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Bangladesh's Learning from Corporate Governance in Japan

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Abstract– This paper attempts to investigate the practice of corporate governance in Japan since it has largely contributed to the country's financial management. That, in turn, led to the unprecedented economic boom of Japan. The practice and objective of corporate governance have got a different momentum in Japan despite its origin from the firm's Anglo-American theories, particularly 'Agency theory.' The convergence and divergence in corporate governance due to innovation and customisation of practices fitting in with the national culture have made Japan's practice different. The model Japan has evolved is now being attempted to be replicated by many developed economies. Issues like a stock-exchange scam, business organisations functioning as pressure groups, and electronic robbery in the Central Bank of Bangladesh have shown us that as a growing economy in South Asia, Bangladesh requires a model to adapt and learn from the existing practices of corporate governance to ensure the acceleration of economic development. This paper is a qualitative review study based on the existing literature—journal articles, book chapters, newspaper articles, interviews of experts, and periodicals. The paper attempts to identify the practice of corporate governance in Japan and prescribe a possible model for Bangladesh to contribute to the economic growth of this developing economy.

Keywords Corporate Governance · Japan · Bangladesh · Learning · Economic Growth ·

1. Introduction

Corporate governance has been one of the critical factors contributing immensely to the post-war Japanese economy. The unique practice due to the amalgamation

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of the national culture in the capitalistic financial control model has contributed to fit in the society, making economic growth unprecedentedly possible. Thus, to an extent, corporate governance diverged from and converged with the Western model in Japan has become a popular and effective model for the developing countries to follow. Since developing economies have been suffering categorically in the area of governance, especially corporate governance, because of an underdeveloped structure of politico-economic crafting, the texture of control and deregulation mechanisms do not correctly function to make it conducive to the expected growth of the economy. Moreover, because of the globalisation of capital, labour, and markets, control over the corporations is crucial for the economy's sustainable growth. Corporate governance, hence, is the determining factor of sustainable growth for any developing or transitory economy. Acknowledging the shareholders' value, healthy ratio of individual and institutional investors, the composition of the board of directors from both in and to a minimal extent outside the institution, the well-defined role of central and commercial banks and their relations with the companies, companies' employee-centric attitude and stability of shareholdings are some salient features of Japanese corporate governance making it uniquely unique and effective. So, the Japanese corporate governance model has inspired the present researchers to study and recommend a model for corporate governance in Bangladesh. Being a promising economy, it has been facing challenges in this area of governance. The loopholes are so pervasive at the corporate governance due to lack of institutionalisation at any level that there occurred massive incidents like electronic robbery at the central bank, stock exchange scam, abrupt regulation and deregulation, political partisanship in framing board of directors for banks, and other regulatory institutions, and so forth. Thus, the customisation of corporate governance in Japan shows a possible solution for Bangladesh to develop a model based on 'Anglo-American' one with necessary synchronisation of aspects in correspondence with the existing social practices for facing the said issues so as not to happen further. The rest of the paper has been divided into five broad sections. The first section covers the literature review on corporate governance, comparative corporate governance, and practice in Bangladesh and Japan. The second part of the paper entails the research methodology, whereas the third part of the paper deals with the discussion and findings of the research. Here, the best practices of Japanese corporate governance and the impediments of establishing effective corporate governance in Bangladesh are detailed. The fourth section of the paper prescribes a possible corporate governance model for Bangladesh. The last part draws a conclusion that leaves the future scope of research in this area.

2. Literature review

2.1 Corporate governance

Shleifer and Vishny (1997) state that corporate governance is the framework that directs and controls companies; and is a prominent subject for research and discourse. Vives (2000) further opines that the recent extension of "shareholder value" notions and institutional investment, the formation of best-practice guidelines for boards of directors, and the debate over whether market-oriented or bank-relations-oriented systems are better for economic performance are all excellent examples for the ongoing discussions. The debate's result is crucial for developed countries, developing countries, and countries with economies in transition. National regulations, capital market needs, and individual corporate actions influence corporate governance systems. There are significant variances in foreign corporate governance systems due to historical factors. However, as product, labour, and capital markets have become more globalised, international governance systems have become more competitive. In the long run, this struggle will result in the convergence of all systems, the continuation of many systems, or the supremacy of a single corporate governance system. Globally, corporate governance systems are comprehensive (Schmidt & Spindler, 2002; Witt, 2004). Claessens (2006) and Levine (2005) have expressed that firms, markets, and governments benefit from good corporate governance. It has been linked to cheaper capital costs, more robust returns on equity, more efficiency, and better treatment of all stakeholders. Businesses and governments should proactively reform given the benefits of effective corporate governance.

Similarly, valuation, operating performance, and stock returns are used to assess the connection between corporate governance and performance. The majority of evidence points to a beneficial relationship between corporate governance and numerous performance indicators (Black, 2001; Black et al., 2006; Black & Khanna, 2007; Love, 2011). Hopt (2010) explains that in every country focusing on modern industrialisation, corporate governance, or the framework by which corporations are managed and governed, has become an essential topic in legislation, practice, and academics.

Accounting and financial scandals of immense proportions have recently erupted worldwide. Both Detomasi (2006) and Woolcock et al. (2001) state that much of the blame for these scandals has been placed on the offending corporations' inadequate corporate governance practices, demonstrating how corporate governance impacts economic development. The question of whether national corporate governance systems are likely to converge, what form such convergence would take, and what hurdles now prevent convergence has gotten much attention. In addition to that, the methods of regime theory have shown much promise for structuring empirical research into the process of corporate governance convergence. It uses the recent Western corporate governance experience to show how a consensus on corporate governance norms, values, and principles is forming. Furthermore, the development of a corporate governance framework for emerging market economies and the topic of global governance, in general, may have positive consequences.

2.2 Comparative corporate governance

In recent years, Comparative Corporate Governance (CCG) has become a more mainstream method in corporate governance research. It is partly due to a growing international orientation among legal experts and an increasing empirical trend in corporate law studies. Different practices in different jurisdictions provide for natural experiments to establish causal connections between specific characteristics of a corporate governance framework and real-world outcomes. As the world approaches the second decade of the twenty-first century, this comparison body has become increasingly significant. Many established methods of thinking about corporate governance and the connection between businesses and the government have been brought into question (Clarke, 2011; Hopt, 2010; O'sullivan, 2000). As a result, governments and academics ask themselves if other countries can do better.

2.3 Corporate governance in Bangladesh

Corporate governance has become a critical concern in Bangladesh and a heavily debated topic. Corporate governance has a considerable influence on companies. The corporate governance system in Bangladesh assigns the proper distribution of corporate responsibilities to principles that govern management characteristics and actions. In Bangladesh, where corporate governance plays a minor role, agency problems (internal conflicts of interest) emerge between shareholders and the managerial bodies. Corporate governance practices are more extensive in some sectors than in others. Local ownership, Securities and Exchange Commission (SEC) notification, and firm size are all found to have a substantial impact on corporate governance practices. Membership at a financial or non-financial institution, age, being a global corporation, and the size of the board of directors are all proven to have no meaningful impact on corporate governance practices. It results in a precarious legal and regulatory framework, as well as inconsistencies in accounting, auditing standards, and bad management practices (Bhuiyan & Biswas, 2017; Haque et al., 2011; Rahman & Khatun, 2017; M. N. Uddin et al., 2019). Several studies have found that the Bangladesh Bank (BB) is subject to various regulatory and strategic constraints.

Furthermore, BB lacks openness in reporting, as seen by the absence of worldwide reporting and external verification. Moreover, it has been proven that BB's regulation is under threat of credibility due to political, business, and societal responsibilities. These are due to a lack of or otherwise ineffective corporate governance. The country already paid the penalty through stock-exchange scams, business organisations acting as pressure groups, and electronic robbery at the BB (Masud et al., 2018; Masud & Hossain, 2017). As a result, Bangladesh needs to adopt corporate governance, which will play a critical role in providing the essential checks and balances between shareholders and management to limit agency difficulties in these circumstances.

2.4 Corporate governance in Japan

Japan's corporate governance is neither wholly convergent nor utterly divergent from the Anglo-American model, particularly the 'Agency theory.' Instead, Sony, the forerunner in corporate governance changes in Japan, and its followers selectively absorbed characteristics from this model, dissociated them from the original context and adapted them to match their very own national culture and philosophies, which ultimately has developed governance innovation (Ahmadjian, 2000; Mallin, 2006; Yoshikawa et al., 2007; Yoshikawa & McGuire, 2008). Banks are influential and crucial in corporate governance in Japan, and while there is evidence that their authority is waning now, they continue to play a substantial role. Taking these assertions correctly while addressing corporate governance, it is essential to distinguish between two concepts: influencing the company and monitoring its management. Banks are powerful influencers in Japan, yet it is not easy to demonstrate that they effectively monitor Japanese corporate governance. Second, employees are highly valued in Japan. Even though the Japanese company law assumes that shareholders are the business's owners, Japanese companies are widely assumed to be owned by their employees and governed in their best interests. Kanda (2015) suggests that, as a result, Japan's creation of corporate ownership for its employees, along with strong corporate governance, has resulted in maximum value generation and unprecedented economic growth. Japanese Chief Executive Officer(s) (CEO) are paid far less than their Western counterparts is a distinctive aspect of the Japanese corporate governance paradigm. The culture of intolerance explains this paradigm for excessive executive compensation in Japan, which is well accepted by the CEOs and backed by their long-term-oriented institutional investors, such as banks, to ensure workers' well-being. Furthermore, a lower CEO salary does not harm business performance, according to a study of Japanese example, and is a vital factor in developing stakeholder-friendly corporations (Abe et al., 2005; Gilson & Milhaupt, 2005; Jackson & Milhaupt, 2014; Salazar & Raggiunti, 2016). Furthermore, according to empirical evidence offered in numerous reports done by Witt (2004), it is widely acclaimed that the Japanese corporate governance model will persist as a distinct but equally (or in some cases more) efficient system, in the long run, hence making the best model for adoption for many countries around the world.

The literature review effectively highlights the importance of corporate governance, the financial and transparency-related consequences, and corporate governance in Bangladesh and Japan. It describes Bangladesh's lack of or inadequate corporate governance and how Japan's corporate governance has played and continues to play an essential role in its economic development. In addition to that, many emerging economies, similar to Bangladesh, may embrace the Japanese corporate governance model. The purpose of this article is to present an overview of Japanese corporate governance norms, helping build a model for Bangladesh that would contribute to the country's economic progress.

3. Methodology

The reductive technique and document analysis strategy are used in this qualitative approach. Data are analysed using the Thomas & Harden (2008) content analysis methods for thematic analysis of qualitative research. QDA Miner qualitative data analysis software is utilised to code data for creating themes. This study is based on recently published secondary sources and online secondary sources. Apart from that, a few interviews of the experts have been conducted to keep the research on track. Data was gathered to investigate the research topics from academic and journal articles, book chapters, newspaper articles, periodicals, research reports, and various websites. A variety of sources were used to organise several tables and figures. Many authentic domains' data have been used. The researchers made great efforts in data gathering to obtain relatively latest information that has not previously been evaluated in any academic study of this sort. However, because most of the secondary sources for this study were gathered through web-surfing, research ethics were given due consideration. The data's sources have been checked for authenticity and veracity.

4. Discussion and findings

The findings of this study provide an overview of both Japanese and Bangladeshi corporate governance norms. The findings are divided into two categories: unique characteristics of Japanese corporate governance and impediments preventing effective corporate governance in Bangladesh. These two aspects effectively demonstrate the significant dissimilarities and gaps in corporate governance norms between the two countries. In conclusion, this article summarises the key findings and provides additional perspectives by prescribing a possible model for Bangladesh to contribute to the country's economic growth.

4.1 Unique characteristics of Japanese corporate governance

Although it stems from the firm's Anglo-American doctrines, particularly 'Agency theory,' The practice in Japan is distinctive due to the convergence and divergence in corporate governance as a result of innovation and modification of methods to accommodate the national culture. This unique type of corporate governance has played a significant role in the country's financial management. As a result, Japan experienced an extraordinary economic boom. These unique characteristics of Japanese corporate governance are characterised by the unique features related to how their shareholders, employees, board of directors, and the banks in Japan interact with and within the Japanese corporations.

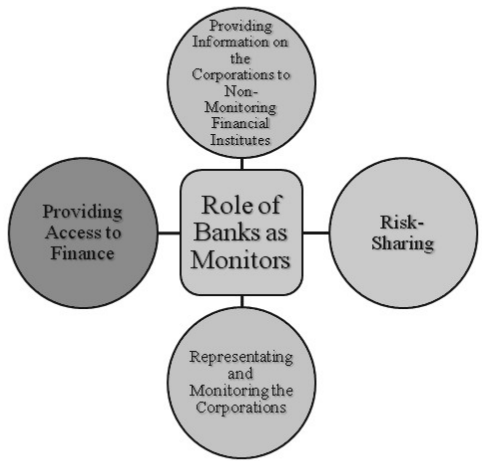
4.1.1 Stable shareholding and cross-shareholding

Japanese shareholders are often believed to have been excluded from participating actively in the governance of their companies (Ide, 1998; Kester, 1993). The majority of shareholders are thought to have agreed to forgo control rights, not sell to third parties, and consult with the firm whose shares are held if they are disposed of, which is commonly viewed as an essential characteristic of Japanese corporate governance (Sheard, 1986). Together with low share turnover rates, these ownership patterns lend credence to the notion that Japanese shareholding is primarily defined by substantial, stable, reciprocal transfers between business partners and a tiny fraction of actively traded shares. As a result, firms are widely considered immune to the 'discipline of the market,' which could be exercised by independent shareholders actively trading underperforming equities (Monks & Minow, 1995). However, as some enterprises began to expand nationwide rather than locally or regionally, they realised the importance of establishing economies of scale and scope. Rather than building vertically or horizontally integrated organisations, *keiretsu* (networks of closely or loosely related companies) were developed. Shares were frequently sold to allied corporations and institutions rather than the open market, partly to raise funds and build business relationships. A risk-sharing hypothesis, first presented by Nakatani (1984), is the fundamental theoretical perspective economists have established to explain the continued robustness of stable shareholding. As a result, it is stated that cross-shareholding acts as an implicit mutual insurance scheme, in which member firms are simultaneously insurers and insured. Japanese firms are additionally protected from hostile takeovers by this stable shareholding and cross-shareholding practice. Although this system may not improve firm-level profitability, it is not inherently inefficient because increased macroeconomic stability may benefit. Furthermore, Japanese corporate governance is concerned with ensuring that firms are run in such a way that society's resources are used efficiently, taking into account social costs and a wide range of stakeholders in addition to shareholders, such as employees, suppliers, and customers (Allen & Zhao, 2007).

4.1.2 Banks as monitors

The role of the banking system is commonly regarded as an essential component of Japanese corporate governance systems. The banking system plays a crucial role in monitoring company executives in the absence of shareholders (Monks & Minow, 1995; Watanabe & Yamamoto, 1993). The involvement of commercial banks in the management of financially distressed clients, such as Sumitomo Bank's well-known restructuring of Mazda, is likely the most widely cited 'proof' of significant banks' potential influence being realised (Pascale & Rohlen, 1983). Several empirical investigations also demonstrate that significant banks play an active role in assisting clients in financial difficulties. These banksarerisk-sharing organisations that receive significant premiums in good times and guarantee consumers in bad times (Nakatani, 1984). Another possible explanation for the bank puzzle is that it serves as a delegated monitor for all banks' lending to a corporation (Sheard, 1986, 1994). Other banks, in turn, serve as delegated monitors for other corporations, resulting in less duplication of effort. As a result, the commercial bank does not immediately gain because it manages costs. However, the system is more efficient: For the non-monitoring banks, the monitoring of commercial banks produces a favourable externality. It is willing to do so because it enjoys favourable externalities from the same institutions when it lends as a non-monitoring bank (Sheard, 1986). The Japanese commercial system is so distinct because of the leading bank system. The primary function of these monitoring commercials is to create and integrate costly information on borrowers that is not available on the capital markets (Horiuchi et al., 1988). These banks may substitute screening and monitoring organisations such as bond and credit-rating agencies. In this context—banks have a thorough knowledge of corporations; thus, their lending behaviour reflects the company's strength to the market (Sheard 1994). The structure of long-term transaction relationships in Japan improves the quality of this information, resulting in the bank—company relationship, which allows banks to give firms loans while simultaneously signalling specific companies' soundness to other banks and companies. It can be seen that bank-oriented finance is an excellent way to allocate capital in Japan (Hoshi et al., 1990, 1991). Businesses with well-defined bank relationships have better access to finance, which attribute to the high quality of information. As a result, Japanese corporations can take on a more significant amount of debt financing with lower levels of risk.

Figure 1: Role of Bank as a Monitor



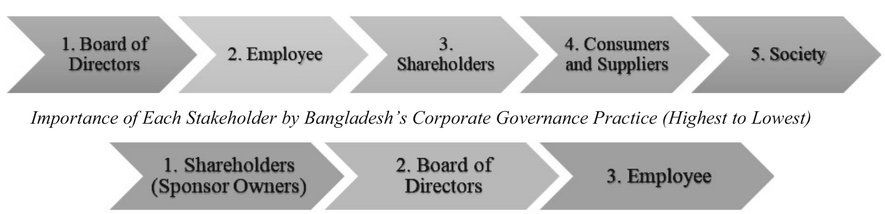
Note: Developedby authors based on document analysis

4.1.3 Employee centric corporate system

It can be seen in Table 7 that during this period, Bangladesh received US$ 1800.042 million, in addition to US$ 1763.402 million.Asset and project support is estimated at US$ 924.753 million (51.37%) and US$ 860.766 million (47.81%), respectively.

An increase in project assistance from 37.84% to 47.81% can be seen as a trend opposite to aid declining from 58.81% to 51.37% during this period (Table 6). As in the third phase, during this fourth period, the share of grant assistance was also high, accounting for US$ 1050.982 million (58.38%) compared to the US$ 733.537 million loans (40.75%). It can also be seen that the value ofloans has decreased significantly while the value of grant assistance has increased significantly.

Figure 2: Importance of Each Stakeholder by Japan's Corporate Governance Practice



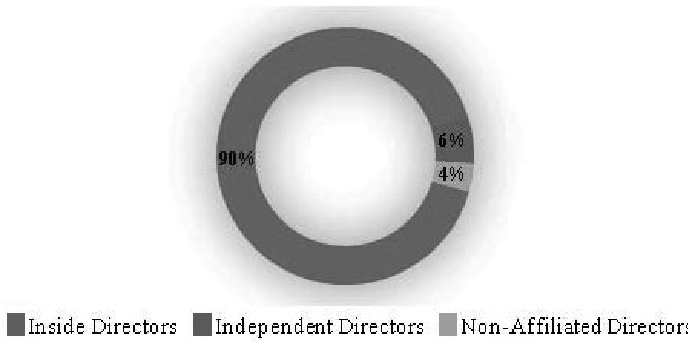
Note: Developed by authors based on document analysis.

Japanese employees and employment practices have long been seen as a critical component of Japanese firms' competitive edge in achieving rapid economic growth. In many circumstances, it is said that Japanese companies and corporate governance are more employee-centric than those in other countries; Figure 2 illustrates this notion. There has been some discussion about the sound effects of employment policies on corporate governance, particularly regarding the robust engagement in firm decision-making that they foster. The relationship between a company and its employees has been extensively mentioned as a vital component of Japan's national competitive edge throughout the 1970s and 1980s, when Japan's economic success became a focus of attention worldwide. 'Enterprise welfarism' and 'welfare corporatism' were two terms coined to describe the system adopted by many Japanese businesses; vital elements of these systems included lifetime employment guarantees, seniority wages and promotions, the development of firm-specific skills, enterprise unions, labour-management consultation, and the provision of company housing, medical, recreational, and dining facilities (Johnson et al., 1993). Other researchers have linked certain aspects of Japanese employment practices to cultural characteristics, emphasising the importance of Confucianism and Buddhism in shaping Japanese values, attitudes, and patterns of behaviour, such as interdependence, respect for elders, a shared sense of security, a lack of personal ego, and group identity (Nakane, 1972). Many commonly recognised elements of Japanese business are said to be congruent with Japanese employees' strong affinity with their company. Japanese companies, for example, have been able to provide more chances for employees by focusing on gaining market share rather than improving profitability. Employees and capital providers are willing to pursue productivity improvement simultaneously since they know they will receive a significant portion of any profit made. High levels of investment in training and research and development have also been made with due care since companies recognise the long-term benefits. These high levels of employee participation in Japanese companies, such as group decision-making, joint employee-management consultation teams, and the practice of consensus building, are linked to this unique employee-centred corporate system (Learmount, 2002).

4.1.4 Insider board

Since it is uniquely positioned as the internal corporate vehicle for holding management accountable to shareholders, the board of directors is at the heart of corporate governance systems (Learmount, 2002). Because the majority of these external directors come from linked enterprises and friendly banks, it is considered that they are unable to make independent decisions or represent the interests of shareholders (Monks & Minow, 1995). The composition of the board of directors in Japan is depicted in figure 3.

Figure 3: Simplified Chart representing Composition of Board of Directors in Japan



Note: Developed by authors based on Aman & Nguyen, 2012.

Although senior executive job turnover and compensation in Japan are not directly tied to stock performance, they are more sensitive to poor results in Japan than in the United States, according to Japanese 'insider' boards. It is used to show that Japanese executives are no more entrenched than their counterparts in the United States (Kaplan, 1994).

4.2 Impediments of establishing effective corporate governance in Bangladesh

Bangladesh's GDP has grown 271 times because of macroeconomic stability over the last 50 years. The country that Henry Kissinger previously called a "bottomless basket" has now projected itself as a future "Asian tiger" (Sharma, 2021). In 2006, Bangladesh's securities authority established the Corporate Governance Guidelines (CGG) for the country's local corporate governance. Table 1 shows an overview of Bangladesh's corporate governance characteristics for voluntary compliance by listed firms to aid the country's progress even further. In 2012 and 2018, the CGG was amended and changed for obligatory compliance. Although CGG has been around for a long time, and several changes have been made, most of its flaws have yet to be addressed (Bala, 2018).

Table 1*:* Overview of the characteristics of Bangladesh's Corporate Governance

Aspects of Corporate Governance	Practices in Bangladesh
Structures of Ownership	Banks, financial institutions, other corporations, or dominant shareholders possess most stock.
Control-Oriented Finance's Share	A small number of shareholders wield a large amount of control. The majority of these come from either family investors or financial institutions.
Markets for Financial Services	Small and not particularly liquid.
Financial Institutions Monitoring	It is supposed to be extensive, but it is not.
Individual Stockholders Monitoring	Yes, provided it is a member of a family or a financial institution with the authority and knowledge to do so. No, because smaller investors are not well-educated in this area. There is no systematic policing of structures – rules.
Stocks of All companies Listed on Stock Exchanges	Small for large corporations— there are still a lot of state-owned businesses that are not included, and only 20 were privatised through share sales in 2005.
Debt and Equity Ownership	Concentrated.
Orientation of Investors	Family-owned, not portfolio-owned.
Rights of Shareholders	Weak – a lack of understanding of their rights.
The conflict between Dominant Agencies	Minority Shareholders vs Controlling Shareholders
Rights of Creditors	Banks have a strong position, while commercials have a weak position.
The Board of Directors' Role	Limited.
Insolvency and Bankruptcy's Role	Limited as involvement in debt finance is high.
Power Over Management / Board's Independence	There is no managerial responsibility structure for the board of directors. The board's chairman or the majority share owner holds the most power over the management and the board.
Corporate Control Market	Takeovers are rare since family ownership is heavily concentrated, there are no takeover restrictions and inefficient market.

Note: Developed by authors based on A. Rashid et al., 2007.

4.2.1 Company decisions dominated by sponsor ownership

Public and private limited firms, among others, account for the majority of the companies that contribute the most to Bangladesh's growing economy. These businesses are run by majority shareowners who have great power and influence over company decisions and frequently come from the same family. It alone has a tremendous impact on managing its internal and external accountability. The majority shareholders elect themselves or their representatives to key management positions. These owner-managers then use the internal and external accounting systems to maximise their interests and limit responsibility and transparency to internal and external stakeholders.

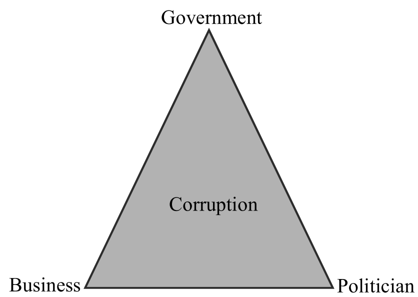
Furthermore, these majority shareholders or family owners use executive power to serve their interests rather than the interests of other shareholders. The formal rationale of corporate governance was impeded by the substantive rationality coming from Bangladesh's conventional institutional characteristics (A Sobhan & Bose, 2019; M. N. Uddin et al., 2019; S. Uddin, 2009; S. Uddin & Hopper, 2001, 2003). Because the board of directors is always elected by the majority shareowners or the family owning the majority of the stock, it creates an environment in which the sponsor families, with their traditional attitudes, craft ceremonial boards of directors, grant limited authority to non-family affiliated managers, stage-managed Annual General Meetings (AGM), and dominate external auditors who lack independence. As a result, corporate governance in Bangladesh does not converge due to the ineffectiveness of ancillary institutional characteristics, which in the truest sense of the term is lack of institutionalisation. Ownership is divided into three categories: managerial, board, and sponsor. Again, these ownership indicators represent the same ownership structure, as the board of directors and management in many Bangladeshi companies are nothing more than expansions of the sponsors.

Furthermore, independent and non-sponsor-related executive directors are limited on the board of directors. They have little or no ownership interest in the companies, as their opinions are rarely heard due to sponsored directors' domination (Al Farooque et al., 2007, 2010; Mollah et al., 2012; Rahim & Alam, 2013; Sobhan, 2016). As a result, the companies fail to comply with Bangladesh's CGG 2018. Their national and international growth ambitions have been considerably restrained, and the highest form of value creation has not been achieved. They focus more on serving the interests of the sponsor owners.

4.2.2 Political influence, corruption, and weak institutional enforcements

Although it is weak in some areas, Bangladesh has a basic well-defined administrative infrastructure (Stiftung, 2018). It has long been suggested that there is a significant link between governance, in this case, corporate governance, ethics, and integrity, all of which are the result of a complex interaction of political, economic, social, and even psychological variables and pressures (Westra, 2000). When it comes to Bangladesh, there is a relationship between integrity governance and corruption in the country, which is due to the existence of a government-politician-business corruption nexus, which is illustrated in figure 4, as a result of which corruption has infiltrated all government departments (Rashid et al., 2018). The country's close relationships and networks between politics and business are the main drivers of this behaviour. Indeed, in Bangladesh, developing effective corporate governance has been hampered by a lack of political resolve to combat corruption (Rahman, 2019). As a result of this overall situation, several institutions such as the Bangladeshi capital market and its auditing standard have seen their expansion and scope of operation limited (Hossain & Islam, 2012).

Figure 4: Government-Politician-Business Corruption Nexus



Note: Developed by authors based on document analysis.

The banking sector represents a country's whole economy. The Bangladesh Bank (BB), the country's central bank, issues guidelines for the banking sector, which all commercial banks must follow to do business in Bangladesh. If the financial sector fails, the entire economy will fail as well. The Hallmark Group perpetrated a swindle of over BDT 4000 crore. The Bismillah Group's BDT 200 crore loan fraud involving six commercial banks. Basic Bank's loan approval of BDT 4,500 crore without sufficient documents and examination has resurrected the problem. The infamous electronic robbery in BB was the final nail in the coffin. Such deceptions point to a lack of corporate governance practices in the banking industry. In the banking sector, senior management influence, as well as political pressure, impact lending choices. Several scams have been linked to corrupt bankers and dishonest Bangladesh Bank executives. Although proper documentation is required, banks occasionally demonstrate leniency in this area and provide additional benefits to their customers. Banks suffer significant losses due to poor borrower selection, unhealthy rivalry among banks, capital diversion, inadequate audits, and insufficient collateral. Banks do not always follow Bangladesh Bank's rules and standards, which are meant to safeguard them and help them run their businesses successfully. Due to a lack of enforcement powers, institutions entitled to enforcing corporate governance laws and regulations frequently fail to do so (Mahmood & Islam, 2015; Reaz & Arun, 2006).

5. Possible model for Bangladesh

Bangladesh has been facing several challenges in establishing a viable corporate governance structure and guidelines. In this part of the paper, the challenges are attempted to address and develop a possible solution. In the first place, unlike Japan, companies, in this country incorporate much-sponsored ownership. It creates a disturbance in the governance of the companies since their prevalence and, in some cases, a united effort to divert any decision in the companies towards a direction that is not favourable for the company because of their getting into the driving seats. At the same time, decision-making, the appointment of the board of directors, and higher officials, hardly pay attention to the interest of the more prominent shareholders. The latter might not be even seen in the scenario for being either dispersed or side-lined. Japanese corporate governance does not allow such sponsored shareholdings. It keeps the small shareholders away from decision-making and distributes the profit accordingly, keeping all the aspects transparent. Bangladesh, in this connection, may make regulatory reform to disable companies' sponsored shareholders to participate in the executive body. Secondly, disparities in the salary structure for the employees and the CEOs have been exceedingly high in Bangladesh. Sometimes, it is so high that the entry-level employee is paid one-twentieth or one-thirtieth of the CEO's salary. The Japanese practice, in this connection, seems healthier with a much lower gap, instead of with good steady growth in between the salaries of the said posts. Thirdly, it is seldom found in Bangladeshi companies that the employees are considered stakeholders.

In contrast, Japanese companies are indeed employee-centric, which ultimately boosts the belongingness of the employees resulting in the highest productivity of the companies possible. Fourthly, Bangladesh can let the banks function as monitors of the companies. Like Japan, banks might become shareholders and function as monitors instead of giving loans to the companies. Fifthly, partisanship is pervasive in the companies in Bangladesh, which results in low productivity because of placing less efficient employees in vital positions. Japanese companies, in this connection, show a great example of meritocracy and seniority, and they never supersede seniors in a promotion. No connection with the higher authority is a more viable relation than that through the performance of the employees. Sixthly, In Bangladesh, political partisanship while recruiting outsiders in the Board of Directors, even in the public limited banks, is so in practice that the insiders being promoted in the higher positions gets low. As a result, employees' motivation and dedication towards companies go down.

On the other hand, Japanese practice is quite the opposite. Very few companies bring outsider managers in positions, not even banks. Employees are kept in such a position with the facilities, like lifetime employment and other fringe benefits, that they consider themselves the owners, ultimately bringing the best from them, maximising the companies' profit. Figure 5 is the possible model of corporate governance for Bangladesh inspired by the Japanese practice.

Figure 5: Possible Model of Corporate Governance for Bangladesh inspired by the Japanese Practice

6. Conclusion

Corporate governance in Bangladesh has to be substantially accommodative to get the best possible practice for contributing to the country's economic growth. 'Anglo-American theory' of corporate governance has primarily been modified to fit it in the society of Japan following their social norms and values. Thus, it has got a different momentum that has primarily been instrumental in its financial management. As a result, rapid economic growth has been possible and sustainable for some time. Bangladesh, as a promising economy, has been showing tremendous growth. However, some mishaps have occurred due to a few malpractices at corporate governance and inefficient enforcement of the guidelines. The electronic robbery of the central bank of Bangladesh, stock exchange scams, misleading loans from the public limited banks, sponsored ownership and the crises of management in the large companies, dynasty or hereditary leadership of the private companies, partisanship, and nepotism in the appointment of the board of directors have drawn the attention of the academics and practitioners to find a way to ensure the sustainable economic growth of the country. Japanese corporate governance through its unique characteristics of employee-centric corporation system, meritocracy and seniority policy, lifetime employment policy of Japanese companies, strong networks among corporations, banks' functioning as monitors of loanee companies, deregulation to a limited scale, stable exchange commission, and insiders' holding of the higher position through regular promotion have made the Japanese version an exemplary one. It would provide Bangladesh with the opportunity to replicate a similar success story. The gaps between the practices of Bangladesh and Japan can be curtailed by bringing the best practices of Japan in Bangladesh suitable to the country's social norms. The paper leaves scope to conduct quantitative research and the mixture of the current method for identifying the exact or close to that amount of contribution a specific corporate governance structure can make to economic growth and social well-being.

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