

AN INVESTIGATION TO THE PERFORMANCE OF THE VOLUNTARY CODE OF CORPORATE GOVERNANCE IN BANGLADESH AND THE SCOPE FOR A MANDATORY ONE

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ABSTRACT

This study seeks to examine the performance of the current code of corporate governance in Bangladesh after eight years of its promulgation in 2006 and also examines the scope for a mandatory model of corporate governance instead of the current one since the existing literature suggests the underperformance of the current code. The study uses a likert scale questionnaire method providing scope for respondents' personal observations. It covers a wide range of stakeholders such as managers, directors, regulators, auditors, legal professionals and small investors so that the true reflection on the performance of the code could be found. The study finds that there is a general consensus among the respondents that the current voluntary code of Bangladesh is not fulfilling the desired expectation regarding investor protection, disclosure and auditor independence. The study also finds that the judiciary of Bangladesh lacks capability to provide protection to the investors in cases of shareholder abuse. The respondents have agreed that a mandatory model of corporate governance would provide better transparency and protection. This paper adds to the existing literature by broadening the scope for further research on the performance of the corporate governance code and related issues in Bangladesh and countries with similar perspective.

KEYWORDS: Corporate Governance Code, Corporate Governance, Voluntary Code, Mandatory Code

INTRODUCTION

Corporate scandals existed long before than those have been seen in recent times such as Enron, Tyco, WorldCom and Barings Bank (Okpara and Kabongo, 2010). Allen (2005) observes that there is a growing emphasis on corporate governance practices and models after those corporate scandals. These scandals reveal that the weak or no corporate governance of the corporations eased the way for the insiders to exploit the shareholders' money which resulted those corporations collapse causing many of the minority shareholders lose their money (CIPE, 2008).

Broadly, there are two approaches of corporate governance. The voluntary approach as practiced in the UK, based on "comply or explain" theory and the mandatory approach as practiced in the USA where compliance to the corporate governance principles is mandatory.

The studies of La Porta et al (1997) and Azfar et al (1999) suggest that countries, especially which have underdeveloped or emerging stock markets, with stronger legal protection have a better functioning stock market where the minority shareholders enjoy better hedging for their investment. Developing country, such as Bangladesh is also undergoing a transitional period in terms of corporate governance and stock market functioning.

The aim of this study is to examine the effectiveness of the existing code of corporate governance (Securities and Exchange Commission, 2006) from the Bangladesh perspective where many of the market features are not similar to those of the UK. The structure of the study is, in the part II the existing literature on corporate governance and different approaches of corporate governance including the present corporate governance status is critically discussed. Part III discusses the development of the hypotheses; part IV discusses research method and data analysis. The findings and the limitations of the study have been discussed in part V and part VI concludes the study.

LITERATURE REVIEW

The corporate governance models vary on matters such as the relation with stakeholders, market structure, financial system etc. These differences, De la Rama (2007) suggests, have generated two types of corporate governance approaches, market based approach as used in the UK, USA and many western countries and network based approach as practiced in several East Asian countries, Italy etcetera.

Corporate governance in East Asia has been network based with highly concentrated ownership and family control. However, Claessens and Fan (2002) observe that after the Asian Financial Crisis in the late nineties, several Asian governments have been introducing an Anglo-American model of corporate governance because the government found that due to the family dominated ownership pattern capital has been being misallocated and the signaling effect of stock prices and other market forces were not functioning. On the other hand, Rabelo and Vasconcelos (2002) observe that due to the unique political and economic situation in the developing countries it becomes difficult for them to imitate a western model of corporate governance.

The attempt to discipline the corporate behaviour is not a new phenomenon (Mulili and Wong, 2011). Conflicts develop when the shareholders feel that the management or insiders are not managing the company to their best interest and the managers benefitting themselves instead (Brennan, 1995). The first widely acknowledged national corporate governance code was published in the UK under the leadership of Sir Adrian Cadbury in 1992, which ultimately stood up as the model for others who were also considering approaches for framing corporate governance model (Haskovec, 2012).

A corporate governance code of Anglo-American model normally recommends or provisions the best possible board independence and a complete separation of management from ownership (Ararat and Dallas, 2011). The philosophy is to protect the minority shareholders from exploitation by the management such as dividend payout, risk taking, personal benefits etc (Cummins and Sommer, 1996). Inspired by the UK model of corporate governance many countries, especially the British Commonwealth countries adopted the UK style principle based corporate governance. In such model firms are recommended to comply with the code principles and in case of any non-compliance they are to explain the reason for such non-compliance. This principle of “comply or explain” mostly depends on the market force to ensure compliance where the non-compliant firm could be punished by the market with actions such as fall of share price etc. Anand (2005) comments that a voluntary model of corporate governance effectively protects the investors’ interest by disclosing necessary information voluntarily provided that, there are incentives for the firms to make such willing disclosure. In the UK model, it is the board’s duty to protect the shareholders’ interest alongside the management of the firm which Owen (2008) considers a paradox that casts somewhat ambiguity on the role of the board.

In contrast to the principle-based code, the US, after the Enron debacle, has adopted a rigorous mandatory law of corporate governance where non-compliance of certain corporate rules is treated as criminal offense with penalties such as

imprisonment (Campbell, 2008). Sarbanes and Oxley Act of 2002, the corporate governance law in the USA, have made the corporate governance compliance mandatory or legally mandated in the US (Anand, 2005). Sarbanes-Oxley Act (also known as the SOX) has imposed new responsibility on the directors, CEOs and CFOs to personally acknowledge the responsibility for the fairness of the financial statements, internal control statement. The study of Hochberg et al (2009) suggests that the Sarbanes-Oxley Act has been able to protect the minority investors in America better than before. Similarly Zhang (2007) reports positive impact of the SOX from the market regarding safeguarding the minority shareholders. La Porta et al (2003), in their study find that a well-functioning capital market is positively correlated with strong legal protection for the shareholders, especially on the matters such as protection for disclosure rights and insiders' liability for malpractice. However, Macey (2003) believes that in case of Enron, the company disclosed enough information according to the existing mandatory reporting system of the US. The author comments, that information was enough to uncover Enron's irregularities.

According to Paredes (2004) the real risk of a mandatory corporate governance model is the scope of government's being over-imposing to the corporate sector despite the fact that strong legal protection is necessary for a sound capital market which will shift the control of firms from the managers and directors to the shareholders and other stakeholders. In the developing countries the corporate control is still on the hands of ruling families because of market size and other socio-economic factors (Reid, 2003). Ho et al (2009) observe that despite the fact of such family dominance, a disclosure and internal control system developed from the experience of the Sarbanes-Oxley has positively helped the Malaysian corporate sector.

According to Macdonald and Beattie (1993) the corporate governance approach of a country is a matter of perpetual change and alterations according to the changes in the business and socio-economic perspectives. The code must accommodate these changes. The prime reason for developing countries focusing more and more on a suitable corporate governance model is their growing need to develop an efficient financial market that would attract investors from home and abroad (Abhaywansa and Johnson, 2007). Krasniqi (2008) comments that due to the globalisation of business and multinational operations, the future of the capital market in the developing countries would be relying majorly on its corporate governance practice and its effectiveness. OECD (2003) observes that there is a trend of increased disclosure in the Asian countries promoted and enforced by the governments after the Asian financial crisis in 1997.

Business culture in Bangladesh has two important features namely high politicisation and family dominated business. Chowdhury and Mallin (2012) comment that high politicization of business and family dominated business culture are the two major factors that caused the country two major stock market collapses in 1996 and 2011 leading corporate scandals such as Oriental Bank collapse in 2011. Besides, the study of Belal (2001) suggests that the official code of corporate governance in Bangladesh, which was issued in 2006, like in other developing countries, is largely dependent on the country's judiciary and legal system rather than market force and culture of trust like in the UK.

It is therefore convenient for this study to examine the effectiveness of the Bangladesh code from four perspectives that incorporate four hypotheses: ownership structure of firms and investor protection, disclosure of information, auditor independence and institutional capacity of the legal system.

The study of Imam and Malik (2007) suggests that the Boards in Bangladesh are so highly dominated by controlling family that it does not have any meaningful existence to protect the interest of the minority shareholders. Uddin and Chowdhury (2008) also observe that the AGMs of many Bangladeshi companies are ineffective because the small

investors are not allowed to raise their voice either because shareholders are not allowed to join the AGM or in some cases there are hired hooligans to disrupt any such voice rising by any of the shareholders outside the family. In their study Imam and Malik (2007) find negative correlation between Bangladeshi firms' ownership concentration and dividend payout ratio.

The Bangladesh Corporate Governance code has disclosure compliance provision where the companies can comply by mere ticking the compliance-reporting format. The irony is, the regulatory body Securities and Exchange Commission (SEC) does not have any method to verify those reported compliances. Sobhan et al (2003) point that, the current accounting standards do not require enough disclosure of financial and non-financial information to the shareholders. Rashid (2008) comments that due to lack of enough disclosure investors depend heavily on the brokers for information that are mostly market rumours and speculation. He also points that because of such widespread speculative investment the 1999 stock market crash occurred.

External auditors are inevitable part of any good corporate governance model (Solomon, 2010). Siddiqui (2011) reports the failure of the central bank to detect the audit manipulation by several banks, where the banks lent money to fake persons and actually invested the money in the stock market illegally because the external audit reports of those banks were manipulated. Islam et al (2010) comment that auditors in Bangladesh are neither independent nor qualified hence the audit reports are not reliable and contains financial misstatements. Uddin and Chowdhury (2008) find that two major impediments, strong pressure from the board to produce favourable audit report and SEC's limitations to take strong legal action against such fabricated audit report have made the SEC's audit recommendations ineffective.

Lastly, Bangladesh judiciary lacks the institutional capability to settle the corporate disputes due to inexperience of the judges, corruption, shortage of skilled law professionals, inadequate legal and regulatory framework (Chowdhury and Mallin, 2012; Sobhan et al, 2003). Solaiman (2006) also finds that along with other elements, weak legal and regulatory framework is hindering the development of capital market in Bangladesh. The Companies Act, 1994 is the only law that could be applied to seek relief to the court. Kha et al (2009) mark this law as a porous one in which the minority shareholders suffer to seek protection. The studies of Uddin and Choudhury (2008) and Haque et al (2011) suggest that the judgments or orders of the courts are often biased towards the powerful companies who have political affiliation.

DEVELOPMENT OF HYPOTHESES

Extensive literature review and aim of the study leads to the following hypotheses:

- **H1:** Compliance to the current code of corporate governance in Bangladesh does not protect the minority shareholders in a family dominated board.
- **H2:** The current code does not ensure sufficient and authentic disclosure of financial and non-financial information necessary for investment decisions.
- **H3:** The current Code does not ensure the independence and accountability of the external auditor.
- **H4:** The current legal framework is inadequate to support the present voluntary corporate governance approach.

RESEARCH METHOD AND DATA ANALYSIS

Introduction

From extensive literature search and study, it appears that there has been very little study to examine the effectiveness and limitations of the current corporate governance model of Bangladesh ever since the SEC has promulgated it in 2006.

Research Method and Questionnaire Design

In order to test the above-mentioned hypotheses, a mixed method of data collection has been followed. The method includes a four-scale likert scale questionnaire and gathering information from archival data, the primary source being the annual reports of the surveyed companies. The findings of the questionnaire have been compared and contrasted with the Annual report in respective areas. However, the questionnaire remains the primary and major sources of data. It is therefore, a mixed method with the combination of both positivist and interpretivist approach of research and the reason of pursuing this approach is the poor credibility of the printed data in Bangladesh (The World Bank, 2009). Besides, the available printed data do not cover all the issues needed to address the aim of the study, namely the scope of a different corporate governance model in Bangladesh. The questionnaire has 25 questions (**Appendix 1**) divided into four parts where each part addresses each of the hypotheses. In the existing literature, it appears that, very few studies such as Kha et al (2009) have examined the effectiveness of the current code. However, it appears that no study has examined the scope for a different model of corporate governance in Bangladesh. To some extent a similar method to this study has been adopted by Haque et al (2007) where both questionnaire and interview methods have been used to study the state of corporate governance in Bangladesh.

Sample Selection and Data Collection

Regarding the selection of sample, respondents who are likely to be aware and involved with the issues covered in the hypotheses have been chosen. The respondents include CFOs, Financial executives, managers and officers of firms and Banks (since banks in Bangladesh are allowed to invest in the stock market and also have significant influence on the boards of their client companies), executives from the Securities and Exchange Commission, Dhaka Stock Exchange, Legal Practitioners and general investors. The researcher's personal acquaintances have been used in a snowballing method where one respondent has recommended for some other respondents. Besides, suspicion towards the researcher has been noticed in case of previously unknown respondents since issues regarding stock market are currently regarded very sensitive in Bangladesh after the last crash of the market in December 2011 caused mainly by businessman-cum-politicians. The researcher targeted to collect at least 50 responses. However, after more than a month long effort, 32 responses could be reached some of which have been collected after repeated request to the respondents. Most of the questionnaires were filled up in the respondents' working place and the anonymity of the respondents was assured.

DATA ANALYSIS

To analyse the data, the likert scale responses were coded and entered in the data analysing software SPSS. The occupation, age and sex of the respondents were also coded to analyse responses from those perspectives. The two more suitable tests for this study are the descriptive analysis by frequency test and the reliability test of the responses. The Cronbach's Alpha Test is the most commonly used reliability test for likert scale studies.

Part-A

Part A of the questionnaire has 8 likert scale questions dealing with the impact of family dominated board structure to the protection of the small investors. It includes eight questions relating firm's dividend policy, risk profile assessment, AGM, family-dominated board, insider trading and the non-financial background of the Independent director. Accumulating from the frequency tables it is found that on an accumulated average, 92.587% of the respondents strongly agreed and agreed with the propositions of Part- A suggesting that the minority interests are highly affected by the family dominated board, insider trading and Independent Director without financial background. However, there is a fair amount of disagreement (25%) amongst the respondents on the proposition that the company's dividend policy does not pay proper attention to the interest of the small investors. From the Ranking table of Question-9 it is found that a highest 46.428% of the respondents consider that Insider Trading should be most affecting thing to the investor protection.

Part-B

The second part of the questionnaire mainly deals with the disclosure issues, which are important for the shareholders to make an informed investment. It is assumed in the hypothesis that the current code of Bangladesh could not ensure authentic and sufficient disclosure of information by the companies. At the findings level, it is observed that on an accumulative average of 75.64% of the respondents strongly agree and agree that the current disclosures are not enough to make the invested well informed. However, there are major disagreements in this section on two questions. A 31.3% disagreement has been observed in the question whether the current disclosures are sufficient to make an informed investment. And another 50% disagreement on whether the current Annual Financial Statement of the companies discloses the complete description of capital structure has been observed. None of the respondents who disagreed have noted any reason or observation on such view. However, on reliability of the disclosures one respondent made an observation, which suggests that the information disclosure is sufficient but they are not necessarily reliable.

Part- C

The third part of the questionnaire covers the issue of the independence of the external auditor to produce the external audit report and their accountability. From the frequency tables, it is found that, in total, there are average 85.45% of strongly agreement and agreements among the respondents that the current corporate governance model of Bangladesh do not ensure the independence and accountability of the external auditors. However, from a meticulous study of Securities and Exchange Rules (Ministry of Finance, 1987) the researcher could not find the authenticity of this comment. The SEC Rules, 1987 provides, along with other related matters, the format of declaration of the Independent Auditor about their report. It does not provide any provision so as to what legal action any regulatory body may take in case of any detected manipulated audit report.

Part- D

The fourth and final part of the questionnaire consists of six questions about the limitations of current legal framework of Bangladesh to support the present mode of corporate governance. A total average of 96.37% of respondents supports the view that the present legal system is inadequate to accommodate the prevailing voluntary model of corporate governance. However, 9.4% of disagreement found on the matter that whether it is difficult for the small investors to find relief under current legal system. None of the respondents, who disagreed on this point, explained their reason. Rather, one respondent who strongly agreed on this matter has made an observation:

“There are sufficient law in the country but enforcement of the same is very little.”

RELIABILITY TEST

For a study such as the current one, reliability test is important to measure the consistency of the scales or items used to test the hypotheses. It refers to which degree the items that constitute the scale are knitted together, the compactness of the items (questions) to reflect the respective hypothesis. One of the most generally used indicators to measure internal consistency of the questions set in certain part of a questionnaire is Cronbach’s alpha coefficient (Pallant, 2007). The reason for doing the reliability test in this study is to examine the internal coherence of the questions set in four parts to test the concerned hypothesis. According to DeVellis (2003) the ideal Cronbach alpha coefficient should be 0.7. However, Pallant (2007) finds that Cronbach alpha values are highly sensitive to the number of items used in the scale. She suggests that for a larger number of items the alpha value of 0.7 is acceptable as ideal but for items less than 10, as is the case of the current study, any alpha value between 0.48 and 0.76 is highly acceptable.

The results of the Cronbach’s alpha test for the four parts of the questionnaire of this study are:

Table 1: Case Processing Summary

		N	%
Cases	Valid	32	100.0
	Excluded ^a	0	.0
	Total	32	100.0

a. List wise deletion based on all variables in the procedure.

Table 2: Part-A Reliability Statistics

Cronbach's Alpha	N of Items
.624	8

Table 3: Part-B Reliability Statistics

Cronbach's Alpha	N of Items
.624	5

Table 4: Part-C Reliability Statistics

Cronbach's Alpha	N of Items
.776	6

Table 5: Part-D Reliability Statistics

Cronbach's Alpha	N of Items
.742	6

The tables above show that the Cronbach’s alpha of all the four parts of the questionnaire are consistent with their internal questions hence reliable. Both the Part-A and Part-B of the questionnaire produce an alpha value of 0.624 which is little less than the rest of the two values (0.776 and 0.742 respectively) suggesting to some extent divergence amongst the items of these two parts. The reason for such value is in the Part-A, the investor protection issue is addressed which

depends on diverse matters such as family dominated board, insider trading, ineffective AGM and Independent director without financial background. Similarly, in the Part-B, the disclosure issue is addressed where diverse disclosure issues such as company's capital structure, off balance sheet transaction, directors' pay and code of ethics were covered. In comparison to these two parts, the third part (deals with audit and auditor) and the fourth part (deals with legal limitations) has more concentrated questions.

PART V: FINDINGS AND LIMITATIONS

Findings

The aim of this study was to understand the performance of the current voluntary corporate governance code of Bangladesh from the perspective of the general investors and examine the scope for a mandatory code to enhance the transparency and accountability of the corporate bodies.

- The findings of the first part of the questionnaire, majority of the respondents, comprising of 46.39% of votes, have ranked insider trading as an element that affects most to the interest of the small investors and the family dominated board which obtains 39.28% of votes has been ranked as second most affecting aspect. The above findings suggest the authenticity of the first hypothesis that compliance to the current voluntary code does not protect the small investors' interest in a family dominated board.
- However, the respondents' 96.9% agreement on a mandatory code of ethics for the financial executives suggests that legal obligation could be a better choice to ensure better and authentic disclosure. The findings of this part show that of the five questions in this part three of them have obtained above 80% agreement responses while rest of the two have got above fifty percent agreement respondents suggesting that despite some confusion about disclosure availability, majority of the respondents are not satisfied with the current form of disclosure under the present code. From such finding the concerned hypothesis that, the current corporate governance code does not ensure sufficient and authentic disclosure for investment decisions appears to be true.
- The findings relating to the independence and accountability of the audit an auditor in Bangladesh are similar to the previous studies on similar issues. The observations of the respondents show that auditing in Bangladesh suffers from lack of regulatory capabilities, competent professionals and very low audit fees. 100% of the respondents agree that formation of a regulatory body such as the Public Company Accounting Oversight Board of the USA would be more effective for transparent accounting and audit performance. The above findings of the third part of the questionnaire suggest the third hypothesis to be true.
- In this study, it is found that a significant amount of respondents consider the current legal framework is insufficient to handle the corporate governance issues. 90.6% of the respondents find it is difficult for the small investors to find relief against any manipulation they are victim to, under current law provisions. 100% of the respondents have opined for a SOX type treatment of financial malpractice as criminal offence and for the legal protection for whistleblower. Again, 96.9% of the respondents have opted for a mandatory code of corporate governance for a transparent and better functioning stock market in Bangladesh. The above findings also suggest the fourth hypothesis to be true.

Limitations of the Study

The major limitation of the current study is the time constraint, which has restricted the scope for a larger sample size. Lack of sufficient relevant published literature in the similar field has also made the study suffer from enough empirical evidences, which have been also the case to some of the recent studies done by authors such as Islam et al (2010a), Belal (2001). Similar to the findings of Islam et al (2010a), the printed data published in the Annual reports of the companies were also found not reliable, a common phenomenon in Bangladesh as mentioned in Uddin and Choudhury (2008). However, it has been difficult for the researcher to find enough competent respondents. Therefore, like the studies of Chowdhury and Mallin (2012) and Belal (2001), this study has a comparatively small sample size.

CONCLUSIONS

The aim of this study is to examine the performance of the current voluntary corporate governance code in Bangladesh and trying the scope for a mandatory code instead. The reason for considering a mandatory approach is the underperformance of the current voluntary code suggested in the existing literature where studies reveal that the inherent weakness of the code to address the peculiarities of Bangladesh has made it ineffective (Kha et al, 2009).

This study finds, from a comparatively smaller size of respondents, that there are significant amount of discontent amongst the stakeholders about the performance of the current voluntary code of corporate governance in Bangladesh.

It is important to note, however, that a corporate governance model, be it a voluntary or mandatory one, should address the local peculiarities of business tradition and practice, its socio-political and institutional limitations which has been the case of Sri Lanka in its shifting from a voluntary code to a mandatory one (Senaratne, 2011).

This study is not a conclusive one and not free from its limitations. It only suggests the tentativeness of the stakeholders' reflection on the problems and prospects of corporate governance practice in Bangladesh. It also broadens the scope for further longitudinal studies on this issue.

Further studies, considering the limited available literature, on the issue of corporate governance code could be conducted in the areas such as the cost effectiveness and the stakeholders' aptitude to accommodate a code in a developing country such as Bangladesh perspective.

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APPENDICES

Appendix-1: Sample Questionnaire:

QUESTIONNAIRE

Occupation/Designation: Firm Type: Bank/ Non-Bank:				
Age Range:	20 - 35	36 – 45	46 and Above	Sex: Male/ Female

Part - A

- The company’s dividend policy does not pay proper attention to the benefit of the small investors:

Strongly Agree	Agree	Disagree	Strongly Disagree
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- Enough consideration is not paid for the small investors’ interest in cases such as debt financing considerations/ risk profile assessment:

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

- Small Investors should have a stronger voice and more effective role at the AGM:

Strongly Agree	Agree	Disagree	Strongly Disagree
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- Small investors are not allowed to play effective role to influence policy decisions in the AGM:

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

- The interests of the minority shareholders could be ignored in a family dominated board:

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

- Manipulation of price sensitive information by the insiders often misleads the general investors:

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

- Same person (or from same family) holding the position of CEO and Chairman has a negative relation to the minority shareholders’ interest:

Strongly Agree	Agree	Disagree	Strongly Disagree
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- Not having Finance/Accounting background may cause the Independent Directors problem to protect the interest of the general investors in the board:

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

- How would you rank the following aspects as they affect to the interest of the general/small shareholders (1 - 5; where 1 denotes most affecting aspect and 5 denotes least affecting):

Family dominated Board	
Ineffective AGM	
Insider Trading	
CEO-Chairman same person/family	
Independent Directors without financial background	

OBSERVATIONS/ REMARKS ON INVESTOR PROTECTION

Part - B

- The company's present disclosure of information is not sufficient to make an Informed-investment:

Strongly Agree	Agree	Disagree	Strongly Disagree
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- The current format of Annual Financial Statement does not reflect the complete description of the company's capital structure (debt and equity):

Strongly Agree	Agree	Disagree	Strongly Disagree
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- The current format of Annual Financial Statement does not reveal the off balance sheet transactions and obligations:

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

- The current format of Annual Financial Statement does not disclose remuneration and bonus information of the Chairman, CEO and directors:

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

- A mandatory code of ethics for the financial executives could enhance transparency and information outflow:

Strongly Agree	Agree	Disagree	Strongly Disagree
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OBSERVATIONS/ REMARKS ON INFORMATION DISCLOSURE

Part – C

- The Board's opinion has an influence on the appointment of external auditor:

Strongly Agree	Agree	Disagree	Strongly Disagree
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- The external auditor has no legal obligation for the external audit report:

Strongly Agree	Agree	Disagree	Strongly Disagree
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- The current Accounting Standard followed is not sufficient to prevent accounting frauds:

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

- The Securities and Exchange Commission has not enough authority to take legal action against any audit manipulation:

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

- The external auditors often show interest for personal incentives from the company they audit:

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

- Formation of a Public Company Accounting Oversight Board (given the limitations of SEC) would be more effective for transparent accounting and audit performance:

Strongly Agree	Agree	Disagree	Strongly Disagree
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OBSERVATIONS/ REMARKS ON ROLE OF EXTERNAL AUDITORS

Part – D

- The current laws and regulations are insufficient to ensure good corporate governance and perfect functioning stock market.

Strongly Agree	Agree	Disagree	Strongly Disagree
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- It is difficult for the minority shareholders to find relief for stock market manipulation under the current legal system:

Strongly Agree	Agree	Disagree	Strongly Disagree
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- Financial malpractices should be legally considered as criminal offences with punishment such as imprisonment:

Strongly Agree	Agree	Disagree	Strongly Disagree
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- There should be legal protection for employees who reveal any financial malpractice:

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

- The political influence of the owners often encourages for non-compliance with the current voluntary code:

Strongly Agree	Agree	Disagree	Strongly Disagree
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- A mandatory corporate governance code could promote transparent and better functioning stock market:

Strongly Agree	Agree	Disagree	Strongly Disagree
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OBSERVATIONS/ REMARKS ON LEGAL LIMITATIONS

- Would you like to respond to a follow up interview or query in this regard via telephone or mail/ email?

YES	NO
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- In case of YES in Question 27:

Telephone/Mobile Number	
Mailing Address	
e-mail address:	