.35	3.48

Category	Banglalink	Grameenphone	Robi	Teletalk
External audit	4.10	4.61	4.64	3.67
Reporting and disclosure	3.71	4.72		3.13
Audit Committee	4.21	4.72	4.52	
Nomination and Remuneration	4.36	4.67	4.61	
Miscellaneous	4.76	4.78	4.39	3.70
<b>Average</b>	<b>3.68</b>	<b>4.68</b>	<b>4.06</b>	<b>2.34</b>

## 7.4 Hypothesis Testing

In this section of the chapter, the researcher is going to test the hypotheses proposed in the methodology section of this report. the researcher has formulated a number of hypotheses to measure the difference in the perception held about the effectiveness of individual areas of corporate governance and that of overall corporate governance practices. The formulated hypotheses are:

- *H<sub>1</sub>: There is a significant difference among the perception held by different stakeholders about the effectiveness of board of directors in overall corporate governance practices in the mobile telecommunication companies*
- *H<sub>2</sub>: There is a significant difference among the perception held by different stakeholders about the effectiveness of independent directors in overall corporate governance practices in the mobile telecommunication companies*
- *H<sub>3</sub>: There is a significant difference among the perception held by different stakeholders about the effectiveness of management in overall corporate governance practices in the mobile telecommunication companies*
- *H<sub>4</sub>: There is a significant difference among the perception held by different stakeholders about the effectiveness of audit committee in overall corporate governance practices in the mobile telecommunication companies*

- *H<sub>5</sub>: There is a significant difference among the perception held by different stakeholders about the effectiveness of nomination committee in overall corporate governance practices in the mobile telecommunication companies*
- *H<sub>6</sub>: There is a significant difference among the perception held by different stakeholders about the effectiveness of external audit in overall corporate governance practices in the mobile telecommunication companies*
- *H<sub>7</sub>: There is a significant difference among the perception held by different stakeholders about the effectiveness of reporting and disclosure in overall corporate governance practices in the mobile telecommunication companies*
- *H<sub>8</sub>: There is a significant difference among the perception held by different stakeholders about the effectiveness of ownership in overall corporate governance practices in the mobile telecommunication companies*

From row 1 of table 9, it can be seen that the main difference between the perception held about the two groups is 0.33094. This shows that the board of directors category has a lower perception score compared to that of the overall corporate governance. This indicates that compared to the other factors of corporate governance, the board of directors has a lower perceived compliance to corporate governance, on average, among the respondents.

With regards to the significance of the test from row 1, the result from the paired t-test shows that the p-value is 0.000. As the value is less than 5%, it can be said that the mean difference is significant. Therefore, the researcher can reject the null hypothesis which states that there is no significant difference between the two means. Rather, it can be concluded that there is significant difference between the perception score of the two groups where the board of directors has a lower perception score than that of the overall corporate governance of the industry.

*Table 9: Paired Sample Test*  
**Paired Sample Test**

*at 95% confidence interval of the Difference*

Pair	Paired Sample	Mean	Std. Deviation	Std. Error Mean	Lower	Upper	t	df	Sig. (2-tailed)
1)	Corporate_Governance-Board_of_Directors	0.33094	0.34201	0.06046	0.20763	0.45424	5.474	31	0
2)	Corporate_Governance-Independent_Directors	-0.50844	0.21669	0.03831	-0.58656	-0.43031	-13.273	31	0
3)	Corporate_Governance-Management	-0.12531	0.27259	0.04819	-0.22359	-0.02703	-2.601	31	0.014
4)	Corporate_Governance-Audit_Committee	-0.305	0.15897	0.0281	-0.36231	-0.24769	-10.853	31	0
5)	Corporate_Governance-Nomination_Committee	0.17969	0.35148	0.06213	0.05297	0.30641	2.892	31	0.07
6)	Corporate_Governance-External_Audit	-0.07938	0.23717	0.04193	-0.16489	0.00614	-1.893	31	0.068
7)	Corporate_Governance-Reporting_Disclosure	0.41406	0.26578	0.04698	0.31824	0.50989	8.813	31	0
8)	Corporate_Governance-Ownership	0.08875	0.23682	0.04186	-0.00337	0.17413	2.12	31	0.042

The figure above in row 2 shows that the difference between the two overall averages is -0.50844. This implies that the independent directors have a higher perception score compared to that of overall corporate governance. Therefore, if we compare independent directors with the rest of the factors of corporate governance then we can conclude that independent directors have a higher perceived compliance to corporate governance, on average, among the respondents.

With regards to significance of the test in row 2, the result from the paired t-test shows that the p-value is 0.000. As the value is less than 5%, it can be said that the mean difference is significant. Therefore, the researcher can reject the null hypothesis which states that there is no significant difference between the two means. Rather, the researcher concludes that there is a significant difference between the perception score of the two groups where independent directors have a higher perception score than that of the overall corporate governance of the industry.

From the table above from row 3, we can see that the difference between the corporate governance mean, and management mean is -0.12531, thus, resulting in a negative mean value, which shows that

the management has a higher perception score. Therefore, on average if we compare with the other factors of corporate governance, management has a higher perceived compliance to corporate governance.

Furthermore, from the table above (row 3), we can also find the p-value and use it to determine whether the mean is significant. Here, the p-value is 0.014 which is much lower than 5%. Thus, we can conclusively reject the null hypothesis which states that there is no significant difference between the two means and instead accept its alternate hypothesis. The alternate hypothesis specifies that there is a significant difference between the perception score of the two groups where management has a higher perception score than that of the overall corporate governance of the industry.

From row 4 in the illustration above, we can see that the mean difference between the perception held about the two groups is -.305. This shows that the audit committee has a higher perception score compared to that of overall corporate governance. This indicates that compared to the other factors of corporate governance, the audit committee has a higher perceived compliance to corporate governance, on average, among the respondents.

With regards to significance of the test in row 4, the result from the paired t-test shows that the p-value is 0.000. As the value is less than 5%, it can be said that the mean difference is significant. Therefore, we can reject the null hypothesis which states that there is no significant difference between the two means. Rather, we conclude that there is significant difference between the perception score of the two groups where the audit committee has a higher perception score than that of the overall corporate governance of the industry.

Next, from the table above (row 5), we can see that the difference between the two means is 0.17969, which means that the nomination committee has a lower perception score compared to that of the

overall corporate governance. Thus, we can deduce that compared to the other factors of corporate governance, the nomination committee has a lower perceived compliance to corporate governance, on average, among the respondents.

Considering the significance of the paired t-test from row 5, the results obtained shows that the p-value is 0.07, which is higher than 5%. Therefore, we cannot reject the null hypothesis, which states that there is no significant difference between the two means. Rather, we accept the null hypothesis and conclude that there is no significant difference between the perception score of the two groups.

The illustration above (row 6), shows that there is a negative mean difference, which is the difference between the overall corporate governance mean score and the external audit. Since, the mean value is -0.07938. This indicates that compared to the other factors of corporate governance, external audit has a higher perceived compliance to corporate governance, on average, among the respondents.

With reference to significance of the test in row 6, the result from the paired t-test shows that the p-value is 0.068. As the value is more than 5%, it can be said that the mean difference is insignificant. Therefore, the null hypothesis cannot be rejected, and it can be concluded that there is no significant difference between the perception scores of the two groups.

Next, the table above (row 7) shows the value of the difference between the overall corporate governance mean and reporting disclosure mean and the mean difference between these two groups is .41406. This shows that reporting disclosure group has a lower perception score compared to that of the overall corporate governance. This indicates that compared to the other factors of corporate governance, the board of directors has a lower perceived compliance to corporate governance, on average, among the respondents.

Moreover, the result from the paired t-test from row 7 shows that the p-value 0.000. As the value is less than 5%, it can be said that the mean difference is significant. Therefore, we can reject the null hypothesis, which states that there is no significant difference between the two means. Rather, we accept the alternate hypothesis and conclude that there is significant difference between the perception score of the two groups, where the reporting disclosure has a lower perception score than that of the overall corporate governance of the industry.

From the results in the last row of table 9, it can be seen that the mean difference between the perception held about the two groups is .08875. This shows that ownership has a lower perception score compared to that of overall corporate governance. This indicates that compared to the other factors of corporate governance, ownership has a lower perceived compliance to corporate governance, on average, among the respondents.

With regards to significance of the test from the last row, the result from the paired t-test shows that the p-value is 0.042. As the value is less than 5%, it can be said that the mean difference is significant. Therefore, we can reject the null hypothesis, which states that there is no significant difference between the two means. Rather, we accept the alternate hypothesis and conclude that there is a significant difference between the perception score of the two groups, where ownership has a lower perception score than that of the overall corporate governance of the industry.

Finally, the table below shows the summary findings from all the above t-test results with regards to the perception held by different stakeholders who were interviewed as a part of this research.

*Table 10: Summary Findings*

<b>Overall Governance</b>	<b>Corporate</b>	<b>Negative Difference</b>	<b>Mean</b>	<b>Positive Mean Difference</b>

	Independent Director (significant)	Board of Directors (significant)
	External Auditor (insignificant)	Reporting and Disclosure (significant)
	Management (significant)	Ownership (significant)
	Audit Committee (significant)	Nomination and Remuneration Committee (insignificant)

### ***Hypothesis Test Results***

*H1: There is a significant differences among the perception held by different stakeholders about the effectiveness of board of directors in overall corporate governance practices in the mobile telecommunication companies (  $p < .001$  )*

*H2: There is a significant differences among the perception held by different stakeholders about the effectiveness of independent directors in overall corporate governance practices in the mobile telecommunication companies (  $p < .001$  )*

*H3: There is a significant differences among the perception held by different stakeholders about the effectiveness of management in overall corporate governance practices in the mobile telecommunication companies (  $p < .001$  )*

*H4: There is no significant differences among the perception held by different stakeholders about the effectiveness of audit committee in overall corporate governance practices in the mobile telecommunication companies (  $p > 0.05$  )*

*H5: There is no significant differences among the perception held by different stakeholders about the effectiveness of nomination committee in overall corporate governance practices in the mobile telecommunication companies (  $p > 0.05$  )*



*H6: There is no significant differences among the perception held by different stakeholders about the effectiveness of external audit in overall corporate governance practices in the mobile telecommunication companies (  $p>0.05$  )*

*H7: There is a significant differences among the perception held by different stakeholders about the effectiveness of reporting and disclosure in overall corporate governance practices in the mobile telecommunication companies (  $p<.001$  )*

*H8: There is a significant differences among the perception held by different stakeholders about the effectiveness of ownership in overall corporate governance practices in the mobile telecommunication companies (  $p<.001$  )*

## **7.5 Conclusion**

The scores that are summarized represent the compliance level to the corporate governance codes by the individual mobile telecommunication companies. Grameenphone has consistently scored in every segment with exemplary scores, thus, led the pack while Teletalk has consistently lagged behind the competition except for one instance. On the other hand, Robi has secured the second place whereas Banglalink third in all the corporate governance indices. It is to mention that for the latter two companies, when parent or holding companies are considered, the compliance level improves significantly; however, at the local level, there is significant scope for improvement. With regards to hypothesis testing, it is found that the perceptions held about the effectiveness of independent directors, management, and audit committee is significantly higher than that of overall corporate governance; on the other hand, the perceptions held about the effectiveness of board of directors, reporting and disclosure, and ownership is significantly lower than that of overall corporate governance. The current chapter has presented the findings with regards to quantitative data analysis; the next chapter elaborates the findings from the qualitative data collected in this study.



## **CHAPTER 08: FINDINGS AND ANALYSIS OF INTERVIEW DATA**

### **8.1 Introduction**

With the aim of validating the understanding of the corporate governance practices in the mobile telecommunication industry, a thorough data analysis aided by the collection of both quantitative and qualitative evidence is necessary. The data collected through various semi-structured and in-depth interview processes have been investigated by utilizing template analysis methodology. In this chapter, the researcher expands on previous understanding by incorporating the qualitative data with the quantitative data analysis that was done in the previous chapter based on the relevant variables required for this study so that the relationship can be explored further.

A wholesome picture of the collected data is provided by the researcher in this chapter. Initially, the key findings are presented and discussed upon, which has been gathered from the primary data. Following that, adequate rationalization is implemented to demonstrate the transition from first order themes to overarching themes. Lastly, a comprehensive discussion concludes the chapter by exhibiting how the quantitative analysis of this study has been complimented by the qualitative data. Eventually, a conceptual model is suggested based on the discussion phase of the qualitative and quantitative data. The interdependence of the different parameters used in this study is bridged together by the proposed conceptual model. The model attempts to aid us in solidifying the relationship of the factors that determine the current standard of corporate governance practices implemented by companies.

### **8.2 Findings and Analysis of Interview Data**

The findings with regards to corporate governance in the mobile telecommunication industry are discussed below:

## **8.2.1 Challenges in the Telecommunication Sector**

### 8.2.1.1 Industry Level Challenges

The interview analysis has helped us identify a broad range of industry specific challenges present in the mobile telecommunications industry of Bangladesh. As this chapter progresses, some of the different areas of challenge will be outlined in detail so that we can later dissect the challenges based of specific areas.

#### *Investors leaving from the telecommunication sector in Bangladesh*

The Japanese telecommunications giant NTT DoCoMo has joined the ever-increasing list of firms such as Dhabi Group, SingTel and Orascom Telecom Holding who have all wrapped up their stakes in Bangladesh. According to numerous interviewee accounts, this does not come as a surprise since the Japanese firm expressed their reservations about the unfair treatment that they were greeted with when they started their operation in Bangladesh 12 years back in 2008. They downsized their stakes to 8% in 2013 from the initial 30% holding of Aktel back when they entered the Bangladeshi market. With marginal investments since then, lack of representation in the board and retracting their employees from Robi, their message was clear. They are finally leaving the market while they have earned nothing in return for injecting around \$350 million into the economy.

DoCoMo isn't the only firm who have expressed their interest regarding leaving the country and committing to the action. The third largest mobile telecommunications company in Bangladesh which is Banglalink is rumored to be negotiating to sell their stakes to the Indian operator Reliance Jio. The cycle just doesn't end there, the second largest operator Robi has expressed their concerns regarding leaving the Bangladeshi economy as well. There is a clear message behind their actions which they have expressed to the respective authorities as well. The tax rates are high and the regulations in the mobile telecommunications industry are weighted against the operators where the consumers base isn't sufficiently large enough to make sustainable profits from this economy. However, these

escalations do not seem to bother the authorities as they are still relying on the opportunities presented by the growing market structure. In this regard, a CEO from one of the organizations has commented:

*Without proper environment of doing business and notable tangible benefits why would the MNCs be here in the market? Doesn't make much business sense, right? (CEO)*

The recent pandemic has shifted daily life in the virtual platform which is heavily depended on the mobile telecommunications industry to sustain. DoCoMo is one the market leaders when it comes to implementing the innovations of 5G technology. As Bangladesh is on the path towards developing the 5G infrastructure as this will become the backbone of communications very soon, with DoCoMo leaving, the future is looking quite dire. The struggle could have been subdued and fast-tracked if the local policies had been less hostile towards foreign investments in the economy. With investors leaving, the mobile telecommunications industry in Bangladesh has been witnessing declining investments from the period of January to September in 2019 from Tk. 1,500 crore to Tk. 850 crore and the trend is still following the downward spiral. The two-key areas of investments that take place in the mobile telecommunications industry are either tower maintenance or expansion. The operators are in a tough position since they cannot expand without the blessing of the tower companies which is a separate entity in the industry; coupled with the audit fiasco of non-payment by Robi and GP numerous infrastructure development, imports and services offered by these companies are being restricted. The investment opportunities are being curtailed from every direction by the regulatory authorities according to the industry specialists. However, the regulatory authorities without much substance adamantly maintain that the firms operating in the mobile telecommunications industry are intentionally cutting back on their investments so that they can send back higher proportion of the profits to their parent companies.

### Lack of governance coordination among stakeholders

The mobile telecommunications industry follows stringent corporate governance guidelines on paper but in real life the governance coordination among the stakeholders is lackluster at best. The mishaps will be discussed further as the chapter progresses.

### Absence of proper initiative to create a transparent governance system among stakeholders

The primary reason of observing flawed governance transparency system amongst stakeholders can be the policies that govern the mobile telecommunications industry in Bangladesh. The Quality of Service also known as QoS serves as an indicator of the service assurance measure for the industry. However, this is a flawed measure due to the policies that overshadow this measure. The operators share their bandwidth with NTTN as they are the only ones with the license to draw fiber optic connections which is essential to provide network related services. The mobile phone operators rely solely at the mercy of the NTTN operators for the bandwidth of their services. If their services are hampered, the QoS reflects this as a shortfall of the mobile phone operators rather than the NTTN operators. The flawed measure of accountability for the services provided by the mobile telecommunications industry in Bangladesh is not portraying the true scenery of governance transparency for the involved stakeholders. To date, the regulatory authorities did not take any initiative to address this fatal flaw which is affecting the stakeholders both inside and outside the mobile telecommunications industry. One of the CEOs have expressed this concern by commenting:

*Why would another party take the blame solely for somebody else's fault? See? Policies are there that's true, but it punishes the wrong person (CEO)*

### Limited information sharing to the stakeholders

The mobile telecommunications industry in Bangladesh is plagued with bureaucracy and grey areas, information regarding which is not openly available to the consumers. The fiber optic network that is

essential to convey services in the mobile telecommunications industry is in the hands of BTCL and two private NTTN operators by the policies mandated by the regulators. Despite Bangladesh having access to low-cost international bandwidth, the consumers have to incur exponentially higher cost for consuming the services. The foreign direct investments have not been much help as well since they have practically eliminated small scale competitions due to economies of scale enjoyed by them. As a result, the mobile telecommunications market is exploiting the stakeholders by utilizing the limited information that is shared in the industry. The survey analysis done in this study also reflects this issue in greater detail. Banglalink and Robi only offered skeletal level information regarding governance to the stakeholders. From the surface level, all the companies operating in the industry maintains that they adhere to strict governance guidelines while the reality is quite different. An Independent Director shared their thoughts regarding this issue:

*On pen and paper, everyone is doing great! Picture perfect governance. In reality, a lot of things are not shared. They do not disclose a bare minimum of things often (Independent Director)*

When there is the existence of monopolistic competition in the marketplace, the consumers lose by not receiving proper governance disclosure. The government regulated in Bangladesh has the monopolistic advantage in the area of development of mobile telecommunications technology in the country. Nearly, all the telephone lines are under the BTTB operations which is shared by other operators by renting or leasing them. This means that the development of the telecommunications sector has been slow. The industry has not been able to ensure digital quality connection for the entire nation which means the development in this industry has been biased. Most of the country is still running on obsolete analog systems based on magneto and CB technology. Information regarding the technology of the connection an operator is providing is not available or disclosed to the general consumers. As a result, the consumers are paying the high service fee despite the offered service not

being in fully high definition. The regulators are getting away with little to no quality information regarding their offered service as the consumers are unable to detect the governance shortfalls.

#### Non-compliance of the operators

The mobile telecommunications industry in Bangladesh did not have much of a pleasant experience with the regulatory body of the country since the start of their respective businesses. On the other hand, the companies have not been operating without mishaps from their end. The industry is plagued with its fair share of misconducts which will be discussed below.

#### Tax and late fees

The Bangladesh Telecommunication Commission has taken strict measures recently to crack down on firms operating in the mobile telecommunications industry in Bangladesh regarding the overdue fees and taxes which have been pending for quite some time. Grameenphone and Robi who are the leading and second largest operators respectively in the country have been barred from expanding their service base since July 2019. The notices served by BTRC since 2016 to the giants quote amount Tk. 12,579.95 crores for Grameenphone and Tk. 867.23 crores for Robi. If they fail to resolve the issue, the regulatory authority has threatened to terminate their licenses to operate in this country while measures to put pressure on them by reducing the bandwidth has backfired as the consumers were taking the hit. An Independent Director has acknowledged the ongoing clash:

*Claims of taxes, fees, technological illegality are not uncommon here. Legal battle with regards to this has been going on for years. Such non-compliance is not a good sign obviously for governance aspects (Independent Director)*



### Illegal tower

Since 2019, the installation of mobile telecommunications tower was deemed illegal in certain areas such as rooftops of residential area, heritage sites, and places of worship in order to limit the radiation emission to the levels recommended by International Commission on Non-ionizing Radiation Protection. All six operators during that period were held as violating the High Court verdict as they had roof top telecommunication towers in residential area. Also, there has been a recent controversy where BTRC sold premium band to Grameenphone and Robi which the landline operator World Tel claims as illegal as they had the previous license of the band that was auctioned off by BTRC without their consent. However, BTRC maintains that the termination of their license was the result of illegal operation of voice over internet protocol for international calls and they have also controversially claimed the band as ‘natural resource’ which should be used effectively and not left unused as it was done by World Tel. High Court has intervened since then so that the situation does not escalate any further.

### Helpline fraud

There have been some allegations and situations where users were getting calls or text messages claiming to be from either BTRC or telecommunications operator to collect sensitive user data. They were identified as gangs who were operating to extract information regarding biometric registration of SIM cards and PIN numbers to access mobile banking services. The users were unable to identify the scam since the alleged parties utilized copied BTRC landline numbers and mobile phone operator names to send SMS or call. An Independent Director has confirmed these allegations by stating:

*Such claims were not uncommon. Yet, some of the operators were slow to react and raise awareness regarding this situation while numerous user base suffered from this fraudulent activity. (Independent Director)*

### Monopolistic market obscuring fair competition

The discussion carried out so far has indicated instances of market failure being observed in the mobile telecommunication industry of Bangladesh due to the existence of monopolistic competition. The significance of this issue will be discussed in detail as the chapter progresses.

### Significant market power (SMP)

When there is progression in the development of technology, the firms operating in that industry incurs lower costs. If the lower cost is passed down to the consumers, then they will benefit from this change. However, that has not been the case in the mobile telecommunications industry of Bangladesh. The firms operating in this industry has achieved the status of significant market power which has enabled them with the advantage of utilizing price-setting strategies which is exploitative for the consumers and anti-competitive for the industry. Grameenphone achieved the status of significant market power back in 2019. As a result, the regulatory authorities of BTRC have decreased the mobile number portability lock-in period to 60 days which was previously 90 days to curtail the market domination of the firm and avoid further market failure. This was a much-needed intervention since the company dominated the industry by maintaining significant consumer base. An external auditor has expressed concerns regarding this issue:

*However, the market is still dominated by a few large firms which is not good news for the end-consumers. We need competition, fair competition (External Auditor)*

Moreover, the mobile telecommunications industry has huge start-up costs when initially setting up the business. As a result, not anyone can either enter or leave the market whenever they want. The firms who operate in this industry are usually large due to the initial capital commitment requirements which enables them to enjoy economies of scale. For this reason, the mobile telecommunications industry used to be operated under the state which is now the norm of the past as the industry was

privatized in order to remove the deadweight loss that is usually caused by inefficiencies related to government ownership. The large size of the firms operating in this industry enables the operators to partake in price-setting practices. When the competition is non-existent, they can get away with whatever they want. Grameenphone offered call rates at Tk. 0.48 per minute which was dangerously close to the regulatory minimum call rate of Tk. 0.45 per minute. An Independent Director has commented on the scale of this situation:

*A large company might be able to get away with such action but a small firm who does not enjoy economies of scale will be severely impacted by such actions. This has been observed in the past where other new competitors could not survive the low prices offered by the exiting market players who dominate the industry in Bangladesh (Independent Director)*

The mobile telecommunications industry in Bangladesh is plagued with anti-competitive practices which is not desirable for the wellbeing of the consumers as they are the ones who are paying for the negative externalities that are being resulted from this.

When a firm dominates the entire marketplace, other small operators are unable to carry out business effectively. This is not good news for maintaining a competitive market place. Currently the regulatory board BTRC recognizes a company to have significant market power when they manage to attain 40% of the market share in the mobile telecommunications industry of Bangladesh. When they do label a company to have significant market share, the firm is subjected to certain tariff and restrictions on the services they provide. This should in theory give certain advantages to the smaller firms when the dominating firm is being penalized. However, a market is being operated by a few large firms in the context of Bangladesh only three, namely Grameenphone, Robi and Banglalink. The 40% market share consideration may be a bit late and coupled with the insignificant tariffs on voice or interconnection, restrictions on advertisement, package offers and call rates may not do much to promote a competitive marketplace. As a result, the smaller operators are not protected with an

industry-wide policy which can help increase the quality of their offered services or reduce their operating costs. The small operators are at a disadvantageous position which discourages other companies to join the marketplace reducing the prospect of promoting competition in the mobile telecommunications industry of Bangladesh even further.

#### *Insufficient sophistication among regulators*

The purpose of having a regulatory body is to promote market growth by avoiding market failure by implementing effective policies. If the regulatory body cannot convene these policies in a sophisticated manner, the disruptive reactions from this situation can be felt in the entire industry. Some of the deficiencies of the regulatory body of the mobile telecommunication industry in Bangladesh will be discussed below.

#### *Asymmetric regulation*

The mobile telecommunications industry in Bangladesh suffers from asymmetric regulatory practices which may be seen as an anti-competitive measure. Recently, BTRC has introduced two new measures for Grameenphone given their significant market power status. This has effectively set a floor price for the operator at Tk. 0.50 which was Tk. 0.45 before below which they cannot charge and raised the interconnection charge from Tk. 0.10 per minute to Tk. 0.15. A Company Secretary has highlighted the negative connotations that can result from this policy:

*While this may be seen as intervention measures to promote competition in the marketplace by punishing the firm who is dominating the industry, the consumers are the ones who pay the price for this measure. They have to pay a higher price for consuming the services while the quality of these services does not improve. These asymmetric regulations may seem like sensible intervention by the regulatory board but the implications can be anti-competitive which harms consumer's best interests (Company Secretary)*

### Regulatory Bodies' Lack of Independence

Everything related to mobile telecommunications is controlled by the regulatory board of Bangladesh Telecommunication Regulatory Commission in Bangladesh. Even though, BTRC claims to be an independent body for governing the mobile telecommunications industry past evidence paints a different picture for the regulatory authority. They have been involved with blocking countless websites, reducing bandwidth and shutting down internet connections to produce favorable outcome for the government. When regulatory bodies are being intervened by the state, they design policies and acts that are biased. This is against the best interest of the consumers and the growth of the industry as the policy measures are solely dependent on the local government. As a result, the regulatory body can lose their credibility in terms of governing the industry which can cause the policy developments to not have the desired impact. In order to maximize the efficiency of a regulatory body, they need to have unbiased decision-making ability, or their proposed measures will be ineffective.

### High influence of certain companies

The mobile telecommunication industry in Bangladesh suffers from monopolistic competition which results in certain companies to have leverage over the regulator. Due to their size and market dominance, the regulatory board can only put marginal pressure on the companies as the nation depends on their services. It is in their best interest to promote policies that suit their needs rather than for the small firms in the industry. The interview accounts do suggest favorable policies being implemented to benefit the companies who are already setting the market trend.

### Unpredictable nature of imposed regulations by the authorities

The policies implemented by the regulatory authority of BTRC has been rather unpredictable. While their policies have mostly been tainted by biased implementation that benefits the government, some of them were also deemed as anti-competitive. Even though, the mobile telecommunication giants

who are dominating the marketplace owed taxes since long ago, it was not but just recently that BTRC is taking strict measures to extract the overdue amount. The interview accounts say that this is not desirable for the end consumers as the companies were able to provide their service at much reduced cost but due to BTRC intervention, the situation is not quite in the best interest of the consumers. Also, BTRC allowed mobile operators to install fiber optics for their connection need for a very short period of time which was then again reverted. Policies such as these are unpredictable which can give rise to confusion in the industry resulting in a lack of trust on the regulatory body.

### Poor policy design

Effectiveness of policy implementation can determine the effectiveness of an industry. It all starts from the design of that policy. Poor policy designs can scramble the industry's direction which is not a desirable outcome to maintain a sustainable future for that industry. The mobile telecommunications industry in Bangladesh suffers from poor policy designs that has caused major inconvenience to the industry. Some of the policy challenges will be discussed below.

### Fragmentation of licenses and inefficient spectrum resource allocation

The regulatory authority of mobile telecommunications sector in Bangladesh does not allow the mobile phone operators to maintain the fiber connection that allows them to provide their service. Rather, the NTTN license is given to four entities who are run by the government. The sector was privatized because of inefficiencies but the infrastructure is still dominated by the state-owned companies. The NTTN operators are not being able to provide the desirable level of service to the mobile phone operators as they cannot assess the requirements. The quality of NTTN service is being reflected on the service being provided by the mobile phone operators even though the situation is outside their control. One of the CEOs have expressed their concerns regarding this situation:

*The whole issue is being catapulted because of fragmentation of licenses that is being caused by BTRC. If the service providing operators could control the entire process the quality of their service would have been more efficient and smoother without much disruption from external factors (CEO)*

Moreover, the spectrum band determines the quality of service the network providers can provide. The difference in the band frequency can vary the speed and quality of the transmission that the operators can provide. This is a crucial resource for the industry. However, inefficiencies have and hampered the service quality for the end users.

In addition, the spectrum band is auctioned by the regulatory body of BTRC on a periodic basis. The stakes are usually high because the band that companies manage to secure determines the quality of service they can provide. Usually, Grameenphone can secure the highest band size because of their market power and presence, they can afford to splash out during the option. Auction means the operators must bid against others to secure the band. The regulators fix irrationally high reserve prices for the bands compared against others in the region. This raises the effective cost of acquiring the network band. In the end, the consumers need to pay for this incurred cost. This may not be the most efficient measure of allocating this precious resource as the firm with significant market power is always likely to secure the best resource which is unfair for the rest of the competition. Moreover, the auctions for spectrum band do not take place at regular intervals. This makes the process of securing the band lease by the companies rather uncertain as the regulatory body can revoke their license at any moment. In the past, there were instances when the regulatory body intervened to reallocate the spectrum band causing disputes between the operators. The market is not operating freely to allocate this precious resource effectively. The untimely nature of the regulator's intervention is also hampering the quality of operators' service.

### Inefficient Data Privacy Policy

The Digital Security Act of 2018 sets the benchmark for modern day data privacy policy for Bangladesh. Even though, this was much needed given the threat of mistreating individual's data, the Act was not very effective. In order to provide proper substance, to the guideline it is necessary to outline every scenario and consequences in detail. However, the Act does not clearly outline what is consensual data or what is in violation of the individual's privacy. This leads to grey area where the market can be exploited. Even if, for some reason, the parties are unable to avoid the loop holes of which there are plenty, the fine for violation of one's privacy is miserably low, thus leading to possibilities of governance compliance. The Act does exist to ensure data privacy but its ineffective with no real significance.

### Bureaucracy and red tape

Developing nations are infamous for having ridiculous levels of bureaucracy and red tape. Bangladesh is no exception to that concept. While Bangladesh may promote the idea of foreign direct investment on the surface, the bureaucracy and red tape situation makes it unsuitable for foreign firms to make informed investment decision in this country. DoCoMo is one such example where the company was not satisfied with how things function in the mobile telecommunications industry of Bangladesh and ended up leaving the market with nothing to show for. Grameenphone and Robi are currently facing some conflict with the regulators regarding overdue tax. A CEO has expressed concerns regarding the unfavorable circumstances:

*This is not just for the telecommunications industry the overall bureaucracy and red tape in the country has hostile consequences for the foreign investors (CEO)*



### Lack of domain expertise

Domains are essential to establish the website an individual or business is trying to set up. In most states the domains are protected under copy write as this is their intellectual property. However, it is not uncommon for BTCL to issue domains that violate this intellectual property right. They get away with this because of the bangla internet domain that ends in '.bd' allowing the website to be written with Bengali alphabets. As a result of this unethical act the popularity of registering domains with BTCL never gained traction and whatever domains were registered soon became inactive. This situation clearly outlines the deficiencies and lack of expertise in the area of domain.

#### 8.2.1.2 Area-specific Core Governance Challenges

Till now the researcher has outlined the industry wide governance challenges that the respondents faced. The researcher has also been able to identify the specific areas of interest within the scope of this study which will be discussed in detail below:

### Board of directors

The board of directors is an essential organ for the nourishment of the core of the company. The board of directors are responsible for upholding the shareholders' interest as they keep the management in check so that they don't engage in business practices that only serve their own self-interest. Thus, the root of corporate governance practices being consistently observed by the company is ensured by the board of directors. If the board faces shortfalls in their structure, their authority to maintain the good governance practices can be affected. The board members provide the leadership guidance that companies need in order to have a sustainable business practice. If they are not adequately prepared to comply and innovate the good governance practices the stakeholder's best interest cannot be maintained. A sustainable business model for a company revolves around the stakeholders of the organization; if their needs are not met, the company won't attract investors to promote growth. The board needs to be at its top health in order to lead the company. All the actions required to ensure that

the board is functioning at its optimum level should be adopted to ensure the future success of the individual organizations. The challenges that the board encounters commonly in the mobile telecommunication industry of Bangladesh will be discussed here:

#### *Lack of board member training on crucial aspects*

In order to be able to guide the company to follow the good governance practices, the board of directors need proper knowledge regarding the corporate governance guidelines and their implications. A training program can ensure that they are able to correctly apply their theoretical knowledge regarding the corporate governance principles so that their actions benefit the wellbeing of the company while respecting the internal best practices observed by that company. The corporate governance best practices may not be conveyed in a robust manner if the board does not sync their actions with how the company functions. An external auditor has commented on a common malpractice regarding this issue:

*Even though there are a myriad of trainings for management, board members barely have to attend trainings. Because of this, they are not updated about the latest changes in the governance rules, they don't know what is needed (External Auditor)*

#### *Lack of formal training requirements for board members*

The general practice in the mobile telecommunication industry of Bangladesh suggests training requirements for the board members is non-existent. The company is solely relying on the board members experience and understanding of the corporate governance principles. The members are likely to not be able to cater to the company's needs when operating under the corporate governance framework. This is evidence from the interview data and company disclosures that the board members do not receive any formal training regarding their position or responsibilities. Even if the criteria of electing the board members are met according to the corporate governance guidelines, their

participation may not benefit the company's corporate governance practices. The members may feel that they are just there to maintain formalities rather than performing their actual duty. As a result, the role of the members in terms of fulfilling their functions are not very effective.

Board members usually do not get the scope to interact with other members as their usual conversations take place during board meetings. As a result, there is usually a communication gap that exists between the board members. Furthermore, onboarding members who have just joined the board need to break the ice with the other members so that the decision-making process can get streamlined. An Independent Director has expressed their dissatisfaction regarding this situation:

*Even an initial onboarding formal training session can help in alleviating some of the barriers that may exist between the board members and the company. All parties can act in a synchronized way once everyone is on the same page. Sadly, that is missing as well.*  
*(Independent Director)*

#### Absence of cyber-security introduction

The growth of digital platforms only raises the importance of the mobile telecommunications industry. Cyber security is a real concern as this can almost instantaneously halt any kind of digital service; personal data may be breached which can result in the company losing a great deal of money. Interestingly, the corporate governance code of conduct does not have any regulations regarding cyber security. Cyber security can be considered as the backbone of the mobile telecommunication industry as this ensures that the companies can function effectively without any short comings. However, the board members in the mobile telecommunication industry of Bangladesh do not receive any detailed introduction regarding this and they may also not be familiar with this topic given the diverse backgrounds a board is usually composed of. This results in the board not being able to predict or guide the company when there is a cyber-attack which can threaten the existent of the company.

The board of directors in general do not have a technical background. As a result, they are not equipped with the expertise of dealing with a cyber-attack. One of the Head of Internal Control has expressed grave concerns regarding this dire situation:

*Definitely, Data breach is a real issue and a good proportion of companies around the world learned this the hard way. Even though, the board members cannot do anything directly regarding this issue, being acquainted with the defense protocol can save the future of a company. They will be better prepared with the contingency plan when a data breach occurs so that losses can be cut in order to sustain the business. Introducing the board members to the world of cyber security threats enables the company to maintain another layer of defensive measure against the fragile security system (Head of Internal Control)*

#### No presence of institute of directors in Bangladesh

The elected board of directors represents the shareholders of the company, and their best interests are protected by complying to the corporate governance guidelines. When the directors are affiliated with a regional institute of directors, it ensures that the elected personnel fulfill certain standards to perform their tasks. However, an institute of directors does not exist in Bangladesh which means that the elected board representatives are only judged based on guidelines provided by the corporate governance code. The guidelines can provide a threshold for filtering the directors who are fit for the role but the longevity of being suitable for their role is not ensured. If Bangladesh had had an institute of directors, then the standard for the board members who are fulfilling their duties could have been established on a regular basis.

The board members need to understand the industry well in order to fulfill their responsibilities while maintaining the standards of the guideline. The challenge arises when the members are not familiar with the issues that may threaten their operation in the industry. It is necessary to ensure that they are properly informed regarding the dynamics of the industry they are operating in so that they can fulfill

their duties in an effective manner. The board members are a crucial part of bridging the gap that may exist between the stakeholders and the top management, so their expertise should be backed by proper regulations and formal support to ensure that they can contribute to the smooth functioning of the company.

The board members should be able to keep their pace with recent developments in order to carry on with their duty. The initial stage of doing this is through gaining familiarity with the industry they are working in. However, as it was mentioned previously, the corporate governance guidelines in Bangladesh does not mandate any kind of training requirements for the board members. This results in varying levels of deficient capacity developments for the board members.

#### Lack of in-house programs

When a new member joins a team, it is common practice to get them up to pace on the functions of the company. Board members are no exception to this phenomenon. When the members have better understanding regarding the governance best practices of the particular company, they will be able to comply to their responsibilities in an effective manner. However, this norm is rather deficient in practice for Bangladesh. The bare minimum is done in most circumstances to get the board members up to speed with the organization they have just joined, and the mobile telecommunication industry of Bangladesh is no exception to this. As a result, the board members are not very familiar with the team they are working with and also, they are able to gather limited knowledge regarding the best practices of the organization they have just joined. Thus, their actions can have the consequence of being detached from that of what is generally followed by the company. The interview data collected implies to this perceived challenge in a similar manner.

An in-house program designed to onboard the members would have been a more structured way of addressing the multidimensional requirements of the company and their stakeholders. This provides

an opportunity to develop the interpersonal relationships of the onboarding board members and the existing company employees. As a result, their decisions will be more catered towards the best practices of that company. Furthermore, the organization can fine tune the program to clearly define the roles of each individual member so that they can be an effective member of the board who can contribute towards leading the company from day one. An industry insider has acknowledged the importance of this:

*The onboarding program if defined in a detailed manner can provide the best outcome from the board members leadership. Unfortunately, such well-defined programs to induce the onboarding members do not exist in the telecommunications industry of Bangladesh.*

#### Ill-defined KPIs for board members

Key performance indicators are an essential part of any organization for utilizing data to set goals to measure the success rate. The use of key performance indicators is not solely reserved for product services offered by the organization but this idea can trickle to measuring the board's and management's performance appraisal process as well. The management in the mobile telecommunication industry of Bangladesh goes through a stringent process of evaluating their performance by adopting robust key performance indicators. However, the same cannot be said for the board members. The only requirements they are required to fulfill is the ones set by the corporate governance guidelines. As a result, the board can suffer from inefficiencies as they are not evaluated on a regular basis which is especially true for Bangladesh. If they were required to meet the performance indicator targets, the board would be composed of more competent members who would be able to uphold the representation of the stakeholders of the company on a more diligent level.

Key performance indicators provide a comparative measure to evaluate the returns of investment that the company has made on the leadership skills development of the board members. The measure can be a beneficial way to distinguish the company's efforts to sustain the corporate governance best

practices to respect the stakeholder's best interests. However, the only way to do so is by clearly defining the individual measure such as accountability, disclosure etc. Then the effectiveness of the board members of fulfilling their leadership duties of upholding corporate governance best practices can be evaluated. Furthermore, the KPI measures are not present for two of the operators which is evident from their poor performance for the board evaluation category.

#### *Absence of robust succession planning*

A position cannot be held on to infinitely; it has to be passed on. The board of directors are no exception to this ideology. The same members do not stay in their position throughout the life of the organization. In order to ensure that the board is able to properly support the company a robust succession planning is required so that when the time comes the board can still maintain their duty. But such planning of succession is lagging in some cases.

The strategic approach towards succession planning should be proactive in nature. The policy developed for succession planning should be dynamic in nature in order to accommodate the evolving criteria of the corporate governance guidelines observed in the region the company is operating in. The board is responsible for supervising the leadership roles of the organizations they have been appointed in. In order to carry on with their duties diligently the board must perform in full capacity where all the members have well-defined roles. It is not unlikely for unanticipated departures of one or board members to take place which can hinder the leadership roles of the company. Furthermore, when there are criteria changes in the corporate governance guideline requiring more board members or independent directors, it can leave the company in frenzy to resolve the issue. When there is a well-designed succession planning in place, the strategies to combat these situations are already in place enabling the board to successfully guide the company to follow the good governance practices. A proper succession planning for the upcoming incumbents can allow the company to organize their preferences and requirements for the members they want to appoint which enables the company to

have leaders whose goals align with that of the organization's. Succession planning is essential to ensure that the board is composed of the right mix of individuals with different backgrounds who can contribute towards the leadership building of the company through following proper accountability and disclosure measures. However, in most instances the succession planning was either weak or non-existent for Bangladesh. This is also true for the mobile telecommunications industry. Also, the state of the leadership body might be quite dire when an emergency succession may need to take place. There are accounts where the board member position was not filled in immediately after it was vacant. Moreover, companies are facing the issue of attracting and retaining the employees for management position. They are unable to replace the positions that may be vacant immediately which hampers day-to-day business operations. The human resource is struggling to attract and retain the talent pool required to sustain the development of the company because of the lack of succession planning.

#### *Lack of formal compliance and ethics programs*

Compliance and ethics programs are essential tools to preserve the virtue of good governance practices for any kind of business culture scenarios. A business is usually a part of the community when the stakeholders' best interests are respected. As a result, the companies have to abide by some rules and regulations. A compliance and ethics program enables the organization to properly equip the establishment to respect the local and international rules and regulations the business is directly involved with. While the compliance section directly tackles the issues with laws, the grey area of moral obligations is governed by the ethics policies. The challenges face by the mobile telecommunication firms in Bangladesh due to non-existent formal compliance and ethics programs will be discussed below.

#### *Absence of ethics program at the industry level*

Compliance programs can engage the employees, top management and board of directors, when the approach is value-driven. When the organizations core principles are reflected by the compliance



policy, the management will be more enthusiastic with implementing them. While compliance addresses the situations where the laws are well-defined for the business to react on, the area of moral dilemmas cannot be accommodated with compliance polices, no matter how robust it is. That is when ethics programs come into play. A robust ethical program can aid companies with identifying risks that can arise at its earliest stage and mitigate the risk while it is still possible. The organization would not be hind sighted by unexpected ethical risks as they will have some preparation in terms of combating the situations where moral dilemmas are involved.

The companies operating in the mobile telecommunications industry in Bangladesh has robust compliance polices in place that eases the flow of daily operations. However, the grey area of moral dilemma which is the ethics program is non-existent. The reason for this dire situation of the ethics policy adoption by the organization operating in Bangladesh is their attitude towards corporate social responsibility where majority treat the topic as purely cosmetic or rhetoric issue. However, ethics policies have the most impact in terms of empathizing the social impact that a business might generate and achieving a win-win outcome for all the parties involved either directly or indirectly with the business. A Head of Internal Control has suggested some possible reforms regarding this situation:

*The telecommunication industry in Bangladesh has a long way to go to establish a proper industry level ethics program which will have substantial impact in the real world rather than just being a theory on paper. We need formal ethics board to uphold integrity at the industry level (Head of Internal Control)*

#### Lack of focus on environment, sustainability, and governance (ESG) programs

When a company operates in a region by default, they are going to affect the people and surroundings who are either directly or indirectly involved with that organization. The consideration of the trio, environment, suitability and governance; plays a crucial role in determining the long-term future endurance of that business. In order to sustain the continued growth of the company, effort of building

a better society is also essential. When companies invest extensively on the trio of environment, sustainability and governance; that acts as an indication of their commitment towards operating in the business for the foreseeable future. Then the shareholders would not hesitate to invest in the business as the organization is committed towards sustaining their long-term growth. A robust ESG program is a testament from the company regarding their commitment towards being a responsible and productive part of the society.

However, ESG can also be sometimes treated as a mere cosmetic or rhetoric idea that only exists on paper as a theory which is usually not taken seriously. The companies under consideration have some form of ESG policies in place, especially Grameenphone who has scored admirably across the board. Unfortunately, two of the four companies do not have any mission statement near the ballpark of having an ESG program. Even though, some companies have some form of program dedicated towards the development of ESG responsibilities they do not have any particular major mission statement dedicated for this issue. The telecommunication industry in Bangladesh is still unable to decipher an industry standard to mandate a standard ESG program.

#### *Risk blindness of the board members*

It is not uncommon to be hind sighted by risk if the individuals are inadequately prepared for possible risks that may arise. Organizations operate on a fine balance which can be hindered by even the most finite disruption to the regular functions. Even the most established corporation can be brought to its knees if the board is unable to foresee the possible risks that may hamper the reputation of the business. Board members can develop blind spots for possible risks if they are not continuously updating their skills as time progresses. The researcher will discuss about some challenges that arise due to the risk blindness of the board members in the mobile telecommunication industry of Bangladesh below.

### Inadequate resilience/ preparedness

The recent pandemic that was caused by the SARS-CoV-2 virus is an example where the resilience of the industry leaders towards risk was examined to a great extent. The organizations all over the world had a very short period of time to react to the possible change that could be expected in the marketplace if severe restrictions were enforced. This is also true for the mobile telecommunications industry in Bangladesh. On the bright note, the industry has performed admirably when the whole system was reliant on their infrastructure. Even when they faced some difficulty while the event was unfolding; they have managed to recover and provide uninterrupted service that was direly needed to not halt the existence of daily economic activity. The board members are doing a commendable job at not being hind sighted by the risk of the pandemic.

However, the same level of commitment towards mitigating the risks that may arise from tax compliance and cybersecurity is not observed for the mobile telecommunication industry of Bangladesh. The companies get wrapped in issues regarding tax compliance with the respective authority often. Furthermore, the board's preparation regarding a cyber security attack is rather inadequate and lackluster given the eminent threat that this possesses. If the authorities keep missing the trend, they will expose the company to unnecessary risks that may disrupt the whole industry. An Independent Director has expressed their concern regarding the dire state of the industry:

*The overall state of the counter risk measures adopted by the board members of the telecommunications industry of Bangladesh is a hit or a miss, at some instances they have done a commendable job while at others the challenges keep piling up and ready to explode at any given moment (Independent Director)*

Risk management plans should be a common practice in order to foresee possible risks that may arise and the action plan that should be followed when certain scenarios occur. The whole process of

getting things back under control can be more systematic if a robust protocol exists to address possible risks instead of being overwhelmed with a public relations nightmare due to poor preparations. The state-run organization has lackluster risk management strategy in areas of cybersecurity, operational issues, and nonfinancial aspects of business. With regards to risk, the local stat- owned firm Teletalk does not have robust risk management plans. To address this issue, the government regulatory board can take steps to accommodate for policies that can address situational compliance that provides a baseline counter measure. This can solve the challenges of risk velocity and transparent vulnerabilities that the companies may face, giving them the opportunity to cope with sudden shock that may interrupt their operations. One of the CEOs has expressed some similar thoughts regarding this:

*Companies cannot shy away from adopting contingency risk management plans and prepare for the worst at all times. If nothing happens then it's all rainbows and sunshine for everyone as they survive to do business another day but if the worst happens, they will have some preparation to cope with the situation (CEO)*

#### Difficulty in communication with the regional counterpart

Two companies in the mobile telecommunications industry of Bangladesh have sub-committees at the regional level only This regional level sub-committees are unaware of the political or bureaucratic climate of this region. When the local authorities operating in Bangladesh want to convey the situation to the board members, the process of illustrating the complete picture is tough. This is caused by not having the board members operating within the borders of this country, thus being unfamiliar with local norms and challenges. The process of passing down the message at the board level is rather inefficient given the present disassociation with the board members. A CEO has confirmed the difficult situation this practice is causing:

*It is often very difficult to explain the situation to them. You understand right? You have to live in Bangladesh to understand the culture and norms here. Otherwise, it is really tough to make foreigners understand this (CEO)*

#### Challenges at the sub-committee level

The board composes of sub-committees in order to take effective decision. Just like the head of the nation cannot take all decisions at every level of operation within a country, the core board members cannot take effective decisions for every business area. It is essential to divide the duty by maintain sub-committees. This area of governance is not consistent in all the mobile telecommunication firms that has studied in this research which will be discussed.

#### Absence of subcommittees

The presence of subcommittees in the mobile telecommunication industry of Bangladesh was rather inconsistent. While the only listed company scored consistently because they maintained all the areas to ensure that governance is adhered to strictly, others do not follow the same suit. They do not maintain the subcommittees at the local level for numerous areas. However, the situation is not the same when their parent company is considered. While their parent company fulfilled all the requirements, the local level deficiencies of these companies enable them to be handicapped at taking business area focused decisions. Also, the stakeholders have the right to be represented by the effective board members in every subcommittee level. If the companies fail to ensure that they are represented properly, the best interests of the stakeholders are not being protected.

With regards to absence of sub-committees, the case of cybersecurity requires special attention, given the increasing reliance on data. Moreover, the fatal flaw of conveying cyber security measures in Bangladesh is the demography. The developments are usually catered towards the urban areas while it trickles down to rural parts at a snail's pace. This is not a desirable trait when enforcing cyber

security protocols as a possible weak point can make the whole system useless. In the next section, few major reasons for not having a cybersecurity subcommittee are explained:

#### Lack of knowledge

Cyber-attacks are not frequent in Bangladesh. As a result, most of the population is unaware of the situation. In order to prepare to defend against an attack, there needs to be knowledge regarding the method of attack. However, the competency to cater to this service is not abundant in Bangladesh. Thus, the country as a whole along with some of the companies does not have any precautions to potentially stop the cyber-attacks that may take place.

#### Relevant questions on cybersecurity not asked to management

The management of the companies are not being questioned regarding their protocol to potential stop these cyber-attacks or about a contingency plan. A cyber-attack on the mobile telecommunication industry can potentially cripple the entire economy when the chain of communication breaks down. Given the situation the companies' board members are still not asking relevant questions to management to protect their best interests. Only the act of asking relevant questions can shed light on the issue and the outcome can lead to the development of a contingency plan.

#### Lack of systems to assess cybersecurity risks

While it is essential to have internal control of assessing cyber security risks the action may not always be effective. Assessment of cybersecurity risk is a specialized area as it requires specialized skill to analyze the risk and take necessary precautions. However, due to the lack of awareness regarding the possible dangers of cybersecurity attacks in Bangladesh the systems to assess cybersecurity risks is either bare bone or does not exist. This leaves all sorts of industries in Bangladesh exposed to cyber security attacks such as a 'duck sitting idle in a warzone'. When precautions are better than finding treatments for a disease, the same applies for cybersecurity risks, where assessing the risk beforehand

can provide a level of protection from the attack. The sheer lack of system to assess cybersecurity risks has compromised the whole technological infrastructure in Bangladesh.

#### Limited scope of work for the subcommittees

The subcommittees in the mobile telecommunications industry of Bangladesh are usually more concerned with financial matters. As a result, mostly financial audits are carried out which have direct monetary value. However, there are countless non-financial sides of a business that have significant impact on the stakeholder's wellbeing which also needs to be audited. The compliance standards being followed, environmental impact of the organization's operations, and employee satisfaction are some of the non-financial areas that have significant contribution to the sustainable growth potential of the company. These non-financial audits are somewhat ignored except for corporate social responsibility where occasional reports can be observed. An Independent Director has affirmed facing similar issues:

*In most of the organizations, the focus is only on financial matters. Non-financial works are barely within the scope of the sub-committees. The area of work needs to be broadened here*  
*(Independent Director)*

#### Lack of independence

Independent directors have significant contributions towards fulfilling the duty of representing the stakeholders at the board level and present a neutral perspective. However, in reality, the independent directors are not able to express their unbiased views at the board level. The board of directors often use their influence to skew the contribution of the independent directors. The interviews for the study provided evidence of instances where the independent directors are removed from their post because of their stance against influential members on the board. Furthermore, independent directors are

unable to contribute effectively at the board level because their recommendations are not implemented as other members of the board do not agree with the suggested change.

#### *Absence of independent views*

The issue of board effectiveness in taking decisions is aggravated by the lack of independent representation in two of the companies operating in the mobile telecommunications industry of Bangladesh. Banglalink and Teletalk are in the focus of this challenge of lacking the presence of independent directors. While Banglalink does not have any board members at the local level, Teletalk on the other hand is different. The sole local firm without any foreign stakes are unable to take neutral decisions to serve the best interest of the stakeholders. They have scored poorly on all the governance scores. Their financials and market share base do not tell a pretty story. The existence of independent directors on the board allows the company to receive neutral advice that they can implement in order to turn things around for the better. If they fail to do so, they repeatedly fall in the same trap and only make the issue worse. An Independent Director express their concerns regarding the industry practice:

*Independent Directors are like watch dogs. They stop the ship from taking a wrong turn. Without their presence, it is very difficult to stop all the biased decisions here (Independent Director)*

#### *Reporting and disclosure*

Reporting and disclosure practices is the ‘bread-and-butter’ process for evaluating the performance of any organization. Depending on the accuracy of the reports, it can either make or break the first impression of a company. There are some challenges that the study discovered with regards to reporting and disclosure which will be discussed below.



### Poor Disclosure Practices

The interview accounts mention that the companies who participate in the stock market are mandated by the reporting and disclosure requirements to maintain the standard of quality for their financial reports. However, that is not the case for the companies who are not publicly listed. The results also show that the companies failed to score well in the governance index due to their quality reports. Although the scores do manage to recover when the parent companies are considered but this reflects that the regulatory body is not giving proper attention to the local companies who are unlisted. The quality of their reporting can be improved if the regulators mandated it. Moreover, the situation is far more grim for voluntary disclosure practices. Disclosure practices of few operators are not up to the mark of global practices. This is not ideal for mitigating information asymmetry for the investors to interact with the business's growth in an informed manner. An External Auditor shared their experience regarding this issue:

*From taking a look at the reports of this company, it is very hard to understand its health. They do not have detailed information on management analysis, company outlook, and many more. How am I supposed to understand their current state of affairs? (External Auditor)*

Financial reports in general provide a bird's eye view of the entire business performance areas. They are great for inspecting the company's health at a glance to date. However, this is not enough to understand the company's long-term prospect in the industry. Separate area for industry analysis, risk identification and mitigation policy and management discussions can help identify the organization's long-term growth plans. This allows stakeholders to have better idea regarding the company's contingency plans so that they can make informed investment decisions. In most instances, the other sections besides the financial statement are not detailed when the study is being conducted which make the task of assigning corporate governance scores more difficult. Having these sections in a report can provide much need information for new investors who have not been following the market to make more informed decision.

### Lagging internal reporting practices

The internal reporting practice allows the organizations to evaluate their performance internally. However, as there are no external stakeholder overseeing this practice, the internal reports lack the finesse of providing rigorous analysis of the companies' internal state of affairs. The issue is with the idea of the reports being generated by these audits to remain within the company which does not encourage the individuals who are conducting the audit to be meticulous with the report. As a result, the reports that are generated only fulfill the good governance formality while no valuable insight is provided to the board to base their decision on. The issue arises when management utilize these reports to take business decisions as this can lead to unforeseeable consequences. Without properly mandating the standard of reporting practices, the internal reports sometimes continue to be lackluster and provide at best marginal insights when taking important business decisions. This is not an effective way of allocating valuable company resources. An employee has confirmed the ineffective disclosure practices being observed at the organizational level:

*As the internal reports are for management purposes and it remains within the company, they are often done in an okayish manner. But this practice is really harmful in making management decisions. Mandate is needed to ensure that this reporting improves significantly.*

### Poor web reporting

As noticed from conducting this research, web reports often lack detail. The current study required financial statement and governance information of the respective companies. While some of the information has collected through survey, others have extracted from their respective websites. Financial reports are available to most extent with the exception of Teletalk where they only have reports from 2013-2015. In addition, the main issue was with governance disclosures which is not widely available for two companies in this research. This may be because there is no regulation that mandate disclosure measures on the digital media platforms for easy access by the general public.

While some companies do provide all the necessary information on their website, others may have no incentive to do so. In this digital age, web-based availability of reports can aid in all stakeholder's decision-making process as this makes information more accessible for the vast majority of people. Poor web-based reporting practices can lead to asymmetry of information which is not a desirable trait for upholding investor confidence.

### Management Challenges

Management is the backbone of any company. The competency of the managers running the company dictates the performance that the company can achieve. A good management structure is essential for sustaining the health of the business. Any weakness in this area can be a hazard for the entire organization. Some of the possible weak links in the management practice of the telecommunications industry will be discussed below.

### Difficult lateral entry

The norm of fulfilling a vacant position within a company relies on either internal or external candidates. However, for Bangladesh the reliance is heavily on internal candidates rather than externals. This is not an exception to the mobile telecommunication industry of Bangladesh either. Especially, the state-owned companies are more restricted to internal candidates while in some instances, the other organizations would hire employees from outside the company. However, this is not a desirable practice for the companies as in-house employees may not always fulfill the experience requirements for a role. One such area is the cyber security department where lateral entry of qualified employees could give an edge to cyber security development for most organizations rather than relying on internal promotions. Difficult lateral entry is only harming the organization's efficiency in Bangladesh as they are not being able to entrust the responsibilities on adequately qualified candidates.

### Lengthy decision making

Effective management competency is dictated by their faster decision-making abilities. When the process of taking decisions get lengthy, opportunities can pass by which may not be beneficial for the company. The management's decision-making process can be rather lengthy for the mobile telecommunications industry in Bangladesh and this is not unique to this industry. This happens because of the bureaucracy involved in every stage of operation in this country which slows down the management's ability to take effective decisions regarding new opportunities. As a result, the time constraint has handicapped the managers from moving quickly to exploit new opportunities. A Head of Internal Control has expressed their frustration regarding this situation:

*When it comes to implementing a new governance mechanism, there is often too many steps to fulfill to get board approval. Moreover, due to the lack of financial benefits associated with these policies, the process gets even lengthier at times (Head of Internal Control)*

### Lagging performance management policy

The performance measures implemented by the mobile telecommunication industry of Bangladesh is outcome oriented rather than being process oriented. This is the same situation in other industries in Bangladesh, not just specific to the mobile telecommunications industry. The fatal flaw of depending on outcome-based development in key performance indicators is the illegal or unethical measures that may be adopted in order to meet the performance targets. This goes against the best interest of the stakeholders who will be hurt from this method. In order to promote good governance practices, organizations must implement the performance management policies that are process oriented as this is desirable for the stakeholders. This issue could be avoided if the government mandated the practice of avoiding performance management policies that are outcome oriented only. However, such guidelines do not exist which does not give the organization any incentive to adopt process-based performance management policies.

## **8.2.2 Recommendation**

The researcher has explored some of the challenges specific to areas of corporate governance. Now, detailed recommendation will be provided specific to mitigating the challenges discussed below:

### **8.2.2.1 Macro-level Recommendations**

The macro-level policies ensure a benchmark regulation for the entire industry. This enables the particular sector to adhere to certain standards. This is only meant to give the baseline guidance for the whole industry from the regulatory body's level to maintain certain minimum standards. Some of the macro-level recommendations will be discussed in this chapter in order to improve the state of the mobile telecommunications industry of Bangladesh.

#### *Strengthen cyber security*

The cyber security protection is lagging in the mobile telecommunications industry of Bangladesh. This leaves the telecom sector vulnerable to cyber-attack that can compromise individual's personal data. The researcher will discuss about some remedies to avoid this issue below.

#### *Set up an act similar to EU's general data protection regulation (GDPR)*

The European Union has stringent regulation in place regarding cyber security which can be used as a benchmark to improve the cyber security regulations of Bangladesh. The act is known to be a gold standard in terms of its toughness of ensuring that the privacy and security laws are adhered to in order to protect the data of those who are a member of the European Union. The unique feature of this act is the ability to bring the alleged individual or organization who can be situated anywhere in this world under the regulations of GDPR when they target or collect data on any member of the European Union. This enables the regulation to be robust at ensuring the protection of confidential data both inside and outside the European Union region. According to two interview accounts, Bangladesh can take a page out of the GDPR guidelines in order to strengthen the local cyber security regulations which is extremely deficient in its current state.

In this regard, one of the interviewees mentioned India’s strategy. The Personal Data Protection Bill passed in 2019 in India is a take on GDPR. This bill clearly identifies the information that is recognized as personal data. This personal data cannot be used without the acknowledgement of the user, no matter what the circumstance. The bill ensures that the individual’s personal data is only restricted to the users consent for which they have officially signed off the permission for using that specific information. This regulation is leaps and bounds better than the current state of cyber security in Bangladesh. A policy similar to this can be a steppingstone in the right direction for the development of cyber security policies in Bangladesh.



*Figure 41: Computer Security Incident Response Team Framework*

*Source: Clarke et al., 2014*

The Computer Security Incident Response Team framework can be implemented in order to provide the necessary support for the cyber security infrastructure of Bangladesh. The framework allows the nation to maintain several layers of preventive security. Firstly, the initial stage is done by the

operational CSIRT division where they monitor and devise preventive measures for individual threats. Secondly, the national level cyber security response team is equipped with the right tool to neutralize possible situation of cyber-attacks that take place. Thirdly, the information and intelligence gathered from the previous state is applied across the entire nation by implanting private-public relationships so that breach of security can be avoided. The primary goal is to mine for possible knowledge regarding threat and then take preventative measures across the nation accordingly.

#### *Mandatory attestation for cybersecurity*

The idea of protecting confidential data is not very prominent in Bangladesh as the local government does not consider cyber-attack to happen in Bangladesh very likely. However, this is a real threat and the government should mandate some measure to ensure privacy security. Attestation of cyber security ensures that sensitive data is protected from cyber-attack. Even if an attack takes place, the mechanism can mitigate the risks of data loss and send early warning so that the authorities can react to the situation. This sets in a level of trust which acts as the first line of defense against possible cyber-attacks.

#### *Imposition of web-reporting and disclosure requirements*

It is not uncommon for individuals to have access to the internet nowadays. When the financial reports and disclosures are available on the company's website the whole process of researching the financial health of the organization becomes much easier. The benefits of imposing web-reporting and disclosure requirements will be discussed below. Some of the companies in the mobile telecommunications industry in Bangladesh do not provide the required reports and disclosure on their company website. However, the required information is made available during the annual general meeting or when the respective authority is asked to provide so. This process is not very efficient at making information freely available for all concerned stakeholders. When the reporting and disclosure is transparent and freely available; this enables investors to quickly judge the financial

health of the organization and growth potential to take investment decisions. As a result, the financial performance of the firms in question can improve as they make their reports and disclosures more freely available.

#### *Web disclosure of Credit Rating may increase compliance*

Credit ratings are a great indication of the good governance practices that are being implemented by an organization. When the information is made available in the company's website, anyone can have access to the current rating state of the organization. As a result, the company is likely to have more stringent compliance policies to ensure that the rating does not drop for them.

#### *Adherence to 'comply or explain' principle*

Companies can have certain reservations regarding some of the corporate governance codes imposed by the country they are operating in. 'Comply or explain' gives them the option of not fulfilling all the corporate governance guideline requirements. When they choose not to do so, they can simply state their reasons in a detailed explanation which must be freely disclosed to the general public. Since this ensures that the stakeholders can attain proper knowledge on the issue the principle can mitigate information asymmetry. Adherence to 'comply or explain' can be a great tool for maintaining proper information regarding a company. However, this policy is not being implemented with sufficient rigor. In case of non-compliance, companies often just mention that they are not complying now, but they are working on the compliance issue. In cases of such non-compliance, explanation needs to be detailed and thorough.

#### *Ensure coordinated regulation*

The competency of the regulator is dependent on how effectively they can convey the policies they introduce across the entire industry. Once the regulator loses their credibility, the effectiveness of the



policy coordination cannot be ensured. Some of the recommendations to ensure coordinated regulation will be discussed below:

*Stop interference from the state*

The golden rule of thumb for ensuring the legitimacy of a regulatory body is by distancing the regulators from the state. If the government keeps interfering in the regulator's business, the regulator would not be able to mandate policies at an independent level. State oversight can lead to biased regulations that benefits the government rather than the wellbeing of the industry. This phenomenon can lead to an industry wide distrust of the regulatory body, resulting in ineffective policies being implemented by the regulatory body as organization lose their faith on them. Insulating the interference from the state from the regulator's decision-making process can address this problem. Thus, it is essential to ensure that the regulator is not being influenced by the state but rather an independent entity outside the jurisdiction of the government, if needed.

*Set up effective competition commission*

Competitive market promotes innovation, either by quality-of-service improvement or lower prices. An effective competition commission can enable the market to maintain the competitive state of the industry. This is essential for the mobile telecommunication industry of Bangladesh as the market is monopolistic in nature. While Grameenphone has already reached the significant market power status, the rest of the market share is gobbled up by two other firms. When the competition is non-existent, the firms participate in price-setting strategies which is not desirable for consumer welfare. An effective competition commission of this state can ensure that the competition returns in the mobile telecommunication industry of Bangladesh which can drive up innovations benefitting the consumers at the end of the day and the industry as a whole.

### Initiate stakeholder engagement

Stakeholder engagement can work wonders for any industry. When the stakeholders participate in the industry affairs effectively, the organization must always cater to their needs which lead to increased transparency. This is an essential trait for an industry to promote a healthy market rather than being engaged in exploitative practices. Along with the other stakeholders, media engagement can play a major role in promoting corporate governance in two ways. First, hate it or love it, media is the best method of conveying information and promoting transparency. Any information can be passed on very effectively to the mass by the media platforms. If corporations utilize this mode, they will be able to inform the entire market about new changes which raises their effective transparency to their respective stakeholders. Elimination of information asymmetry is the best method of holding on to stakeholder's trust which can improve the financial performance of the organization. Second, media can be used to increase awareness and education of corporate governance among consumers and the general public. This in turn can increase accountability among firms. When the community is aware of corporate governance, competitive marketplace can flourish. Regulators can use the media platform to educate the consumers so that they are better informed about the latest developments in the industry. This is the most effective way to reach the mass when conveying crucial information. When a healthy marketplace is developed for the community, the consumers will benefit from this outcome.

#### 8.2.2.2 Micro-level recommendations

In reality one macro level policy would not be suitable for the entire industry. This requires regulations based on individual requirements at the company level based on their requirements. Only then the policies can be effectively translated to make them effective. Some of the instances where micro level policy can be more beneficial will be discussed as the chapter progresses.

*Incorporate cyber security sub-committee and develop a multi-year cyber-security roadmap*

A nation-wide policy on cyber security can act as a first line of defense for possible cyber-attack threats. However, this does not ensure that the policy will be sufficient at ensuring risks for each individual company as depending on size, the organizations may be subjected to various range of risk. Individual firm level committee can better utilize the organization's resources to devise fine-tuned cyber security policies that better suits them. Industry wide polices are based on limited data sample. Even though, these policies cover a wide range of concerns, they are not very effective at the individual firm level. When companies invest in multi-year cyber-security roadmaps, they can take their time to evaluate the risk factors. It gives them the opportunity to formulate their defense strategies in an active participation manner. As a result, the policies that are the outcome of this roadmap better integrates the cyber-attack risks specific to that individual organization. This is just like a well-tailored suit where the defense strategy was designed specifically to protect the best interest of the respective firm in question. The cyber-security defense roadmap is likely to provide the optimum protection required by the company by taking a multi-year roadmap approach. In addition to developing a roadmap, organizations need to identify emerging cyber risks. Cyber security is a dynamic risk. One-time policy development does not ensure the protection to last forever. As time passes by, cyber attackers get smarter as they learn about more effective ways to infiltrate the company's protection mechanism. It is essential for organizations to invest in resources so that emerging risks can be identified in order to devise appropriate strategies to mitigate that risk. Companies need to take an active role in identifying emerging risk to mitigate the risk of attack by being caught off guard.

Simultaneously, cyber audit is an effective way of ensuring that the organization in question is fulfilling all the required precautionary steps in order to defend against possible cyber-attacks. This can be in the form of both internal and external audits. By doing so, the companies will be able to ensure that they have the appropriate crisis response system in place when a possible attack may take

place. Cyber ownership and budget allocation are important criteria that can determine the quality of defense against the cyber-attacks. Additionally, proper audit disclosures can benefit the stakeholders by making them more informed regarding the company's defense state. Cyber-audits benefit the stakeholders to assess the organization's future which can have an impact on the financial performance of the respective company. Being in the technology industry, this is an essential area of consideration that no company can escape from.

*Recruit board members with technological expertise to identify threat actors*

Board members are responsible for providing unbiased opinions which satisfies the best interest of the stakeholders. However, under the corporate governance guidelines of Bangladesh, there are no requirements for recruiting board members based on their technological expertise. Technological expertise is essential in the mobile telecommunications industry because of the nature of this sector. Even though, companies are not mandated by corporate governance guidelines to do so, they should recruit some board members based on their technological expertise so that there is fresh unbiased opinion regarding the status of the respective organization's cyber defense protocol.

*Assess the requirement of cyber insurance to hedge against the rising cyber threats*

Given the key survival decisions are being taken by human beings in any organization, cent percent surety cannot be maintained regarding the efficacy of any policy. This is the same for cyber securities. All possible threats cannot be detected but attacks can still take place. Thus, cyber insurance allows the companies to hedge their risks against possible cyber threats. The damage done to the company when the attackers compromise the defense system can be mitigated. This insurance should be used along with other measures to ensure that the premium is cost effective, just relying on insurance would not benefit the stakeholders' welfare. Cyber insurance is just another effective defense measure against cyber-attack threats.

### Bring structural change in the board

The board can suffer from biased opinion exchange or lack of idea generation if proper diversity is not maintained. To promote the flow of intellectual environment, different members from different backgrounds can be combined.

### Increase gender diversity

Gender diversity can promote the exchange of ideas as this allows to develop a room for discussion regarding gender specific issues. When the diversity of gender on the board is increased, it is likely to promote the flow of unique ideas. Gender diversity can be enforced by respective companies in order to promote fresh unbiased exchange of ideas. The stakeholders of any business are composed of diverse range of genders. It is likely that all concerned parties will be represented equally or fairly when the board is composed of different genders with adequate representation. Representation of diversity on the board is a rising governance issue of the 21<sup>st</sup> century.

### Ensure presence of foreign nationals on the board to increase investor interest

Foreign nationals can be an attractive feature for boards, especially in the context of developing economies. This can entice some investors to pay closer attention to the development progress of the company. Also, foreign nationals can bring in new ideas which the local board members could have missed or had no prior experience with. Diversity in the nationalities of the board through foreign stakes in the mobile telecommunications companies can ensure that multi-national exchange of perspective stays. Thus, presence of foreign nationals in the board can help promote increased interest from the investors. Moreover, foreign nationals can ideate and implement updated international governance practices in the firms operating in Bangladesh.

### Set limits on the maximum number of outside boards on which directors can serve

When the board members are responsible for serving as directors on other boards, they can get distracted from their respective duties. This is true for any role and not just board duties. To effectively carry out board duties members must remain unbiased and focused on their task in hand. In order to ensure that the members can perform optimally the company can mandate policies that restrict the number of boards a director can serve outside the organization.

#### Set up separate audit/nomination/other sub-committees at the local level

While regional level sub-committees can address the basic concerns due to communications gap, the policies may not align with that of good governance practices. Thus, respective organization can mandate local level sub-committee to ensure that the organization's good governance goals always align effectively throughout the company. This is especially important as the enormous operations size of the mobile telecommunication firms might witness chaos when any mishaps take place due to any communication breakdown.

#### Enhance transparent disclosure and communication

Stakeholder trust is essential to ensure that the investments flow in. It can take forever to earn the trust but if it's not maintained, damage to reputation can be the cause of downfall for the organization. The effective way of engaging the stakeholders is through transparent disclosure and communication. Some of the recommendations will be discussed below.

#### Perform periodic and event-based disclosure

A periodic and event-based disclosure even outside the annual general meeting can ensure that all the stakeholders are staying informed regarding the financial health of the organization. If the disclosure takes place at specific intervals and an event is utilized to convey the information, there would not be any room for speculation regarding the company. When the financial reports are being disclosed on a transparent basis, the stakeholders will be at ease with their investment which benefits the

organization's financial growth. In this case, rather than using conventional media which facilitates only one-way communication, online platforms such as Facebook Live can be used as it facilitates two-way communication.

#### Periodic innovation reporting

Growth is a dynamic process which involves innovation. This is especially true for industries in the technological sector such as the mobile telecommunications industry. A report dedicated to the stating of innovation achievements of the organization can convey a positive vibe amongst the stakeholders. A periodic disclosure of innovation report can serve as a statement for the growth of the company which can attract more investors while encouraging the current stakeholders to keep supporting and trusting the organization.

#### Stakeholder reporting

While shareholders are an important part of any organization, they are still numerous other stakeholders. The modern way of addressing this issue is to publish stakeholder reports rather than shareholder report. This includes all parties who participate with the business operations in a regular business. The companies' adopting stakeholder reporting would be considered more inclusive of the concerned parties. This sets a good tone for the organizations which is likely to have a positive outcome from the stakeholders. The major characteristic of stakeholder reporting would be to dedicate specific sections of the report that outline value creation to individual stakeholder groups, thus promoting stakeholder education and engagement.

#### Improve internal reporting practices

Internal reporting has important implication in the development of key performance indicators for respective departments within an organization. Improvements in internal reporting practices can enable the companies to set organization goals that can promote the operating performance of the

company. Internal reporting is an effective way for detecting the inefficiencies within an organization at its earliest state which can then be catered to so that the external disclosures are not affected. Improvements in internal reporting practices only strengthens the organizational performance.

#### *Design governance enhancing programs*

Good governance practices are the backbone of every company. Corporate governance policies ensure that the stakeholders are protected against the selfish agendas of top management. Designing programs to enhance the good governance practices of the organization raises the stakeholders' welfare. Some of the policies to implement this practice will be discussed below.

#### *Design certification course for the board members*

Board members are the core individuals who ensure that a company is adhering to good governance practices. They are an essential part of ensuring stakeholder's rights along with the corporate governance policies. Certificate courses for the board members will ensure that they are up to date with any recent developments of corporate governance guidelines and how to implement them within the organization in the most effective manner possible. A certification course can be designed for the respective organizations where core values and recent developments can be taught to the board members. As a result, they are likely to perform optimally when fulfilling their duties as the protectors of good governance policy in their respective organizations.

#### *Form an institute of the board of directors*

Board members can change for any range of reasons; this is an expected trait. There is no guarantee that the new director who boards the board next will have his values aligned with that of the expectations of the industry or the organization. When there is an institute formed for the board of directors at the national level, they can get the new boarding member up to speed with the recent industry developments in an effective manner. This is not just true for new members as any policy



change can be effectively conveyed to previous directors through the institution. The process of monitoring and maintaining corporate governance standards becomes consistent with the formation of an institute for the Board of Directors at a macro level. Additionally, an institute also facilitates training and certification of the directors working in the industry.

#### *Gather compliance rating from licensed practicing professional*

Compliance certificate from licensed professional agencies can be an effective way of validating the internal board practices of the organization. These compliance ratings are similar to credit ratings, just like agencies provide credit ratings based on the financial health of the firm, compliance rating can be provided based on the governance practices of the firm. Organizations can introduce this practice to maintain a standard of quality for the effective functions of the board members.

#### *Focus on process audit*

Performance targets are an effective way of validating the operational efficiency at individual levels. As a result, the organization is likely to implement result-based strategies to achieve performance goals which can result in unethical practices. This practice is a sign of poor governance practice that harms the respective stakeholders. The mobile telecommunications industry is plagued with the means of outcome-oriented rather than process-oriented results. This is also true for other industries in Bangladesh and not just mobile telecommunications industry. The idea of achieving results based on process-oriented methods can be instilled to solve this problem. Process audit is a great way of ensuring that the organization is investing their resources on process-oriented outcome rather than being result driven, thus promoting proper governance practices.

#### *Initiate multi-lateral enforcement of regulation*

Unilateral regulation of policies always have the probability of failing coupled with lack of back-up or contingency planning. Multi-lateral enforcement of regulation allows the policy to have layers of

protection so that the integrity of the policy can be effectively preserved. Some of the ways of enforcing regulation in a multi-lateral fashion will be discussed below.

#### *Ensure public enforcement through legal institutions*

Promoting legal institutes to intervene when required to enforce regulatory measures can provide a layer of barrier for regulation enforcement. When internal policies fail to maintain good governance practices, public enforcement agencies can act as a guidance to correct the mishaps. Public enforcement through legal institutions can ensure a form of multi-lateral enforcement of regulations if the act is mutually agreed upon by all participants in the industry. The regulatory intervention made by the regulatory body when the companies cannot adhere to their internally audited ratings provides a barrier from further deuteriation of the status of the respective company.

#### *Perform private enforcement through institutional activism and investor awareness*

Private enforcement can be another example of multi-lateral enforcement of regulation. The participation of institutional activism and investor awareness can act as an incentive for corporations to adhere to their governance goals. If they fail to do so, some institutional activist who are dedicated to raising investor awareness will detect the shortcomings which acts a layer of protection for the respective institutions. Private stakes are generally more efficient when compared against the public intervention as the participants are directly involved with the organization, thus they have more on the line.

#### *Activate Governance Bundles*

The more the variation of enforcement used to instill good governance values within an organization, the better will be the outcome. A combination of both internal and external governance mechanism will provide effective governance measure rather than just concentrating on a particular form of mechanism. The idea is to implement proper governance monitoring mechanism so that possible

shortfalls or deficiencies can be addressed when they are detected. In order to properly implement the mechanism both internal and external entities are required. If one form fails, the other will be there to provide a form of contingency plan. The goal is to utilize multiple mechanism so that regulation can be enforced multi-laterally. When the internal evaluators fail to implement the governance values, external agencies can intervene to address the good governance deficiencies which acts as a backup plan to ensure proper standards are mandated.

#### Formulate corporate governance index to quantify compliance

Corporate governance index combines all the individual functions of business in terms of its governance efficacy to provide a score. As the value provides a comparative measure, the compliance standards can be measured in a quantifiable form by formulating corporate governance index. The compliance structure of respective organizations can be established in an effective manner by using such an index to provide an indication of their performance in the industry which is a beneficial information for the stakeholders. This score can also be utilized to do the compliance scoring of corporate governance as discussed earlier.

#### Enforce information sharing and transparency throughout the whole value chain

The customers and shareholders have every right to be informed about all necessary information of the organization they are affiliated with. However, other participants within the value chain should have access to information and transparency along with the customers. This ensures the buildup of a level of trust that benefits all the stakeholders. Proper enforcement of this action is a statement of the organization's commitment towards being responsible towards the entire community which is in line with the recent popularity of corporate social responsibility activities. Develop robust ESG programs Environment, Sustainability and Governance are important aspects that every corporation must consider in order to make an impact in today's economy. The trio is responsible for determining the relevance of organizations' functions in our community.

### Publish ESG rating

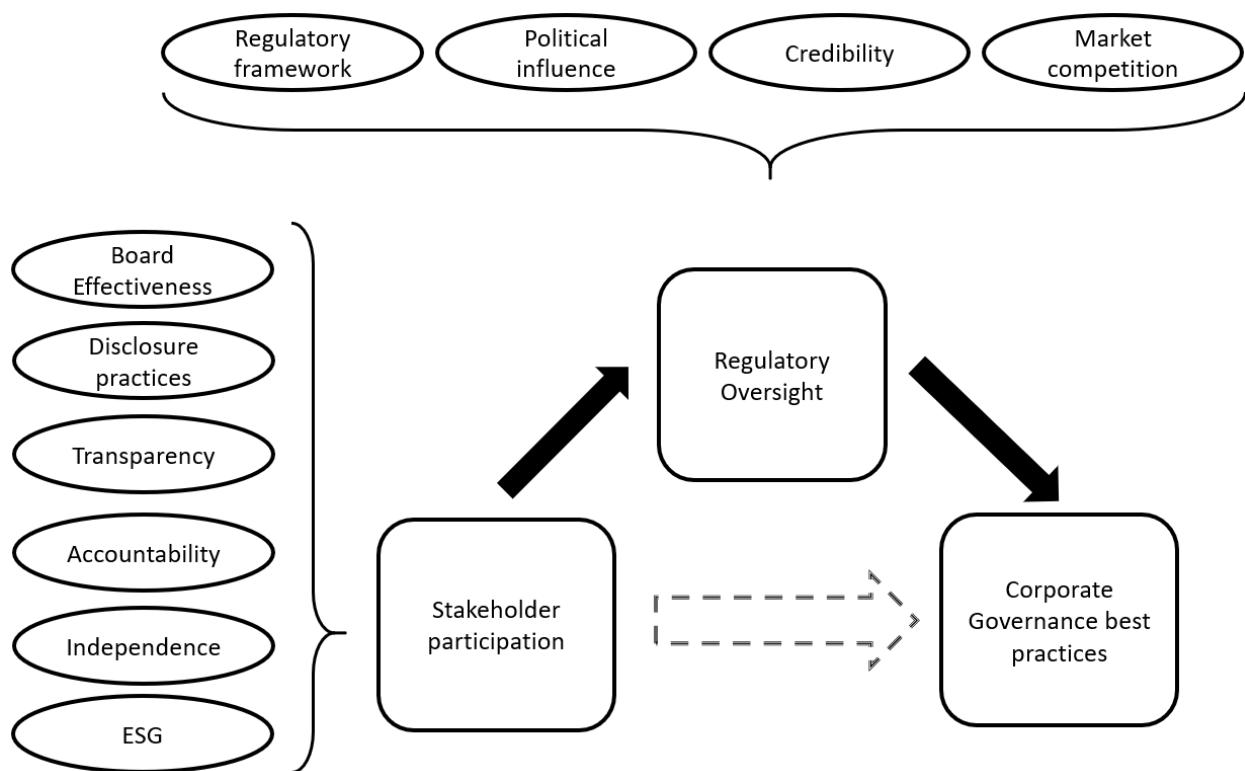
S&P is one of the leading agencies in the rating business. Their ratings are considered as industry standard and well-recognized all over the globe. Their interest in ESG and sustainability issues provides signal to the importance of the ESG issue in recent times. When S&P will be able to effectively construct a rating system for ESG other industry leaders will be drawn towards getting validated for ESG compliance standards for their respective organizations. Companies should start investing resources to prepare for ESG programs so that they are prepared to have a good rating when the time comes. Otherwise, they will fail to receive their rating clearances which might not be a desirable outcome for the investors or stakeholders.

ESG enables the firm to signal their long-term survival plans in the market. This is not an essential consideration for the short-term survival of the firm. As a result, when companies invest valuable resources on ESG programs, it indicates that they have overcome their short-term hurdles and now they are concentrating on their long-term growth. This sends a positive signal to the stakeholders of the business. Investors are likely to realize the commitment of the organization to operate in the industry. Also, financial institutions would value the outcome of such programs; government is taking interest in this sector and regulations are right around the corner. All of these developments ensure that the firm is making informed decisions regarding their future which entitles them to receive cheaper funds by demonstrating their constant performance in achieving good ESG rating.

### **8.2.3 Development of Conceptual Framework**

Corporate governance best practices are utilized to protect the stakeholders' best interests. When the mechanism is devised to protect stakeholders' best interest, their participation is the primary proponent of instilling consistent good governance in companies. Extensive literature review and quantitative as well as qualitative analysis has done to devise a conceptual model as per the theoretical framework formulated in one of the previous chapters which will represent the state of corporate

governance practices in the mobile telecommunication industry of Bangladesh. The factors that are found to have significant impact on the state of governance as found by the study are board effectiveness, disclosure practices, transparency, accountability, independence and ESG. These factors determine stakeholder participation which is mediated by the regulatory body to establish corporate governance best practices. The underlying relationship among the factors are explored in greater detail below.



*Figure 42: Conceptual Framework*

As illustrated in the figure above, board members are one of the crucial aspects in determining the state of corporate governance within any company. They are responsible for preventing top-management from getting involved in business decisions that only fulfill their own self-interest at the cost of the stakeholders' best interest. The effectiveness of the board's role in key business decisions determines the initiation of stakeholders' engagement in the company. If they fail to implement their independent views in line with the company's governance values, the stakeholders will be poorly represented in that company. The study concluded that in some instances, the board do not exist at

the regional level. This led to inefficiencies when communicating the regional challenges at the parent company level as the socioeconomic and political structure is quite different in those countries. If the board cannot emphasize the stakeholders' best interest, then the company's business direction would not benefit them. This is evident from the companies who do not have any board at the regional level.

The reporting and disclosure practices adopted by a company can make a statement regarding their stance on the priority status of different stakeholder groups when the company makes business decisions. If the company does not disclose their information openly or make them easily accessible, the stakeholders would not be able to make informed decisions regarding their participation with the company. The reporting and disclosure practices is rather lackluster in some of the operators in the mobile telecommunications industry of Bangladesh, especially the state-owned organization. The disclosure information is difficult to source as web-based reporting is inconsistent across companies. Reports are not easily available to general stakeholders as they are only disclosed during the annual general meetings of most companies in Bangladesh. Financial or audit disclosures are essential factors that investors consider before investing with an organization. There is evidence found regarding lagging internal reporting practices when conducting the study. This translated to poor reporting and disclosure practices. Improper disclosure practices can skew the process of assessing the future potential of a company. Thus, ensuring well-functioning disclosure measure is an important step in ensuring that the stakeholders are properly represented. Limited information sharing with the stakeholders is undesirable for holding on to investor interest.

Transparency is another important aspect in this regard. When the organization does not maintain a transparent mode of conducting business, the stakeholder best interest can be harmed. Companies can manipulate with the internal disclosures and audits so that their performance analysis look pristine. Poor internal disclosure practices were found in some cases in the mobile telecommunications industry of Bangladesh. As the reports circulate internally, there no incentive for management to carry

out the reporting procedure with due diligence. However, business decisions based on these reports can have undesirable consequences that may harm company reputation. The lack of multilateral channels to ensure that reporting at all levels fulfill certain standards is giving the companies a chance to get away with these poor disclosure practices which can affect the reputation of the company when such reports lead to poor financial decisions. The reputation of the organization can drive investors sentiments and have an effect on the company's future in the marketplace.

Accountability appeared as another important aspect in stakeholder engagement. A company can have the best standard of guidelines in place to protect the stakeholders' best interest but if they are not being accountable for their actions, the guidelines would not do anything to ensure that the stakeholders are properly represented. The current study showed evidence that the companies are engaged in outcome driven performance measures rather than the process itself. This leads to a wide range of unethical functions within an organization as management only focuses on achieving the final result. Accountability is an essential way of ensuring that the mode of management and board involvement is healthy. This can be through proper disclosures and providing substantial evidence for them when questions are raised. The company must take responsibilities for their actions to sustain an accountable relationship with the stakeholders.

Next, the independent directors come into play in promoting governance measures. The board of directors can lose focus on their primary goal of representing the stakeholders. The independent directors hold a crucial role of maintaining the stakeholder relationship by properly representing them. As their primary task is to provide a fresh perspective as an external member, they can keep their focus on the stakeholders' rights. The independence of the independent directors for expressing unbiased views was reportedly seriously lacking in some cases. Their decisions are tainted by other board members or the director of the company. Proper representation of independent directors is essential to ensure that the board functions optimally. When the independence is tampered with, the

company suffers from poor stakeholder representation. In this regard, the subcommittees under the board exist in skeletal form. Their functions are severely influenced by the board members which is not ideal to achieve an unbiased outcome from the supposed to be independent committees.

Finally, ESG programs are a great statement towards the organization's commitment of giving back to the society. The consistency and impact of the respective programs implemented by each individual company provides a reflection of their liability towards maintaining an environment of upholding the stakeholders' best interest. However, the ESG programs are lagging in Bangladesh. There are some corporate social responsibility programs that are adopted by some companies which is a partial portion of ESG; the community engagements are rather inconsistent to have any substantial impact. ESG is gaining popularity and a standard rating to measure the efficacy of ESG programs adopted by companies is just around the corner. A proactive investment of resources in developing ESG programs shows the organization's commitment towards ensuring the stakeholder's best interests.

However, the stakeholder participation strategies on its own do not ensure that the corporate governance best practices are being instilled by the respective organizations. The oversight of a regulatory body is required to ensure that the companies are consistently fulfilling all the factors to ensure proper stakeholder participation. When they fail to do so, the regulatory body steps in to hold them liable. Some of the key factors that determine the effectiveness of regulatory oversight will be discussed below.

A proper regulatory framework forms the baseline standard for corporate governance guidelines that are implemented by the organizations. It is essential for a regulatory body to set the market trend with the regulatory framework. However, the regulatory framework is rather inconsistent in the mobile telecommunications industry of Bangladesh. Organizations are consistently hind sighted by the regulators policy implementations which is affecting their operations in an undesirable manner. The



effectiveness of the framework will determine the standard of good governance practices observed by that industry which in turn impact the stakeholders' best interests. Without the implementation of a proper framework, the growth of the industry is unlikely to be sustainable which is evident from the poor adoption rate of 4G connection by the consumers.

It is essential for a regulatory body to have independence to carry out its duties. When the regulatory body's actions are intervened by the state due to political favors the effectiveness of the regulatory body's functions suffer. There is fair share of allegation against the regulator where their policies have favored the firms with significant market power. Consistency the policy implementation can provide success in terms of implementing them at the organization level. The mobile telecommunication regulatory body is constantly being manipulated in Bangladesh where the state intervenes to skew their policies. If they get manipulated by the government, the policies can suffer from inconsistencies which can harm the standard of good governance practices.

In order to maintain market domination for setting the policy standards, the regulatory body needs to have credibility. When the industry does not trust the regulatory body, the policies would not be implemented effectively. As a result, the regulatory body will fail to maintain proper industry standard for corporate governance. The regulators in Bangladesh have consistently back tracked with their policy implementations resulting in wide range of confusion in the industry. Inconsistent policies can result in distrust on the regulator which is not a desirable situation to maintain the credibility status. Moreover, biased implementation of policies towards certain firms can lead to asymmetric regulation which can result in a loss of faith on the regulatory body. Thus, maintaining credibility in the marketplace is mandatory for regulatory authorities to convey effective policy measures.

Moreover, the existence of monopolistic competition is not desirable for any industry as this can lead to anti-competitive behaviors by the organization operating in that industry. It is essential for a

regulatory body to maintain a competitive marketplace where the participants can invest without any barriers of entry or exit. Grameenphone has already achieved the status of significant market power and the rest of the majority market share is divided between Robi and Banglalink. An innovative marketplace is encouraged by competition which is essential for upholding the stakeholders' interests. Sophisticated policy measures by regulators serves as a testament for their efficacy by minting a competitive marketplace.

In conclusion, the state of stakeholder participation determines the health of corporate governance best practices being implemented by the respective organization. However, the effect is mediated by the regulatory authority. As without the existence of respective authorities, the companies would not be held liable for failing to cater to stakeholders' best interests. Thus, good corporate governance practices are ensured by the participation of respective stakeholders when the process is mediated by the regulatory authority.

#### **8.2.4 Discussion of Quantitative and Qualitative Data Analysis**

The cross-border trade that exists in today's world is based on the faith that is generated from corporate governance best practices. The diverse culture that exists around the world is held together by their respective corporate governance frameworks to ensure that the investors can make effective decisions regarding their investments (Rawlins, 2006). The mobile telecommunications industry in Bangladesh is a perfect example where the majority of the companies are operated under foreign stakes (Al Farooque *et al.*, 2007). The importance of corporate governance best practices is ever more important in order to attract more or maintain the current interest of foreign investors towards this developing nation as the growth of the infrastructure development in the mobile telecommunications industry is a fundamental requirement for surviving in the fourth industrial revolution.

The dominance of the foreign companies in the mobile telecommunications industry of Bangladesh is a testament of the opportunities provided by this nation (Bangladesh Enterprise Institute, 2013). Otherwise, Bangladesh would not have been able to attract foreign investments. According to the survey, the corporate governance practices being observed by these companies show that, across the board they have performed somewhat well to hold on to investors' confidence. However, in some instances, the study required the consideration of the parent companies, most notably Banglalink and Robi as some of the local level governance practices were lacking. Even though, it be expected that the board of directors would not exist at the local level, the descriptive analysis indicates towards the possible issues that was caused by this. Some of the ineffective measures implemented by these companies may suggest the lack of existence of governance practices.

The initial perception-measurement score is decent across the board for all the respective companies in this study with the exception of the lone state-owned company Teletalk. However, a stark difference has observed when the scores obtained based on facts were analyzed. Some of the companies such as Robi and Banglalink did not have any board of directors at the local level which is not an effective policy for upholding stakeholders' best interest. The management expressed their difficulty with conveying the local situation to the parent level board members where the political and business environment is quite different than that of Bangladesh which has raised many issues. As a result, the qualitative research has portrayed a different picture from that of the perception. The local subcommittees are not as effective when they do not have local level board members. Except Grameenphone who scored exemplarily well across the board, all other companies suffered with the governance scores to certain extent.

The future growth potential of a company is determined by their corporate governance best practices which is responsible for attracting investment opportunities (Mbu-ogar et al., 2017). The situation of failure of compliance to these governance practices is not unique to Bangladesh as most other

developing nations suffer from the same set of problems. The primary reason for failing to hold on to the compliance standards can be identified by the feud this industry has with the regulatory body as suggested by the findings.

The conceptual model illustrates how the regulatory authority plays a mediatory role in ensuring proper participation of the stakeholder so that the corporate governance best practices are adhered to by the firms operating in that industry (Soleimani et al., 2014). However, the major challenges outlined by this study shows the conflict that has always existed with the firms operating in the mobile telecommunications industry of Bangladesh and the regulatory authority. Both the parties are under the impression of constant conflict and displeasure with each other. This has resulted in the departure of a global market leader DoCoMo in the past. The conflict has also affected the credibility of the policies being implemented by the regulatory authority. There is complete distrust between the two as operators are already in dispute over pending taxation allegation. Simply put, the mobile telecommunications industry does not have a good relationship with the regulatory body.

One of the biggest challenges of the mobile telecommunications industry is the oligopolistic nature of the industry (Cai and Tylecote, 2008). The extreme barriers of entry and exit is not helped by the significant market power status recently achieved by one of the operators. A competitive marketplace is always desirable to promote innovation in the industry which benefits the stakeholders' interest. However, the regulatory body has so far been ineffective at curtailing the power only 4 firms dominating the entire industry. Furthermore, the anti-competitive nature of the industry is escalated by constricting the infrastructure sector of this industry to just four NTTN companies. The anticompetitive nature of the industry has also escalated the challenge of the regulatory body. There are allegations of the policies being implemented by the regulatory body to be skewed towards benefitting the firms dominating the industry. The whole situation in the mobile telecommunication industry of Bangladesh does not promote an ideal place to encourage the practice of good governance.

The challenges that are identified by this study helped us identify possible recommendations to improve the state of governance practices in this industry. The primary aspect that needs to be addressed immediately is the presence of the regulatory authority as directed by the conceptual framework. The regulatory authority is the primary mode of institution to ensure that the companies operating in the industry are utilizing good governance practices. In order to do so, the regulatory authority needs to get back their credibility power to implement the required policies effectively (Soleimani et al., 2014). Besides the industry wide policy measures, there are certain recommendations at the firm level. The companies need to implement independent directors who will be able to make effective contributions at the board level. Also, having regional board directors will alleviate a good proportion of the communication issues that may exist at present. Multilateral enforcement regulation, both internal and external, will ensure layers of protection against poor governance practices at the board level. Finally, there needs to be proper awareness and training regarding the issue of cybersecurity, especially for the board members as they are responsible for maintaining stakeholder's best interests. The regulatory authorities need to take the first step in order to mandate the industry wide standard of cyber security.

In conclusion, the perception-based interpretation of the state of corporate governance practice in the mobile telecommunications industry of Bangladesh paints a somewhat glowing picture. However, the reality is quite different. This is obvious when we dive deeper and see the evidence of lack of foreign investor confidence in this nation. While some are outright leaving the country, others are expressing their growing displeasure. All of the challenges boil down to the inadequate competency of the regulatory authority to provide effective regulatory framework where all the stakeholders will be benefitted and satisfied from the outcome (Bhuiyan and Biswas, 2007). However, that has not been the case in the mobile telecommunications industry of Bangladesh which has resulted in poor stakeholder participation. This scenario is not desirable for ensuring a healthy environment for corporate governance best practices.

## **CHAPTER 09: CONCLUSION**

### **9.1 Introduction**

The competitive structure of the mobile telecommunication industry is usually dominated by few players as the industry mostly consists of oligopolistic competition. In Bangladesh, the industry is dominated by four major players where only one of them is publicly listed. It wouldn't be surprising to observe lagging governance practice from the mobile telecommunication industry of Bangladesh as lack of competition and poor bureaucratic performance of the government provides an ideal ground for the companies to take full advantage of the situation (Zamil and Hossen, 2012). However, good governance is essential to improve the firm's performance financially as good governance practices lead to improvements in organizational efficiency. Good corporate governance practice is an indicator of a firm's long-term business commitment which is essential for attracting investors. The foreign stakes present in some of the mobile telecommunication companies operating in Bangladesh is a statement of some of the good governance practices being observed in this industry. The flow of foreign investments in the industry has been able to develop the technological infrastructure of this country at an astounding pace. However, the local economy possesses its fair share of challenges which can at times be described as hostile to the future wellbeing of the industry's development. Given the structure of the industry and the challenges presented by Bangladesh, it was an interesting place to observe the firms' performance with regards to sound corporate governance practices.

### **9.2 Summary of the Findings**

The research is devised to analyze the contemporary corporate governance practices in the mobile telecommunications industry of Bangladesh. The researcher intended to understand the current practices in the industry and highlight some key features of the state of corporate governance. In the process, understanding the perception held by the stakeholders was important to grasp the state of corporate governance practices which would enable us to address the major hindrances or barriers of

corporate governance best practices that exist in this industry. Finally, possible recommendations are suggested to strengthen the industry wide corporate governance practice.

The analysis of perception-measurement data in quantitative analysis indicated that as a whole, the mobile telecommunications industry in Bangladesh performs quite well in instilling corporate governance best practice values except for the lone state-owned company. The analysis suggested that internal and external stakeholders agreed on the somewhat satisfactory level of corporate governance performance in the mobile telecommunications industry of Bangladesh. However, when the collected facts about the companies were analyzed, the situation changed to a great extent. Some of the companies such as Banglalink and Robi could not fulfill the practices of good corporate governance at the local level (Bangladesh). When their parent companies are considered for analysis, however, the result agreed to some extent with the perception held by the industry. One unique feature that was evident from this analysis was that publicly listed company always performed exemplary across the board while the lone state-owned company always remained at the bottom of the pack under all circumstances.

In further analysis, with respect to hypothesis test, it has been found that the perception held by different stakeholders about the effectiveness of independent directors, management, and audit committee is significantly higher than that of overall corporate governance; on the other hand, the perception held by different stakeholders about the effectiveness of board of directors, reporting and disclosure, and ownership is significantly lower than that of overall corporate governance.

The qualitative analysis of data highlighted major areas of challenges such as governance deficiencies, lack of board training, lack of independence of subcommittees, flawed regulatory oversight and inadequate cyber security. Interestingly, for few operators, the board and subcommittees operate at the regional level (from their headquarters outside of the country) rather than

in Bangladesh. This has resulted in ineffective method of communication between the subcommittees and the parent company level boards due to political and socioeconomic differences. Moreover, the practice of disclosure and reporting is not complied with effectively leading to industry wide transparency and accountability issues. Moreover, due to the industry being technology centric, there is obvious risk of cyber-attacks for which the industry is not prepared at all. Adding to this, ESG programs are gaining momentum in other parts of the world, but the local industry has not initiated any such motive yet. To top this, regulatory authority is not being able to effectively implement policies which is constricting market competition and raising conflict between the companies and the regulators.

The challenges discovered while conducting the qualitative analysis have led to the identification of some possible recommendations that can alleviate some of the governance issues faced by the mobile telecommunications industry of Bangladesh. The primary way of cultivating corporate governance best practices is through initiating stakeholder engagement with the companies' decision-making process. This can be mandated by properly utilizing the practice of stakeholder reporting and internal disclosures. Frequent audits and external certifications can aid this implementation across the industry. Furthermore, immediate attention should be given to devise defensive strategies against cyber-security attacks. Finally, the regulatory authority must earn the industry's trust in order to maintain a cohesive corporate governance environment in the industry.

In order to represent the relationships mentioned so far, a conceptual model was devised by extensive analysis of theoretical frameworks. The model suggests that stakeholder participation does not directly translate into corporate governance best practices but rather four aspects of regulatory oversight mediate the relationship. These are regulatory framework, political influence, credibility and market competition. When the factors affecting the mediation process can be addressed correctly,



the relation of stakeholder participation resulting in good governance practices can be effectively implemented.

### **9.3 Research Implications**

The mobile telecommunication industry in Bangladesh provides a fairly unique opportunity to study the good governance practices that are observed by the market participants. The market is not perfectly competitive; moreover, the lagging governance oversight mechanism provides a field of massive scope of improvement which will be discussed shortly.

#### **9.3.1. Policy (Macro-level) Implications**

At first glance, it can be easily assumed that the companies operating in the mobile telecommunication industry of Bangladesh is not implementing good governance practices. The government oversight is poor and due to the nature of the industry, competition from new firms is non-existent. The environment is allowing firms to get away with poor transparency and accountability practices. Even though the expectation is such when considering from macro level perspective, the reality is quite different. The industry is mostly dominated by firms with foreign stakes. They have the responsibility of protecting their brand image and generate healthy profit margins in order to compete in the marketplace. As a result, they adhere to Board Code of Conduct and Ethics which was adopted in 2018 (Kay et al., 2018). There is one exception to this made by the lone local firm Teletalk who has suffered from great deal of inefficiency and financial distress (Rashid, 2018). They have often reflected their poor practices of corporate governance by failing to transparently disclose their financial performance. They have not been able to compete with the rest of the giants in the marketplace as they only share a measly proportion of the consumer base. Given the situation, there is discrepancy in terms of the good governance practices observed in the mobile telecommunication industry. This is happening because of non-existent corporate governance regulations which is resulting in companies adopting their own version of good governance practices. This may have

happened because there is almost non-existent oversight from the government regarding the mandating of corporate governance policies; the industry also does not have a proper guideline that addresses the uniqueness of the industry. Firstly, the government could outline a corporate governance guideline especially designed for the mobile telecommunication industry as current practices are a jumble of the local corporate governance practices and the foreign parent company's good governance practices. Secondly, the government agencies who are responsible for the oversight of properly implementing the good governance measures should ensure that non-compliance is punished with severe consequences. Thirdly, the government needs to be slightly lenient towards this industry with the polices. The high levels of tax may be a barrier towards making progress towards improving the technological infrastructure of Bangladesh. In this situation, the current study's findings can be used to design policies that simultaneously promotes business growth while ensuring good corporate governance practices in the mobile telecommunication sector. Therefore, the study has the potential of addressing the macro-level policy development to strengthen government cooperation with the mobile telecommunication industry.

### **9.3.2. Organizational (Micro-level) Implications**

The numerous policy implications at the organizational level can be highlighted based on the findings of the study. Firstly, the composition of the firm structure is different in the mobile telecommunication industry as there are multinationals, local holdings, joint partnerships, and mergers between foreign and private firms. The policies need to be designed differently based on the type of company in question where the good governance practices need to be fine-tuned for the particular firm. However, all the firms have a few common hurdles to overcome such as: high levels of relative taxation and unstable political environment which can cause some disruptions to business growth. The effectiveness of the corporate governance practices can be sustained when the hurdles of operating in this economy can be addressed. To do so, organizations need to come up with industry level policies. Secondly, the technological industry in Bangladesh suffers from weak cyber security infrastructure

and the mobile telecommunication industry is no exception. Data breach from cyber security attacks can cause massive disruption of service in the mobile telecommunication industry which the firms cannot ignore anymore. In order to sustain the growth of the mobile telecommunication industry in Bangladesh, the companies must take steps to enforce the infrastructure development adequately and the findings from this report may shed some light on the possible weak links that require immediate attention at the individual firm levels.

### **9.3.3. Academic Implications**

The mobile telecommunication industry is oligopolistic in nature; due to the barriers of entry that exist, not anyone can enter or exit the market whenever they want. The compositions of the firms operating in this industry is rather static. Thus, the mobile telecommunication industry allows us to fine tune the desirable corporate governance model based on the findings from the study in order to satisfy the needs of the individual firms to recommend macro level policy implementations. Furthermore, the firms operating in the mobile telecommunication industry consist of both publicly listed and private companies. All the companies cannot operate under one blanket of a common corporate governance guideline as they do not cater to the individual requirements of the firms based on their company holding status. The study can devise a model to develop corporate governance code of conduct that is suitable for publicly traded and private companies which the government can implement later on to promote good governance measures.

### **9.4. Potential for Future Study**

The findings that were obtained from the thesis can be used to device further studies in the future to address key issues that have been identified which are responsible for the barrier that exists in the way of implementing good governance practices. Firstly, the concern over cyber security is of prominent concern in Bangladesh and companies are slowly but surely realizing this. Improvement in the cyber security infrastructure is a core objective of developing the technological infrastructure

that most companies are investing in quite heavily in recent times. As a result, future studies can address the development in the cyber security projects in determining improvements in the good governance practices that can result from preventing potential data breach which can halt service-related offering from the mobile telecommunication companies. Secondly, the mobile telecommunication industry in Bangladesh is subjected to high levels of relative taxation when considering the state of the developing nations which is not a secret; this, paired with unfavorable legislations, has created a barrier for growth in this industry. Thus, future studies can address the diminishing effects of corporate governance that are caused by these challenges.

The subjective findings of the present thesis can be expanded in future studies to address the shortfalls faced by the mobile telecommunication industry in Bangladesh to implement robust policies so that the industry can maintain the growth trajectory of infrastructural development of the mobile telecommunication industry. Firstly, the structure of the operations is different for the local and multinational firms operating in the mobile telecommunication industry which restricts the comparisons that can be made between them to some extent. Studies can be done focusing on the difference in the impacts of the corporate governance challenges faced by these organizations that vary in terms of their origin. Secondly, the industry is not competitive and the scope of promoting more competition was not explored in this study – the impact of promoting more and fair competition from a corporate governance perspective can be explored further. Finally, the corporate governance practices implemented by the different stakeholders of the industry – suppliers and distributors – is not analyzed in this study. Therefore, this research has opened the path towards multiple dimensions of future studies that could expand on the questions raised by this thesis and find out the impact of various corporate governance challenges on the different stakeholder groups in the industry – a combined and coordinated effort of all the stakeholders in an industry can ensure the establishment and growth of sustainable corporate governance practices.

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**APPENDIX-A: Questionnaire - 01 on Corporate Governance (Actual Data from Company Secretary)**

**Survey Questionnaire**



**Corporate Governance Practices in Mobile  
Telecommunication Operating Companies of  
Bangladesh**

Institute of Business Administration (IBA)

University of Dhaka

October 2019

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Yesmin Sultana (PhD Researcher)

Senior Assistant Professor

American International University of

Bangladesh (AIUB)

Under the supervision of:

Dr. Md. Mohiuddin

Professor

Institute of Business Administration

University of Dhaka

Dear Respondent:

Please note that this questionnaire has been designed specifically to collect data about the corporate governance practices in the mobile telecommunication industry of Bangladesh. Considering the fact that you are sparing valuable moments from your busy schedule in order to respond to this survey, I have tried to keep the survey of such length so that it can be completed with minimum time and effort.

May I also take this opportunity of thanking you in advance for your contribution and cooperation in devoting a few moments of your time in this interesting and topical piece of research on 'Corporate Governance Practices in Mobile Telecommunication Operating Companies of Bangladesh'. I hereby reassure that the details provided in the completed questionnaire will be treated with utmost confidence.

Kind regards.

Yours sincerely,

-----

Yesmin Sultana

# Participant Information Sheet

Name of the Participant: \_\_\_\_\_

Designation: \_\_\_\_\_

Organization: \_\_\_\_\_

Contact Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

## QUESTIONNAIRE (Actual Data from Company Secretary)

**Please provide appropriate answers to the following questions:**

Questions	Response
<b>BOARD OF DIRECTORS</b>	
1. How many members are there in the Board of Directors?	
2. How many of the members on the Board are Independent Directors?	
3. Has the ID been an executive of the company before? If so, how many years ago?	
4. Do the IDs have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary or associated companies?	
5. Were the IDs a partner or an executive of the concerned company's statutory audit firm or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance before? If so, how many years ago?	
6. Are the IDs playing another ID role in any other listed companies? If so, in how many companies?	
7. Was the position of independent director(s) vacant for more than 90 (ninety) days? If so, for how many days?	
8. Do the IDs fulfill any of the following classifications? What was the job title? <ul style="list-style-type: none"> <li>a. Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk. 100.00 million or any listed company or a member of any national or international chamber of commerce or business association</li> <li>b. Corporate Leader who is or was a top-level executive, not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer</li> <li>c. Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid-up capital of Tk. 100.00 million or of a listed company</li> <li>d. Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor's degree in economics or commerce or business or law</li> <li>e. University Teacher who has educational background in Economics or Commerce or Business Studies or Law</li> <li>f. Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification</li> </ul>	
9. How many years of experience in the field mentioned above do the independent directors have?	
10. Are the positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company filled by different individuals?	
11. Does the Managing Director (MD) and/or Chief Executive Officer (CEO) hold the same position in another listed company?	

<b>Questions</b>	<b>Response</b>
12. Is the Chairperson of the Board a non-executive director of the company?	
13. Does the Board have clearly defined respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer? (Please provide a copy)	
14. Does the company conduct its Board meetings on a regular basis? How frequently? (Please provide a memo)	
15. Does the company record the minutes of the meetings as well as keep required books and records?	
16. Does the Board have a code of conduct for the Chairperson of the Board, other board members and Chief Executive Officer of the company? (if yes, please provide a copy)	
17. Does the company have a code of ethics for all its stakeholders? (if yes, please provide a copy)	
18. Does the board monitor the company's risk management and internal control systems?	
19. Do the new directors receive a full, formal and tailored induction on joining the board?	
20. Does the chairman regularly review each director and assess their training and development needs?	
<b>INDEPENDENT DIRECTOR (ID)</b>	
21. Do the IDs receive any form of remuneration other than meeting allowance?	
22. Do the IDs have designated office space of their own?	
23. Do all the IDs have relevant experience in order to effectively fulfill their roles?	
<b>MANAGEMENT</b>	
24. Has the Board appointed a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC)?	
25. Are the positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) filled by different individuals?	
26. Do the MD or CEO, CS, CFO and HIAC hold any executive position in any other company at the same time?	
27. Does the Board have clearly defined respective roles, responsibilities and duties of the CFO, the HIAC and the CS?	
28. Do the MD or CEO, CS, CFO and HIAC of the company regularly attend the meetings of the Board?	
29. Do the MD or CEO and CFO certify to the Board that they have reviewed financial statements for the year?	
<b>AUDIT COMMITTEE</b>	
30. Does the company have an Audit Committee as a subcommittee of the Board?	
31. Are the duties of the Audit Committee clearly set forth in writing?	
32. How many members are there in the Audit Committee?	
33. Does the Board appoint members of the Audit Committee who are non-executive directors of the company (except the Chairperson of the Board)?	
34. How many IDs are there in the AC?	
35. Does at least 1 (one) member have accounting or related financial management background and 10 (ten) years of relevant experience?	
36. Does the company secretary act as the secretary of the Committee?	



<b>Questions</b>	<b>Response</b>
37. Is the Chairperson of the Audit Committee an independent director?	
38. How many meetings did the Audit Committee conduct in the last financial year?	
39. Does the AC set any meeting agenda before the conduct of the meetings?	
40. How many days before the scheduled meeting is the meeting agenda circulated among the committee members?	
41. Which of the following falls within the scope of responsibilities of the audit committee? (i) Review of the results of an audit with management and external auditors (ii) Ensuring compliance with applicable laws, regulations, standards and best practice guidelines (iii) Appointment, compensation and oversight of the work of the auditor (iv) Meeting with external auditors to discuss matters that the committee or auditors believe should be discussed privately (v) Review of proposed audit approaches and handling of coordination of the audit effort with internal audit staff (vi) Meeting with internal auditors and management on a periodic basis to discuss matters of concern that may arise	
<b>NOMINATION AND REMUNERATION COMMITTEE</b>	
42. Does the company have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board?	
43. Are the Terms of Reference (ToR) of the NRC clearly set forth in writing?	
44. How many members are there in the NRC?	
45. How many IDs are there in the NRC?	
46. Does the company secretary act as the secretary of the committee?	
47. Is the Chairperson of the committee an independent director?	
48. How many meetings did the NRC conduct in the last financial year?	
49. Does the NRC set any meeting agenda before the conduct of the meetings?	
50. How many days before the scheduled meeting is the meeting agenda circulated among the committee members?	
51. Are the proceedings of each meeting of the NRC duly recorded in the minutes?	
<b>EXTERNAL AUDIT</b>	
52. Does the company engage its external or statutory auditors to perform the following services of the company? - a. appraisal or valuation services or fairness opinions; b. financial information systems design and implementation; c. book-keeping or other services related to accounting d. records or financial statements; e. broker-dealer services; f. actuarial services; g. internal audit services or special audit services; h. any service that the Audit Committee determines; i. audit or certification services on compliance of corporate governance and j. any other service that creates conflict of interest	

<b>Questions</b>	<b>Response</b>
53. Do any partner or employees of the external audit firms possess any share of the company they audit, at least during the tenure of their audit assignment of that company?	
54. Do the family members of the partner or employees of the external audit firms hold any shares in the said company?	
55. Does the representative of external or statutory auditors remain present in the Annual General Meeting?	
56. Is the performance of external auditors evaluated? Who evaluates the performance?	
<b>REPORTING AND DISCLOSURE</b>	
57. Does the company publish annual report?	
58. Does the annual report contain Directors' report?	
59. Does the annual report cover the following areas? a. Industry outlook b. Segment-wise or product wise performance report c. Key operating and financial data of last five years d. Clause regarding cash dividend/bonus share e. Shareholding of parent or subsidiary company f. List of directors, executives and top 10 shareholders g. A separate section for reporting Corporate Governance of the company h. Audit Committee (AC) report i. Reporting and compliance certificates	
60. Does the company obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions set out in the Corporate Governance Code 2018?	
61. Do the directors of the company state in the directors' report whether the company has complied with the conditions put forward in the major corporate governance codes/policy books prevailing in the country?	
62. Does the annual report set out the number of meetings of the board and committees and individual attendance by directors?	
63. Does the board state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted?	
<b>OWNERSHIP AND SHAREHOLDER PROTECTION</b>	
64. What is the total number of shares of the company?	
65. What is the total number of voting shares?	
66. What is the shareholding status of the company? Please fill up the table in Annexure-01 to answer this question	
67. Are the shareholders the decision makers for ownership change?	
68. Are the views of shareholders communicated to the board as a whole?	
69. Does the company have policies or regulations for the protection of the shareholders' rights?	
70. Are the chairmen of the audit, remuneration and nomination committees always present at the AGM to answer questions?	

<b>Questions</b>	<b>Response</b>
71. How many days before the AGM is the notice of the AGM communicated with the shareholders?	
<b>MISCELLANEOUS</b>	
72. Does the company have policies for paying off the creditors?	
73. Has the company ever defaulted any of its loans? If defaulted, how many times?	

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**Annexure 01: Details of Shareholding**

Please provide the name of the shareholders, shareholder category (institutional/ individual), type of share held (voting/non-voting) and shareholding percentage in the following table:

<b>Name</b>	<b>Type (Institutional/ Individual)</b>	<b>Type of share (voting/non- voting)</b>	<b>Number of shares</b>	<b>Shareholding Percentage</b>

**STUDY FEEDBACK**

Would you like to receive a copy of the summary findings of this research?

- a. Yes
- b. No

If yes, please provide your contact address below:

Name	
Mailing Address	
Phone Number(s)	
E-mail Address(s)	

**Researchers' Contacts:**

DBA Office (Room# 403)  
Institute of Business Administration (IBA)  
University of Dhaka  
Dhaka 1000, Bangladesh.  
Mobile: +88-01752808182  
E-mail: [yesmin@aiub.edu](mailto:yesmin@aiub.edu)

**THANK YOU ONCE AGAIN FOR YOUR GENEROUS CONSIDERATION**

**APPENDIX-B: Questionnaire - 02 on Corporate Governance (Perception of Different Stakeholders)**

**Survey Questionnaire**



**Corporate Governance Practices in Mobile  
Telecommunication Operating Companies of  
Bangladesh**

Institute of Business Administration (IBA)

University of Dhaka

September 2019

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Yesmin Sultana

Senior Assistant Professor

American International University of

Bangladesh (AIUB)

Under the supervision of:

Dr. Md. Mohiuddin

Professor

Institute of Business Administration

University of Dhaka

## **Invitation to Questionnaire Survey**

Dear Respondent:

Please note that this questionnaire has been designed specifically to collect data about the corporate governance practices in the mobile telecommunication industry of Bangladesh. Considering the fact that you are sparing valuable moments from your busy schedule in order to respond to this survey, I have tried to keep the survey of such length so that it can be completed with minimum time and effort.

May I also take this opportunity of thanking you in advance for your contribution and cooperation by devoting a few moments of your time in this interesting and topical piece of research on 'Corporate Governance Practices in Mobile Telecommunication Operating Companies of Bangladesh'. I hereby reassure that the details provided in the completed questionnaire will be treated with utmost confidence.

Kind regards.

Yours sincerely,

-----  
Yesmin Sultana

## **Participant Information Sheet**

Name of the Participant: \_\_\_\_\_

Designation: \_\_\_\_\_

Organization: \_\_\_\_\_

Contact Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

## Questionnaire (Perception of Different Stakeholders)

Please indicate the extent to which you agree or disagree with each of the following statements by circling only one number, where; 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, and 5= Strongly Agree. For example, if you strongly agree with any particular statement, please circle the number 5.

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<b>BOARD OF DIRECTORS</b>					
1. The board has clearly set objectives	1	2	3	4	5
2. The board realistically assesses its performance against its objectives at regular intervals	1	2	3	4	5
3. The board devotes sufficient time for reviewing the implementation of the strategy	1	2	3	4	5
4. The Board is effective in reviewing and implementing senior executive succession plans	1	2	3	4	5
5. The Board is effective in establishing a corporate environment that promotes timely and effective disclosure, fiscal accountability, high ethical standards and compliance with applicable laws and regulations	1	2	3	4	5
6. Induction and development programs are effective in ensuring that board members remain up-to-date throughout their time on the board	1	2	3	4	5
7. Board members and management staff responsibilities are clearly set out in writing	1	2	3	4	5
8. Board and the relevant sub-committee roles are clearly defined	1	2	3	4	5
9. The Board is effective in evaluating the performance of the company's senior executives	1	2	3	4	5
10. The Board formally evaluates the CEO's performance	1	2	3	4	5
11. Effective reports are produced detailing the Board's/subcommittees/management's objectives for the year and progress against these objectives	1	2	3	4	5
12. The Board is provided with required information and sufficient time to address issues that might present a conflict of interest	1	2	3	4	5
13. The length of each board meeting is generally adequate for the Board to effectively cover appropriate business issues	1	2	3	4	5
14. The number of meetings during the year is sufficient for the Board to be effective	1	2	3	4	5
15. The code of conduct for the Chairperson of the Board, other board members and Chief Executive Officer of the company are effectively followed	1	2	3	4	5
<b>INDEPENDENT DIRECTOR (ID)</b>					
16. The IDs can perform their roles in an independent manner	1	2	3	4	5
17. The IDs are provided with sufficient resources to carry out their roles	1	2	3	4	5
18. The IDs allocate sufficient time to keep themselves updated about the current industry mechanisms	1	2	3	4	5
19. The IDs are well acquainted with the fundamentals of the organization's business	1	2	3	4	5
20. The IDs attend board meetings on a regular basis	1	2	3	4	5



Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<b>MANAGEMENT</b>					
21. There are clearly defined respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and Control (HIAC) and the Company Secretary (CS)	1	2	3	4	5
22. Management regularly reports to the board on key outcomes and targets	1	2	3	4	5
23. The Board gets early-warning signals from the management about all problems/regularities ahead that might adversely affect key outcomes, targets or financial performance	1	2	3	4	5
24. Management provides a thorough analysis of performance against budget, targets and key outcomes, and discusses any necessary remedial action	1	2	3	4	5
25. The management provides the Board with timely and robust post-evaluation reviews for all major projects and programmes	1	2	3	4	5
<b>RISK MANAGEMENT</b>					
26. The organization has clearly set guidelines on its maximum risk appetite	1	2	3	4	5
27. There is a sound process for identifying and regularly reviewing the principal risks	1	2	3	4	5
28. Sound health and safety, employment and other practices are implemented to protect the organization against unnecessary litigation and reputation risk	1	2	3	4	5
29. The organization has an established system to raise concerns	1	2	3	4	5
30. The system for raising concern is reviewed regularly to ascertain effectiveness	1	2	3	4	5
<b>EXTERNAL AUDIT</b>					
31. The external audit effectively audits the quality and compliance level of financial reporting activities	1	2	3	4	5
32. External audit can independently perform their duties	1	2	3	4	5
33. The performance of the external auditors is effectively evaluated	1	2	3	4	5
34. The external auditor effectively inspects the internal systems and controls of the company	1	2	3	4	5
35. The external auditor performs effective audits on non-financial areas such as health and safety, IT	1	2	3	4	5
36. The auditor provides detailed recommendations based on audit findings	1	2	3	4	5
<b>REPORTING AND DISCLOSURE</b>					
37. The quality of the annual report is satisfactory	1	2	3	4	5
38. The content of the annual report is effective and detailed in representing the true financial status of the company	1	2	3	4	5
39. Regular, insightful reports on the organization's risk management and internal control systems are prepared	1	2	3	4	5
40. Reliable projections of future cash flows for the medium as well as the short term are made to mitigate the risk of falling behind schedule	1	2	3	4	5
41. The organization reports relevant disclosures on the company website, as and when necessary	1	2	3	4	5

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<b>AUDIT COMMITTEE (AC)</b>					
42. The AC has a charter which clearly outlines its objectives, duties and responsibilities	1	2	3	4	5
43. The AC members have a clear understanding of their responsibilities	1	2	3	4	5
44. The number of AC meetings is sufficient for the committee to carry out its necessary duties	1	2	3	4	5
45. The meeting agenda and related materials are provided to members sufficiently ahead of the meetings	1	2	3	4	5
46. The composition and size of the AC are effective and sufficient	1	2	3	4	5
47. The company makes a proper review of external auditor's work	1	2	3	4	5
48. The AC members have sufficient knowledge on the entity's business	1	2	3	4	5
49. The AC members have sufficient knowledge on Accounting and/or Auditing practices.	1	2	3	4	5
50. The AC has adequate authority in order to carry out its responsibilities	1	2	3	4	5
51. The AC has ready access to relevant information if required	1	2	3	4	5
52. The AC receives prompt responses from the management in carrying out its duties	1	2	3	4	5
53. The AC members devote sufficient time to the committee's affairs	1	2	3	4	5
54. The AC members effectively carry out their roles as laid out in the charter	1	2	3	4	5
55. The frequency of the AC meetings is sufficient to carry out its responsibilities	1	2	3	4	5
56. The duration of the AC meetings is sufficient for a full discussion of important issues	1	2	3	4	5
57. The AC assesses and reviews the expertise and resources of the external auditors	1	2	3	4	5
58. The AC monitors the external audit firm's compliance with the existing ethical and regulatory requirements in Bangladesh	1	2	3	4	5
59. The AC reviews the findings of the annual audit obtained by the external auditors	1	2	3	4	5
60. The AC assesses and reviews the annual internal audit work plan	1	2	3	4	5
61. The AC monitors and evaluates the effectiveness of the internal audit function	1	2	3	4	5
62. The AC can work independently	1	2	3	4	5
<b>NOMINATION AND REMUNERATION COMMITTEE (NRC)</b>					
63. The NRC has a charter which clearly outlines its objectives, duties and responsibilities	1	2	3	4	5
64. The NRC is addressing effectively the matters delegated to it in its charter	1	2	3	4	5
65. The number of NRC meetings is sufficient for the committee to carry out its necessary duties	1	2	3	4	5
66. The agenda and related materials are provided to members sufficiently ahead of the meetings	1	2	3	4	5
67. The composition and size of the committee are effective and sufficient	1	2	3	4	5
68. The committee members have sufficient knowledge on the entity's business	1	2	3	4	5

<b>Statements</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
69. The NRC has adequate authority in order to carry out its responsibilities	1	2	3	4	5
70. The NRC is provided with sufficient resources including secretarial support to carry out its duties	1	2	3	4	5
71. The NRC members have a clear understanding of their responsibilities	1	2	3	4	5
72. The NRC members devote sufficient time to the committee's affairs	1	2	3	4	5
73. All members can express their views freely and independently in the meetings	1	2	3	4	5
74. The frequency of the NRC meetings is sufficient to carry out its responsibilities	1	2	3	4	5
75. The duration of the NRC meetings is sufficient for a full discussion of important issues	1	2	3	4	5
76. The NRC can work independently	1	2	3	4	5
77. Members of the compensation committee are individuals with an appropriate range of experience and skills including a working knowledge	1	2	3	4	5
78. The NRC takes full responsibility for the content of the published compensation report and proactively drives the decisions on the disclosures contained therein	1	2	3	4	5
79. Minutes of the meetings are prepared and circulated for review on a timely basis	1	2	3	4	5
80. The committee members effectively review and recommend to the Board, or approve, the annual salary, bonus, and other benefits of the president and other officers and directors	1	2	3	4	5
<b>CORPORATE GOVERNANCE PRACTICE</b>					
81. The company has an effective corporate governance policy in writing	1	2	3	4	5
82. The company properly implements corporate governance policies throughout the organization					
83. The organization actively promotes corporate governance practices to all its stakeholders	1	2	3	4	5

## STUDY FEEDBACK

Would you like to receive a copy of the summary findings of this research?

- c. Yes
- d. No

If yes, please provide your contact address below:

Name	
Mailing Address	
Phone Number(s)	
E-mail Address(s)	

### **Researchers' Contacts:**

DBA Office (Room# 403)  
Institute of Business Administration (IBA)  
University of Dhaka  
Dhaka 1000, Bangladesh.  
Mobile: +88-01752808182  
E-mail: [yesmin@aiub.edu](mailto:yesmin@aiub.edu)

**THANK YOU ONCE AGAIN FOR YOUR GENEROUS CONSIDERATION**

## APPENDIX-C: Interview Checklist (Corporate Governance)

Research Question	Theme	Interview Question
To state the current practices and highlight unique features of existing Corporate Governance practices	Current Practices	<ol style="list-style-type: none"> <li>1. Can you share some thoughts about the telecommunication industry's future in Bangladesh?</li> <li>2. Can you give us a comparative picture of the corporate governance practices of Bangladesh and that of other developing countries?</li> <li>3. What is your opinion about the current corporate governance status of the telecommunication industry of Bangladesh?</li> <li>4. What is the effectiveness of different board sub-committees in your organization?</li> </ol>
	Board of Directors/ Independent Directors/ Management/ Audit Committee/ Nomination Committee	<ol style="list-style-type: none"> <li>1. What is your opinion about the effectiveness of the board of directors (and others) in implementing corporate governance practices in your company?</li> <li>2. What recent steps were taken by the Board (and others) to ensure good governance?</li> <li>3. What changes would you recommend for the BoD (and others) for better implementation of Corporate Governance?</li> <li>4. What challenges, if any, are you facing due to the non-existence of an Audit Committee/ Nomination Committee/ other sub-committees?</li> </ol>
	External Audit	<ol style="list-style-type: none"> <li>1. Can you give an example where the external auditor has played an active watchdog role in policing non-compliance?</li> </ol>
	Reporting and Disclosure	<ol style="list-style-type: none"> <li>1. Provide your opinion on the level of disclosure and reporting of your company's financial and non-financial data</li> <li>2. What challenges, if any, do you think exist because of the limited level of reporting and disclosure done by your company?</li> </ol>
	Ownership	<ol style="list-style-type: none"> <li>1. What difficulties in terms of governance might occur due to the concentrated ownership of your organization?</li> </ol>
What are the major hindrances/barriers in practicing good Corporate Governance?	Challenge	<ol style="list-style-type: none"> <li>1. What are the three major challenges in implementing effective governance in the telecommunication sector?</li> <li>2. What are the company level/ internal challenges in implementing an efficient corporate governance system in this sector?</li> <li>3. What are the challenges faced by telecommunication sector in dealing with external stakeholders such as the regulatory bodies?</li> </ol>
What are the possible ways of strengthening Corporate Governance practices?	Recommendations	<ol style="list-style-type: none"> <li>1. Which areas of corporate governance in this sector requires the utmost attention for future growth and why?</li> <li>2. According to your opinion, which areas of corporate governance can be improvised in your company and how?</li> </ol>

Research Question	Theme	Interview Question
		<ol style="list-style-type: none"> <li data-bbox="756 192 1428 253">3. What is the role of regulatory bodies in shaping the future of this industry?</li> <li data-bbox="756 259 1428 389">4. How can we ensure detail stakeholder reporting and disclosure to ensure transparency among all the stakeholders? What can be done to ensure disclosure in the case of privately owned operators?</li> <li data-bbox="756 396 1428 526">5. Do you suggest any changes in the Corporate Governance Code to ensure that a compliance mechanism is there for the privately owned companies as well?</li> </ol>

## APPENDIX-D: Summary Findings (Corporate Governance: Actual Data from Company Secretary)

Governance Area	Theory/Literature/Codes	Practical Finding	Remarks
Board of Directors	Minimum 5 directors in the board and a maximum of 20.	Majority of the companies fulfilled this requirement except for Teletalk and Banglalink at the local level. However, the requirements were fulfilled by Banglalink when their parent company was considered.	The companies who didn't perform well in the governance score in this segment at the local level, however, did much better when their parent companies were considered (except Teletalk).
	Number of Independent Directors as 1/5 <sup>th</sup> of the board members.	All the companies had adequate representation of Independent Directors except for Teletalk and Banglalink at the local level. However, the requirements were fulfilled by Banglalink when their parent company was considered.	
	Position of MD and CEO must be fulfilled by different individuals.	The position was held by different individual in all the companies.	
	The board must have clearly defined roles for the Chairperson and MD/CEO.	All the companies had clearly defined roles for the respective personnel.	
Management	The Board must appoint MD/CEO, CS, CFO and HIAC	All the companies had the respective roles.	All the companies performed well in this segment (except Teletalk who lagged behind in some cases)
	The positions of MD/CEO, CS, CFO and HIAC must be held by different individuals.	All the companies appointed different individuals for the respective roles.	
	The appointed MD/CEO, CS, CFO and HIAC must attend the regular board meeting.	All the companies fulfilled this requirement except Teletalk.	
Audit Committee	The company should have an Audit Committee as a subcommittee of the board.	All the companies fulfilled this requirement except Teletalk.	The scores in this segment did not change even at the parent company level. All the companies performed well (except Teletalk.)
	The duties of the Audit Committee should be well-defined in writing.	The duties of Audit Committees were well-defined in writing for all the companies except for Teletalk.	
	Non-executive directors have to be there in the Audit Committee.	The Audit Committee was represented fairly by non-executive directors except for Teletalk.	
	Independent directors have to be there in Audit Committee.	The Audit Committee was represented fairly by Independent Directors except for Teletalk.	
NRC Committee	The NRC Committee must be a subcommittee of the Board	All the companies had NRC Committee as a	The score was not affected by local or

<b>Governance Area</b>	<b>Theory/Literature/Codes</b>	<b>Practical Finding</b>	<b>Remarks</b>
		subcommittee of the board except for Teletalk.	parent level data as all the companies performed admirably in this segment. (except Teletalk who performed poorly)
	Number of Independent Directors in the NRC Committee.	The NRC Committee was fairly represented by Independent Directors in all companies except in Teletalk	
	Chairperson of the NRC Committee as an Independent Director.	All the companies appointed Independent Director as the Chairperson of the NRC Committee except for Teletalk.	
	Meeting agendas set before proceeding with the meeting.	While the majority of the NRC committees of the companies had 1 to 3 meetings	
External Audit	Evaluation of the external audits.	All the companies had a satisfactory level of external audit policy.	The scores did not change when accounted for the parent companies. All the companies performed similarly in this segment.
	Family members of partner or employees must not hold shares in the respective external audit company.	All the companies fulfilled this requirement.	
	The partner or employees of the audit company must not hold any share with the firm being audited.	All the companies fulfilled this requirement.	
Reporting and Disclosure	Annual reports have to be published	The listed company fulfilled this requirement.	Grameenphone was the only listed company and they showed good governance practice in this segment. Teletalk came in close second while the other did quite poorly at local level. However, Robi and Banglalink did quite well when their parent companies were considers.
	The company must obtain certificates annually from practicing professionals other than the audit firm.	The listed company fulfilled this requirement	



## APPENDIX-E: Summary Findings (Corporate Governance: Perception of Different Stakeholders)

Governance Area	Practical Finding	Remarks
Board of Directors	The board was adequately represented by Independent Directors except for Banglalink and Teletalk.	The score of the board of directors suggests that the companies adhere to good governance policies across the board except for Banglalink and Teletalk in some segments.
	The responsibly and duty of the board was clearly defined in writing except for Banglalink.	
	The responsibilities of MD and CEO was fulfilled by different individuals.	
Management	The roles of MD/CEO, CS, CFO and HIAC were clearly defined.	The general sentiment indicates that management practices fulfill good corporate governance practices
	The performance appraisal of the respective individuals in management was well-defined.	
	The management followed the code of conduct set by the board at all levels. However, Teletalk just lagged behind slightly in this segment.	
Audit Committee	The Audit Committee members fulfilled the technical requirements for their roles except for Banglalink and Teletalk	The Audit Committee maintained proper governance practices across the board except in Banglalink and Teletalk.
	The Audit Committees duties are clearly defined in writing except in case of Banglalink and Teletalk	
	The Audit Committee is represented by sufficient Independent Directors except for Banglalink and Teletalk.	
NRC Committee	The roles of the members in the NRC committee are clearly set forth in writing except for Banglalink and Teletalk.	The NRC Committee adheres to good governance practices across the board except for Banglalink and Teletalk
	The polices are fairly evaluated except for Banglalink and Teletalk.	
	The committee is well represented by Independent Directors except for Banglalink and Teletalk.	
External Audit	The external audits are effectively mandated. However, the consistency was lacking for Banglalink and Teletalk.	The external audit showed good governance practice while all the companies scored similarly; however, Teletalk lagged behind the others under most circumstances.
	The respective suggestions are implemented effectively except for Teletalk.	
	The parties remain present during the annual general meetings.	
Reporting and Disclosure	Only one company published the reporting and disclosures periodically.	Grameenphone being the only listed companies fulfilled all the requirements while other scored quite poorly.

Governance Area	Practical Finding	Remarks
	Director's reports were included in the annual reports of the listed company.	
Risk Management	All the companies had clearly defined guidelines regarding risk tolerance.	The perception of risk management in the telecommunications industry is somewhat satisfactory. Some aspects were slightly lacking in terms of robustness for Banglalink and Teletalk.
	All the companies had sound frameworks to raise possible concerns against risks except for Banglalink.	
	All the companies had definite health and safety codes except Teletalk.	

**APPENDIX-F: Comparative Analysis between Corporate Governance Guidelines 2018, 2012 and 2006**

Governance Areas	Salient Features	Corporate Governance Code 2018	Corporate Governance Guideline 2012	Corporate Governance Guideline 2006
Board Effectiveness	Size of Board	<ul style="list-style-type: none"> <li>There's no new stipulation in "size of Directors" but the redundant provision regarding financial institutions has been removed.</li> </ul>	<ul style="list-style-type: none"> <li>No change.</li> </ul>	<ul style="list-style-type: none"> <li>The number of members will be within 5 to 20.</li> </ul>
Board Effectiveness	CEO and Chairperson's Role	<ul style="list-style-type: none"> <li>There's no such way for Chairperson and Managing directors (MD)/ CEO to act with duality in more than one listed company.</li> </ul>	<ul style="list-style-type: none"> <li>The separation between the CEO and the Chairman roles is compulsory.</li> </ul>	<ul style="list-style-type: none"> <li>The separation between the CEO and the Chairman roles is propounded.</li> </ul>
Board Effectiveness	Numbers of Independent Directors (IDs)	<ul style="list-style-type: none"> <li>More clarity has been provided regarding the number of IDs; the fraction has to be considered as the next integer or whole number.</li> </ul>	<ul style="list-style-type: none"> <li>Minimum 1/5<sup>th</sup> of the board has to be independent directors (IDs).</li> </ul>	<ul style="list-style-type: none"> <li>Minimum 1/10<sup>th</sup> of the board must be independent directors (at least one).</li> </ul>
Board Effectiveness	Criteria for Independent Directors	<ul style="list-style-type: none"> <li>The meaning of ID has changed remarkably; the director cannot be an ID in more than 5 listed companies.</li> </ul>	<ul style="list-style-type: none"> <li>By incorporating additional criteria, the interpretation of 'independent' directors has been significantly expanded; the director cannot be an ID for more than 3 listed companies.</li> </ul>	<ul style="list-style-type: none"> <li>The specific standard for a director is required to be considered as 'independent'.</li> </ul>
Board Effectiveness	Experience Required for IDs	<ul style="list-style-type: none"> <li>Experience required for the independent director is 10 years.</li> </ul>	<ul style="list-style-type: none"> <li>Experience required for the independent director is 12 years.</li> </ul>	<ul style="list-style-type: none"> <li>No experience requirement specified.</li> </ul>
Board Effectiveness	Qualification Required for IDs	<ul style="list-style-type: none"> <li>More clarity provided in terms of qualification of IDs; some of the professions include "business Leader", "Corporate Leader", "Professional".</li> </ul>	<ul style="list-style-type: none"> <li>Distinct qualification standard for independent directors.</li> </ul>	<ul style="list-style-type: none"> <li>No qualification standard for independent directors.</li> </ul>
Board Effectiveness	Appointment of IDs	<ul style="list-style-type: none"> <li>No change.</li> </ul>	<ul style="list-style-type: none"> <li>The Board of Directors (BOD) will nominate IDs followed by acceptance of the shareholders in the AGM.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>

Governance Areas	Salient Features	Corporate Governance Code 2018	Corporate Governance Guideline 2012	Corporate Governance Guideline 2006
Board Effectiveness	Vacancy of IDs	<ul style="list-style-type: none"> <li>No change.</li> </ul>	<ul style="list-style-type: none"> <li>For more than 90 days, IDs post cannot be vacant.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
Board Effectiveness	Tenure of IDs	<ul style="list-style-type: none"> <li>No changes but explanation added; more clarity on tenure which states that after a time gap of one tenure, reappointment can take place; retirement won't take place by rotation, in accordance with Company Act 1994.</li> </ul>	<ul style="list-style-type: none"> <li>The general tenure of IDs is 3 years and can be further extended for 1 period.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
Board Effectiveness	Meetings of Board of Directors.	<ul style="list-style-type: none"> <li>The Board can decree the Code of Conduct based on the commendation of the Nomination and Remuneration Committee.</li> </ul>	<ul style="list-style-type: none"> <li>The Code of conduct is the same for annual compliance and all board members.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
Audit Committee	Roles of the Audit Committee	<ul style="list-style-type: none"> <li>Roles are more defined and explained; 13 roles can be found.</li> </ul>	<ul style="list-style-type: none"> <li>10 distinct roles have been figured out under AC.</li> </ul>	<ul style="list-style-type: none"> <li>By using the common term, AC's roles have been explained.</li> </ul>
Audit Committee	Appointment of Audit Committee members	<ul style="list-style-type: none"> <li>Members should be Non-executive Directors but not Chairperson and minimum 1 Independent director is required.</li> </ul>	<ul style="list-style-type: none"> <li>Minimum 1 Independent director.</li> </ul>	<ul style="list-style-type: none"> <li>Minimum 1 Independent director.</li> </ul>
Audit Committee	Experience for members	<ul style="list-style-type: none"> <li>10 years of experience required.</li> </ul>	<ul style="list-style-type: none"> <li>No change.</li> </ul>	<ul style="list-style-type: none"> <li>12 years of experience required.</li> </ul>
Audit Committee	Chairman of the Audit Committee	<ul style="list-style-type: none"> <li>No change.</li> </ul>	<ul style="list-style-type: none"> <li>The Chairman of AC must be an ID.</li> </ul>	<ul style="list-style-type: none"> <li>Chairman can be anyone in the Audit Committee (AC).</li> </ul>
Audit Committee	Qualification for Chairperson and members	<ul style="list-style-type: none"> <li>Replaced the word "Financially Literate" with "the ability to read and understand the financial statements like Balance Sheet, Income Statement and Cash Flow Statement".</li> </ul>	<ul style="list-style-type: none"> <li>Specific professional qualification requirements for all AC members and members should be "Financially Literate".</li> </ul>	<ul style="list-style-type: none"> <li>Professional qualification requirement for AC Chairman only and no specific professional qualification requirement for other AC members.</li> </ul>

Governance Areas	Salient Features	Corporate Governance Code 2018	Corporate Governance Guideline 2012	Corporate Governance Guideline 2006
Audit Committee	Presence of Members in meeting of Audit Committee	<ul style="list-style-type: none"> <li>No changes but condition added; two or two-third of members shall be present in the quorum of Audit Committee meetings.</li> </ul>	<ul style="list-style-type: none"> <li>To fulfil the AC meeting quorum, minimum one ID is required to be present.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
Audit Committee	Presence of Chairperson in the Audit Committee	<ul style="list-style-type: none"> <li>New provision introduces Chairperson's absence; while chairperson needs absence, non-executive members can elect a person from themselves for that distinctive meeting.</li> </ul>	<ul style="list-style-type: none"> <li>In AGM, the AC Chairman must be present.</li> </ul>	<ul style="list-style-type: none"> <li>No specific stipulation for the Chairman of AC to be present in the AGM.</li> </ul>
Audit Committee	Reporting to Authorities	<ul style="list-style-type: none"> <li>No change.</li> </ul>	<ul style="list-style-type: none"> <li>Any material finding must be reported by AC to the SEC after 6 months (from the first reporting date) or after reporting to the board thrice, whatever is earlier.</li> </ul>	<ul style="list-style-type: none"> <li>Any material finding must be reported by AC to the SEC after 9 months (from the first reporting date) or after reporting to the board thrice, whatever is earlier.</li> </ul>
Audit Committee	Reporting to the Board of Directors	<ul style="list-style-type: none"> <li>Any matters that the "Audit Committee" considers necessary could be informed to Board of Directors immediately.</li> </ul>	<ul style="list-style-type: none"> <li>No change.</li> </ul>	<ul style="list-style-type: none"> <li>Any matters considered necessary should be informed immediately.</li> </ul>
External/Statutory Auditors	Restrictions on the client company's shareholding by the statutory auditor	<ul style="list-style-type: none"> <li>During the period of the audit assignment, the external audit firm's employees, partners, and his/her family members<sup>4</sup> cannot hold the client firm's share.</li> </ul>	<ul style="list-style-type: none"> <li>During the period of the audit assignment, the external audit firm's employees and partners cannot hold the client firm's share.</li> </ul>	<ul style="list-style-type: none"> <li>No such constraint.</li> </ul>
External/Statutory Auditors	Conflict of interest	<ul style="list-style-type: none"> <li>External/statutory auditors cannot perform those services which might create a conflict of interest.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>

<sup>4</sup> Here, family members include father, mother, sister, brother, spouse, daughter-on-law and brother-in-law.

Governance Areas	Salient Features	Corporate Governance Code 2018	Corporate Governance Guideline 2012	Corporate Governance Guideline 2006
External/Statutory Auditors	Presence of external/statutory auditor's representative	<ul style="list-style-type: none"> <li>To respond to the shareholder's query, the external/statutory auditor's representative must be present in the Annual General Meeting (AGM).</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
External/Statutory Auditors	Restrictions on the engagement of the statutory auditor	<ul style="list-style-type: none"> <li>Restrictions on the engagement of statutory auditors on firms' internal or special audit services.</li> </ul>	<ul style="list-style-type: none"> <li>Restrictions on the engagement of statutory auditors on firms' internal audit service.</li> </ul>	<ul style="list-style-type: none"> <li>Restrictions on the engagement of statutory auditors on firms' internal audit service.</li> </ul>
BOD's Additional Statements	Industry outlook and development	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>The outlook of the industry and possible development for the respective industry in the future.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
BOD's Additional Statements	Performance	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>Product-wise or segment-wise performance.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
BOD's Additional Statements	Risks and concerns related disclosure	<ul style="list-style-type: none"> <li>The risks and concerns related to disclosure includes external and internal risk factors, risks to sustainability and negative influence on the environment.</li> </ul>	<ul style="list-style-type: none"> <li>Various risks with regards to the firm and further related concerns should be disclosed</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
BOD's Additional Statements	A stipulation of disclosure on firm's performance	<ul style="list-style-type: none"> <li>A detailed discussion on Gross Profit and Margin, Cost of Goods Sold and Net Profit Margin can be provided based on its applicability.</li> </ul>	<ul style="list-style-type: none"> <li>Discussion on the firm's gross profit margin,, cost of goods sold and net profit margin.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
BOD's Additional Statements	Spectacular gain/loss related changes in disclosure	<ul style="list-style-type: none"> <li>Discussion on a firm's continuity of significant loss or gain is now changed to spectacular activities and their further gain/loss related implication.</li> </ul>	<ul style="list-style-type: none"> <li>Discussion on a firm's continuity of significant loss or gain.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>

Governance Areas	Salient Features	Corporate Governance Code 2018	Corporate Governance Guideline 2012	Corporate Governance Guideline 2006
BOD's Additional Statements	Group related disclosure	<ul style="list-style-type: none"> <li>Along with the previous statement, it further states that a detailed discussion on related group transactions should be there, accompanying a statement mentioning the nature of related group transaction; total amount and basis of agreement of all related group transactions are required to be disclosed.</li> </ul>	<ul style="list-style-type: none"> <li>A statement of every related group transaction, which include the justification of such transactions.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
BOD's Additional Statements	Fundraising	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>From the right issues, public issues or via additional instruments, application of funds has been raised.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
BOD's Additional Statements	The explanation behind poor financial results	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>An interpretation is needed when the firm's financial results degrade after significant events (i.e. Repeat Public Offering (RPO), Initial Public Offering (IPO) and Rights Offer).</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
BOD's Additional Statements	Scrutinization of annual financial performance and quarterly financial performance	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>The rationale behind the remarkable deviation between annual financial performance and quarterly financial performance requires to be scrutinized.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
BOD's Additional Statements	No. of years of abridged financial and operating data	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>At least the last 5 year's key financial and operating data is required to be abridged.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>

<b>Governance Areas</b>	<b>Salient Features</b>	<b>Corporate Governance Code 2018</b>	<b>Corporate Governance Guideline 2012</b>	<b>Corporate Governance Guideline 2006</b>
BOD's Additional Statements	Biographical information disclosure	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>Disclosure of biographical information which includes their positions occupied in various committees and expertise and directorship possessed in other companies.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
BOD's Additional Statements	A statement, concerning the minority of the shareholder	<ul style="list-style-type: none"> <li>The effective remedy of protecting minority shareholders from the majority shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
BOD's Additional Statements	Interim Dividend	<ul style="list-style-type: none"> <li>Bonus shares or stock dividends cannot be announced as interim dividend.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
BOD's Additional Statements	Management's analysis and discussion	<ul style="list-style-type: none"> <li>CEO or MD has to sign a management's analysis and discussion which presents an extensive analysis regarding the operations and position of the company.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
BOD's Additional Statements	Disclosure of certification or declaration	<ul style="list-style-type: none"> <li>As per the stipulation of Annexure-A under CN3(3), the CEO and CFO must provide their declaration or certification to the board.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
BOD's Additional Statements	Disclosure of certificate and report	<ul style="list-style-type: none"> <li>As per the stipulation of Annexure-B and Annexure-C under CN3(3), the certificate and report concerning the compliance of the conditions of the revised Code has to be disclosed.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>



<b>Governance Areas</b>	<b>Salient Features</b>	<b>Corporate Governance Code 2018</b>	<b>Corporate Governance Guideline 2012</b>	<b>Corporate Governance Guideline 2006</b>
Subsidiary Company's Governance	Board composition	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>The holding company and subsidiary company will have the same board composition.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
Subsidiary Company's Governance	Director of the subsidiary company	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>One of the holding company's IDs must be appointed as a subsidiary company's director.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
Subsidiary Company's Governance	Scrutinization of subsidiary company's agenda	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>The subsidiary company's agenda must be placed to the minutes of holding the company's board meeting for scrutiny.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
Subsidiary Company's Governance	Statement of holding company	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>The holding company's agenda will state that the subsidiary company's agenda has been reviewed.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
Subsidiary Company's Governance	Review of the financial statements of the subsidiary company	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>The holding company's AC will review the subsidiary company's financial statements including any types of further investments made by that particular subsidiary.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
Subsidiary Company's Governance	Change in Title	<ul style="list-style-type: none"> <li>No new stipulation but only changes in Title that is "Governance of Board of Directors of Subsidiary Company".</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
Certification to the Board by the CFO and CEO	Materially misleading/untrue statement	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>Any materially misleading statement cannot be contained in the financial statement or it cannot omit any untrue statement of material fact.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>

<b>Governance Areas</b>	<b>Salient Features</b>	<b>Corporate Governance Code 2018</b>	<b>Corporate Governance Guideline 2012</b>	<b>Corporate Governance Guideline 2006</b>
Certification to the Board by the CFO and CEO	Fair and true statement, complying with accounting standards and laws	<ul style="list-style-type: none"> <li>No Change</li> </ul>	<ul style="list-style-type: none"> <li>The statements must present a fair and true scenario of the firm's financial affairs and it must comply with existing accounting standards and laws.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
Certification to the Board by the CFO and CEO	Information that must be there in the Annual Report	<ul style="list-style-type: none"> <li>Transactions that are illegal, fraudulent, or related to violation of code of conduct for the BoD or any of its members cannot be undertaken by the company throughout the year and the company must disclose this in its annual report.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
Reporting and Compliance: CG	Acquiring a certificate from Chartered Secretary or a professional accountant	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>Regarding the compliance with corporate governance guideline's conditions, the firm should acquire a certificate from Chartered Secretary or a professional accountant.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
Reporting and Compliance	No. of years, the shareholders will be provided annual report and compliance certificate	<ul style="list-style-type: none"> <li>No change</li> </ul>	<ul style="list-style-type: none"> <li>Every year, the shareholders will receive the certificate of compliance and annual report of the company.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>
Reporting and Compliance	Appointment of the professional	<ul style="list-style-type: none"> <li>The shareholders will appoint the professional who will deliver the Corporate Governance Code's compliance certificate in the annual general meeting.</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation</li> </ul>	<ul style="list-style-type: none"> <li>No such stipulation.</li> </ul>

Governance Areas	Salient Features	Corporate Governance Code 2018	Corporate Governance Guideline 2012	Corporate Governance Guideline 2006
Implementation mode	Changes in Annexure	<ul style="list-style-type: none"> <li>▪ Total three Annexure; Annexure-A, Annexure-B, and Annexure-C. The 2006 and 2012 guidelines had only one Annexure which is replaced as Annexure-C in the 2018 code</li> </ul>	<ul style="list-style-type: none"> <li>▪ Only one Annexure.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Only one Annexure.</li> </ul>