ABSTRACT

After facing a large number of corporate collapses around the world, the considerable attention had been given to study corporate governance in developed countries. However, there is a dearth of studies on corporate governance practice and failures in emerging economies such as economics in Bangladesh. This study attempts to examine the corporate governance practices and failures in Bangladesh in the light of two recent corporate collapses. The Hallmark Group, a textile firm; along with Sonali Bank and BASIC Bank made the biggest plunder in the country’s history. Our analysis found that organization’s haphazard financial systems associated with serious deficiencies in its corporate governance were the primary reason for corporate collapses in Bangladesh. We find that the weakness in internal control, lack of transparency in financial reporting, poor audit quality, lack of board scrutiny of management and poor management communication with the board are responsible for corporate collapse. Our findings suggest that Hallmark and BASIC bank’s scandal can be classified as a classic case of expectation miscasts, strategic mistakes, financial unauthorized access by Board members and so on. We think, the scandal of Hallmark and BASIC Bank provided several important lessons on the role of corporate governance practices. Our findings would help the policy makers and corporate regulators associated with some insights to prevent future corporate collapse.

Key Words: Corporate Governance, Bangladesh, Hall-Mark, Basic Bank, Financial Scandal

1. INTRODUCTION

Corporate governance is the mechanism, process and relations by which corporations are controlled and directed. It includes the process through which corporation’s objectives are set and pursued in the context of the social, regulatory and market environment. The mechanisms of Corporate Governance include monitoring the actions, policies, practices and decisions of corporations, their agents and affected shareholders. Corporate governance indicates the overall business and other related issues managing and direction mechanism, structure and the process (Khan, 2011). Corporate governance is applicable both for private and public organizations and it comprises laws, regulations and contemporary business practices that shape the relationship between the managers and the stakeholders of the...
According to La Porta, et. al. (2002), corporate governance is the system which works as the shield for the shareholders that safeguard them from the managers who is also known as insider investors. There are many definitions of corporate governance ranges from a broad societal definition to a market specific one. For example, Sir Adrian Cadbury proposes a broad understanding of the concept, stating -

“Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society” (Cadbury, 2000).

An alternate and narrower understanding emerging from financial market approaches to define corporate governance is found in the finance literature. This is typified by the definition of corporate governance given by the Asian Development Bank (ADB).

“Corporate governance is a set of rules that define the relationship between shareholders, managers, creditors, the government and stakeholders; it is a set of mechanism that help directly or indirectly to enforce these rules” (ADB, 2000, p.5).

Interest in the corporate governance practices of modern corporations, particularly in relation to accountability, increased following the high-profile collapses of a number of large corporations during the beginning of 21st century. However, most of these collapses involved accounting fraud and the recent financial crisis made this topic even momentum.

Research on corporate collapse has mainly focused on developing and testing bankruptcy prediction models (e.g. Hensher et al. 2007). Moreover, bulk of the corporate governance research deals with healthy firms to understand the role of corporate governance in different contexts, such as, firm performance, executive compensation, corporate structure and firm value.

While corporate governance receives wide media and political attention following major collapse, academic research has rarely addressed corporate governance practices of collapsed firm. This paper aims to fill some of this void. If society expects corporate regulators to design and practice governance structures that are likely to reduce the chances of corporate collapse, then analysis of governance struc
ture and corporate governance practice of collapsed firms is must. Using evidence from two un-related cases, this paper demonstrates that weakness in governance practice in relation to internal control system, financial reporting quality, audit quality, management scrutiny, and management communication with the board can be catalysts to corporate collapse. This study contributes to the ongoing researches on accounting and/or finance literatures and contributes to reducing the dearth of literatures on corporate governance in emerging economies in general and Bangladesh in particular.

The main objective of this paper is to provide a critical discussion of the available literature on corporate scandal in the light of corporate governance framework in Bangladesh. In addition, we attempt to assess the factors that affect the recent corporate collapse in Bangladesh and to discuss how present corporate governance systems can be developed to prevent such type of collapse.

To achieve the above stated objectives, we have used qualitative approach to conduct this study. In particular, we have used the case study method. We tried to analyze two cases here to understand their insights about corporate governance practices. We have chosen Hallmark Group scandal and Basic Bank scandal as these two cases are highly discussed in Bangladesh. We think these two cases can be ideal examples of corporate governance failure. To support our analysis, we have collected secondary data from various scholarly articles, academic journals, online publications and newspaper reports. To make a critical analysis on this study requires a good number of literature reviews and case study method provides that flexibility. The implication of this research is to insinuate that corruption does not do any good to those committed it for a longer period of time. Instead, corruption disrupts the stability and productivity of any economy.

The paper has the following structure. The next section provides the background of this study by highlighting the current state of corporate governance practices of Bangladesh. Section three provides the literature review, section four provides the cases in detail and section five provides our findings. The last section provides some policy recommendations that can be used by the corporate regulators as well.

2. BACKGROUND OF THE STUDY

Bangladesh is a rising economy in South Asia. After fighting a long war, it achieved its independence in 1971. By suspending Companies Act 1913, the Government of Bangladesh nationalized all large and medium sized industries to ensure the so called “economic justice” or “distributive justice”. Socialism was constitution
ally accepted as one of the four fundamental principles of the state. Through national-
ization, the government gained control over 92% of the total industrial asset of the
country (Uddin and Hopper, 2003). The government preserved the right to national-
ize any private enterprise whenever felt necessary (Ahamed 1978; Banglapedia
2006). This in turn establishes its economy one of the slowest growing economies
and Bangladesh became one of the poorest countries in the world. The World Bank
(1995, p89) stated that the biggest public failure in Bangladesh was due to the
State-Owned Enterprise sectors in Bangladesh. However, export-oriented industries
and agricultural production were encouraged as a new development strategy
(Ahamed, 1978). The new regime took steps to rehabilitate the private sector and
facilitates industrialization, such as a revision of investment policy and a reduction
charges on industrial loans by the Development Financing Institution (DFI), dena-
tionalization of the public economy by the government brought in the new era of industrialization.

Though many of corporate bodies include the privatization in 1976, major
portions of the banking and jute sectors, paper and textile mills, telecommunica-
tions, railways and airlines industries could not be denationalized due to various
difficulties and so they continued to remain under government control. These enter-
prises presented a very painful experience to the nation. For example, because of a
failure of corporate governance in terms of mismanagement and corruption, the
Adamjee Jute Mills Corporations Ltd. the largest jute mill in the world collapsed in
2002 costing the jobs of 17,000 workers. In the last 30 years Adamjee Jute Mill had an
accumulated loss of Tk. 11,080 million, approximately equivalent to 22.6 million
Australian dollars (Star, 2002). This encourages adopting the market economy and
the ‘rehabilitation’ of the private sector which experienced a huge growth. For
example, the industrial GDP increased from 7.19% in 1974 to 27.8% in 1980 (Alaud-
din, 2004). The emergence of the growth of private sector causes a shift of the focus
of corporate governance from the public sector to the private sector. It was also
encouraged by so some other environmental factors, such as, the stock market
collapse in 1996, along with inefficiencies and underperformance causing collapses
of some privatized jute and textile mills (Bhaskar and Khan, 1995; Uddin and
Hopper, 2003). All these failures highlighted greatly the importance of good corpo-
rate governance in the private sector in Bangladesh.

The dominant shareholder group in Bangladesh is the major player in both
private and public sector. A few shareholders account for a significant portion of
total share value and most companies are managed and owned primarily by found-
ing family members, holding company or institutional investors; leading to very
high degree of concentration of ownership control. This concentrated owner holds a
position in the company and board, leading to poor monitoring of corporate gover
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nance practice. If we take a closer look at the Non-performing loans (NPLs) figure, we can find that the total NPLs up to the June 2018 stood at TK. 89,340 crore which is enough to fund almost three Padma Bridges. This provides an example of inefficiency and lack of good governance. Independent non-executive directors are not playing their roles at desired level. This serious anomaly in the public as well as in the private sector sets the background for this study to look into the details of the mechanisms behind the corporate governance practices and failures of Bangladesh.

3. LITERATURE REVIEW

Following the large number of corporate collapses around the world, considerable research on corporate governance is conducted within the developed countries context, such as the United States, the United Kingdom, Australia, Germany and Japan. However, corporate governance in emerging economy has not been studied as intensively as in the developed markets (Gibson, 2003; McConnel and Denis, 2005). Similarly, several reactionary structural changes have been instigated to prevent such events happening again in the developed markets context, such as the introduction of the Sarbanes-Oxley Act, 2002 in the United States; however, the reaction in the emerging market is almost absent. Corporate failures such as Enron and WorldCom, which collapsed because of the absence of corporate governance and unethical practices they indulged in, have brought corporate governance into the limelight (Sangmi& Jan 2014). Chidoko and Mashavira (2014) studied the role of corporate governance in the banking sector in Zimbabwe but focused on the period 2009-2012 using a mixed research method and found out that a culture of good corporate governance is essential for the well-functioning of business. Consequently, some researchers have examined the worldwide diffusion of corporate governance codes (Haxhi and van Ees, 2010) while others have examined the degree of compliance by firms with national corporate governance standards (Gupta and Parua, 2006) and some have concentrated on drivers of corporate governance reforms in the context of a mature capital market (Hermes et al, 2006). However, most of these researchers argue that corporate governance encourages new investments, enhances economic development and delivers employment opportunities.

Prior studies found that standard corporate governance practices in Bangladesh are absent to some extent in almost all the companies and organizations. In fact, Bangladesh has lagged behind its neighbors and the global economy in corporate governance practices (Gillibrand, 2004). One reason for this absence of corporate repetition is that most companies are family owned. Moreover, motivation to disclose information and improve governance practices by companies is felt negatively. There is neither any value judgment nor any severe legal consequences (except some recently) for corporate governance failures. The current system in
Bangladesh does not provide sufficient legal, institutional and economic motivation for stakeholders to encourage and enforce good corporate governance practices; hence failure in most of the constituents of corporate governance is witness in Bangladesh. Poor bankruptcy laws, no push from the international investor community, limited or no disclosure regarding related party transactions, weak regulatory system, general meeting scenario, lack of shareholder active participation is some of the individual constituents of the overall corporate governance practices of Bangladesh (Ahmed and Yusuf, 2005).

Haque et al. (2006) also documented that the boards of the Bangladeshi firms are mostly family dominated and executive management is family aligned. This is typical of circumstances found in the countries affected by the Asian Crisis. ADB (2000, p 2) further documented these scenarios as weaknesses in corporate governance, highly concentrated ownership, under-developed capital markets, and the weak legal and regulatory framework for investor protection.

In Australian perspective, Monem (2013) investigated the collapse of One-Tel, the fourth largest telecommunications company in Australia, which collapse in May 2001. The One-Tel collapse is a classic case of failed expectations, strategic mistakes, wrong pricing policy and unbridled growth. Clarke et al. (2003, p.263) linked the collapse of One-Tel to ‘still-born’ corporate trajectory. Hambrick and D’Aveni (1992) argue that corporate collapses are usually preceded by corporate deteriorations due to strategic errors of senior management. One-Tel’s demise leaves several important lessons on corporate governance as well. First, strong internal controls, financial reporting quality, audit quality, effective management scrutiny, full disclosure of company affairs to the board, and a strong link between executive pay and firm performance are vital for effective corporate governance of a firm. Second, a board is less likely to detect firm problems when there is a dominant CEO in the firm. Third, non-executive board members should make their own enquiries into firm strategies and performance. Hence, non-executive members should be given access to middle and lower management to ensure transparency of information. Third, large investors in any firm must take an active interest in managing the firm. Fourth, as already documented in the literature, auditor’s involvement in the non-audit service may compromise audit quality. Fifth, the board chair should always preside over the board meetings to control the board’s agenda and to effectively monitor management behavior. However, Monem (2013) concludes that all else being equal, firms with weaker corporate governance than others are more likely to collapse, and the demand for good governance heightens in the wake of poor firm performance. Thus, good corporate governance has the role of a ‘safety net’ against corporate collapse.

After reviewing the above relevant literature, we find that in the perspec
tive of Bangladesh, to the best of our knowledge, no previous research was carried out to understand the relationship between corporate collapse and corporate governance. As a result, there was a vacuum in research regarding this issue and a potential research gap was identified by the authors. Inspired to fill the gap in the literature, we have critically analyzed the two major corporate scandals of Bangladesh in recent time and linked them with the extant literatures on this subject matter. Through this study, the researchers provide some new insights into the association between corporate collapse and corporate governance. The next section provides the detailed about the two cases.

4. CASE STUDY OF HALLMARK AND BASIC BANK

4.1 Hallmark Scandal

The largest banking scandal to date in the history of Bangladesh is the infamous Hallmark Scandal that was carried out by the collusion between officials of Hallmark and Sonali Bank, in particular, between the Managing Director of Hallmark Group, and the Manager of Sonali Bank’s Ruposhi Bangla branch. The Hallmark group that began launching garments in 2007 becomes the owners of 80 factories in 2012, at least 40 of which are on paper though. Most of these factories were built with the short-term loans. Hall-Mark bought 36 decimals of land from Janata Housing at Hemayetpur in 2006 and set up its first factory, Hall-Mark Fashion, there in 2007, the year it started banking with Sonali Bank’s Ruposhi Bangla Hotel Branch. In 2008, the group set up Bobby Fashion, Wall-Mart Fashion, Hall-Mart style, Boby Denim and Hall-Mark Design wear with Sonali Bank loan. There was no factory built during 2009-2010. But in 2011, it suddenly got huge money and set up 27 factories in a year (Dhaka Mirror, 2012).

Hall-Mark itself is aware that it has done wrong by diverting short-term loans (Inland Bill Purchase-IBP) into project loans, which are long term in nature, but lender Sonali Bank seemed not to notice it. The project in Hemayetpur, some 30 km north west of the capital, is built on a 100-acre land, a large portion of which was bought with Sonali Bank loan. According to Hall-Mark, its net liabilities to Sonali Bank stood at Tk. 2,268 crore, of the sums, Tk. 1,567 crore is funded loan, meaning the amount has been taken in cash. The remaining amount is non-funded loan, mostly in the form of guarantee against Letter of Credit (L/C)(Siddique, 2017).

Bangladesh Bank has found out that the Hallmark Group along with five other companies applied for further loan and eventually got the approval for their loans with forged documents with the Sonali Bank (Manik, 2012). A Bangladesh bank investigation in May’ 2012 found that the group’s total liabilities to be Tk. 2,686.14 crore and all of the Hall-Mark loans were against IBP, which is a short-term
credit facility utilized as working capital. But the hitherto little-known company used these loans for buying land and building factories (Dhaka Mirror, 2012). Bangladesh Bank (BB) reports showed that the Ruposhi Bangla Hotel Branch of the state-owned Sonali Bank distributed Tk. 36.48 billion in the form of loans from 2010 to 2012 and the largest portion of this loan that is Tk. 26.86 billion went to a single company known as the Hallmark Group (Sabet and Ishtiaque, 2013). The question arises as how did they carry out this huge loan scam and where those funds were allocated by the group. Investigations by two famous daily newspapers of Bangladesh, The Daily Star and Prothom-Alo, have shown that the whole process of the loan scamming was done mostly through the opening of Letter of Credit (LC) in favor of Hallmark by giving guarantee of payments to many fictitious suppliers based on the documents most of which were fake.

![Figure 1: Diagram representing Letter of Credit (LC) fraud at Hallmark (Sabet and Ishtiaque, 2013)](image)

Above figure shows how the whole process of Hallmark Scam was carried out in a graphical representation. Hallmark was alleged to establish fictitious companies, such as Anwara Spinning Mills, Max Spinning Mills, Star Spinning Mills, which were shown as recipients of the LCs. These companies submitted falsified paperwork reporting deliveries of fabric to Hallmark, which were then paid for by the LCs from Sonali Bank’s Ruposhi Bangla branch. Because the fictitious companies and Hallmark had their accounts at the Ruposhi Bangla branch, on paper it looked like the branch’s assets and liabilities were balanced out (Rahman and Khan, 2013; Jewel, 2013). The question further arises that why this huge malpractice was not discovered earlier so that it could be prevented in the first place. Research and newspaper investigation have figured out three important vulnerabilities. Firstly, the internal control mechanism of Sonali Bank, specially the internal audit department did not carry out their role honestly as found by a parliamentary committee that the Ruposhi Bangla branch was certified as a “low-risk” branch by the inspection and audit team of the bank despite violations of financial rules between 2007 and 2011 (Ahmed and Devnath, 2012; Daily Sun, 2012). Secondly, the board of directors couldn’t justify the rationale behind sanctioning this huge amount of loan in favor of Hallmark although the Ruposhi Bangla branch exceeded its loan quota by almost 500% (Daily Sun, 2012). Finally, Bangladesh’s regulatory authorities were also partially liable to this scandal as some investigators comment
ed that Bangladesh Bank should have been more proactive in responding to the irregularities detected in the central bank’s own audits of Sonali Bank (Ahmed, 2013). However, newspaper reports revealed that Hallmark Chairman was convicted and jailed for 3 years and was also fined Tk.20 lakh in the corruption case filed by the Anti-Corruption Commission (Dhaka Tribune, 2018).

4.2 BASIC Bank Scandal

The BASIC Bank Limited (Bangladesh Small Industries and Commerce Bank Limited) was one of the finest state-owned banks of Bangladesh up until recently when some serious allegations were made against the top managers of the bank regarding loan scamming from the period of 2009 to 2013 by the economic intelligence unit of Bangladesh Bank. BASIC Bank establishes as a banking company under the companies Act 1913 and launched its operation in 1989. It was incorporated under the Act on the 2nd of August, 1988 and started its operation from the 21st of January, 1989. The Bank was established as the policy makers of the country and felt the urgency for a bank in the private sector for financing Small Scale Industries. At the outset, the Bank started as a joint venture enterprise of the BCCI Foundation with 70 percent shares and the Government of Bangladesh (GOB) with the remaining 30 percent shares. However, the Government of Bangladesh took over 100 percent ownership of BASIC on 4th June 1992. Thus, it becomes a state-owned bank though it is not nationalized and it operates like a private bank as before. Basic Bank is unique in its objectives and it is in fact a blend of development and commercial banks. The Memorandum and Articles of Association of the Bank stipulate that 50 percent of loan-able funds shall be invested in small and cottage industries sector (BASIC Bank website, 2018).

Bangladesh Bank reports revealed that nearly Tk. 4,500 crore was taken illegally in the name of loans from the bank with the direct connection from the chairman of the bank at that time along with the help of other board of directors. What was really surprising in this situation is that of the Tk 4,500 crore swindled out of the bank, more than 95 percent was sanctioned by the board. In each case, the loan amount was more than Tk 1.5 crore, a sum the management cannot approve without the board's approval (Khan and Uddin, 2018). Bangladesh Bank (BB) however, unearthed several anomalies in the loan sanctioning process by the Board of Directors of the bank. The report of Bangladesh Financial Intelligence Unit (BFIU), the anti-money laundering unit of the central bank, in 2014 showed that around Tk. 20 crore was transferred to bank accounts of two firms, owned by a close family member of the Chairman, from several companies that got loans from BASIC Bank through scams. Another important thing to notice on this point is that in 2010, BASIC Bank approved a loan of Tk 5.60 crore to BS Trading before the firm even opened its account with the bank. The loan amount was raised to Tk 33 crore in
2012. The branch concerned, however, didn't show any reason for increasing the amount. It didn't even verify the ownership of the property that was mortgaged against the loan. Besides, no credit risk grading was done before approving the loan though it was mandatory. No documents of the mortgaged land were collected (Alo, 2017). This means there existed some serious irregularities in the governance mechanisms of the bank at that period.

The BB team filed a 47-page long report, which includes a list of borrowers, giving almost a minute-detail account of how the loans were approved and then withdrawn in clear violations of the rules. A serious governance failure was identified in this report of BB as it said that BASIC Bank's board and its credit committee at the headquarters ignored the negative observations from the bank's branches on a number of loan proposals, and approved those without following due diligence. In May 2014, the central bank fired BASIC Bank managing director for presiding over a period of serious irregularities at the state-run bank. Bangladesh Bank found him to be culpable in seven counts, including lack of sound management, failure to protect depositors' interest, and loan irregularities. In the aftermath of this incident, Anti-Corruption Commission (ACC) filed 56 cases in 2015 accusing a total of 110 people and organizations for gross loan irregularities worth over Tk 4,500 crore. Of the accused, 27 were bank officials and the rest were borrowers and surveyors, according to the ACC (The Daily Star, 2016). Despite those paper evidences and practical allegations against the then chairman of the bank, he was not made an accused in any of the cases filed by ACC which raised questions regarding his political backings in this scam.

5. FINDINGS

In this section we have discussed our findings pertaining to the failure of corporate governance of Hallmark and BASIC Bank. In a nutshell, we can say that state backed corruption, lack of good governance, lack of transparency in the loan sanctioning process, independence of the board being hampered due to the selfishness of the family owned or politically backed directors were the main driving forces behind the Hallmark and BASIC Bank collapses. We have summarized our findings into three categories such as economic factors, political factors and institutional factors that are responsible for the failure of these companies. Economic factors arise from negative economic conditions in the macro-economy perspective. Such adverse economic conditions include; high and rising inflation rate; high and increasing foreign exchange rate; subsisting huge foreign debts; huge and expanding fiscal deficits; inadequacy of foreign exchange; monetary policy changes; inconsistent or unstable economic policies; unguided economic reform program deregulation, low capacity utilization in the industries; low per capita income; high domestic debts;
dwindling national income and corruptions. For example, the combination of high inflation and exchange rates reduce the capacity of bank customers to save. Thus, deposit mobilization becomes a subject of intense competition with consequences for higher operational and financial costs. On the other hand, low capacity utilization and low income per capita reduce the ability of borrowers to repay their financial obligations. Thus, bad debts developed with serious consequences for increased provisions, which lead to reduced profits or increased losses. We think all these economic factors accelerated the collapse of the Hallmarks and Basic Bank to a great extent.

Political factors are politically induced, which turn out to have adverse consequences on the effective management of financial sectors. For instance, the political interference on the management of financial sector is such that most of the government owned finance sectors were politically influenced to grant loans and overdrafts, soon after which became hardcore and remained unpaid. Furthermore, appointments of board and management members of such sectors were mainly politically influenced, many times resulting to using unqualified and / or inexperienced person to manage the economy. There were various newspaper reports about the link between these two companies and the various political parties. Thus, we think political factors are also liable to the collapse of these two companies.

In addition to economic and political factors, some researchers argue that institutional factors are equally liable for the corporate collapse in many countries. In the perspective of Bangladesh, it will not be undermined if we argue that there is still weakness in the institutional settings, such of weakness in the Bangladesh Securities and Exchange Commission (BSEC) and Stock exchanges. Institutional factors also include boardroom squabbles arising from ownership structure, insider abuse, frauds and forgers, weak / ineffective internal control systems, poor asset quality, inadequate capital, poor management and other internal factors.

We also find that strong internal control systems, financial reporting quality, audit quality, effective management scrutiny, full disclosure of company affairs to the board are the important factors to ensure good corporate governance practice in Bangladesh. We think in both of above cases these factors were either missing or used in the lesser scale. We argue that a board is helpless to detect firm problems when there is a dominant CEO in the firm and this reason also responsible for the collapse of these two companies. We also argue that firm strategies and performance should be perfectly evaluated by non-executive board members with their own enquiries. Hence, non-executive members should be given access to middle and lower management to ensure transparency of information. This issue was also missing in both of the cases in our study. Previous research finds that auditors are
liable to justify the financial reporting quality and auditor’s involvement in the non-audit service may compromise audit quality. Though we did not check the audit report and the detailed of audited financial information in our present study but we can infer that in both of the cases auditors might not provide ‘due care’ or ‘professional diligence’ while auditing these two companies. Thus, we can conclude that our findings are consistent with the previous research such as the findings of Monem (2013).

6. POLICY RECOMMENDATIONS

From the discussion of the above two cases of corporate collapse, we can argue that lack of efficient or good corporate governance is a big problem in Bangladesh. Hall-Mark and Basic Bank’s demise leaves several important lessons on corporate governance practices and failures as well. We think firms with weaker corporate governance are more likely to collapse, and the demand for good governance heightens in the wake of poor firm performance. Thus, good corporate governance has the role of a ‘safety net’ against corporate collapse. The Hallmark Group and Basic Bank corruption case in Bangladesh is being just two examples of prevalent fraudulent cases that happen due to supervisory lapses from the law enforcement and policy regulators inside and outside of the organization. The good news is that some of those corporate perpetrators have been finally caught up and brought under the law of justice. People in general expect that these wrong-doers would get exemplary punishment so that nobody in future would be encouraged to commit such corruption. On the basis of our findings we can provide some policy recommendations that could be useful for the corporate governance practitioners, government policy makers and corporate regulators. We suggest the following initiatives:

a. The organization’s corporate governance system must be strictly design and followed.

b. The responsibility of Board Members, Chairman and another authorized person should be clearly defined.

c. The quality of Financial reporting should be improved according to establish rules and regulations.

d. The persons involved in the record keeping system should have adequate knowledge on accounting, auditing and other related area.

e. To establish a fair reporting system may be a provision to review the audit work by other auditor or audit firm.

f. The quality of both internal and external audit needs to be improved and the highest regulatory bodies need to be proactive in this regard.

g. Political involvement should be removed to establish a fair corporate culture.
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