



Corporate Governance & Rights and Privileges of Minority Shareholders of Family-Owned Firms: Evidence from the Emerging Economy

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Abstract: Corporate Governance has recently become an important issue in Bangladesh. The principal characteristics of effective corporate governance are protection of rights and privileges of minority shareholders and transparency of companies. The Companies Act of 1994, which was passed with the protection of minority shareholders as one of its key objectives, has fallen short of providing minorities with the security and remedy they were expecting against oppression. The main objective of the study is to evaluate the rights and privileges of minority shareholders in the family-owned firms on the perception of three major stakeholders of the sample companies. For this purpose, the study has developed a questionnaire based on recent literature survey and gathered the opinions of the executive/non-executive directors, Independent directors and shareholders of sample companies under the framework of 5 point likert scale. The gathered primary data have been analyzed by appropriate number of descriptive and inferential statistics. In examining the state of minority shareholders' rights and privileges in the sample listed firms, the study takes the perception of the executive/non-executive directors, the independent directors, and the shareholders and finds that they have shown different views from each other, indicating that there are likely irregular/unmethodical practices of the board directors in this respect in the sample firms. In measuring the level of importance on different issues of corporate governance on listed family-owned firms of Bangladesh given by the respondents, the study observed that the groups have a significant difference on minority shareholders' rights and privileges and an insignificant difference on cumulative voting rights. Finally, the study gives some recommendations for the remedies of minority shareholders.

Keywords: Minority Shareholders' Rights and Privileges, Cumulative Voting, Annual General Meeting (AGM), Voting Rights

1. Introduction

Family-owned businesses are indeed the oldest form of business organization. Family-owned businesses such as those businesses which are owned, controlled or influenced by a single family or families and play a key role in the equity of companies. The founders of these companies are the current top management or their forefathers. This is the case if the family decides who is responsible for handling it [31]. In corporate sector the role of family-owned firms is found significant. Some families are the controlling ownership of listed firms in Asian countries like Bangladesh.

Here, the problem of minority exploitation may arise, especially in family ownership, when ownership is highly concentrated in any specific group. The expropriation of minority shareholder rights is one of the consequences of this [26].

In Bangladesh inter alia section 233 of the Companies Act 1994 has been incorporated with an eye to uphold the interest of minority shareholders. Any shareholder in a company has some important rights concerning the corporation, whether public or private. Examples of shareholders' rights include voting rights at annual shareholder meetings, the right to review company

information including accounts, records and list of all shareholders, and voting on major corporate events, including appointment of directors, mergers approval, dissolution, major asset sales and modification in the corporate charter documents. Minority shareholders have a role to play in emerging markets, whereby they can be a watchdog over the activities of the board and help to build effective and well-governed businesses. They may also be influential in the growth and sustainability of capital markets as well. Shkolnikov states that expropriation of minority shareholders in Asia was related to the 1997 financial crisis. In the mid-1990s, the expropriation of minority shareholders led to a concentrated financial crisis in Asia, and the limited capacity of family-owned firms in the Middle East and Latin America to attract investment highlighted the importance of having minority shareholders as a supervisory mechanism for legal offenses and an assurance tool for investors [25].

Family and minority stakeholders' rights and interests are also major issues in family-owned businesses. In some countries, remedies can be used as a tool to help address the potential oppression of minorities, such as structured shareholder agreements, in which the essence of each shareholder's interest in the business is recorded. Furthermore, the proposed Shareholder Rights Directive of the EU Commission, released in January 2006, aims to help reinforce the role of shareholders by ensuring that they are able to vote in an informed way and obtain relevant information on a timely basis. While the proposed Directive is intended for listed companies and is thus likely to have effect mainly on institutional investors in particular, Member States will apply some or all of the provisions of the proposed Directive to non-listed companies [14].

In Bangladesh, most of the businesses include two or more family members: spouses, children, in-laws, siblings, and parents. In most cases, family members hold significant managerial positions and work in the business on a regular basis. The study finds that family members of the sample listed companies play their role as shareholders, senior management, and board of directors (either as executive directors and/or non-executive directors). For holding an influential portion of shareholdings by family members, they usually come in the board as directors, i.e., controlling owners.

Providing adequate rights and protection to the shareholders for good governance has been highlighted by BEI Report 2004. Concentrating on shareholders rights, the Report advises the existing regulatory bodies to have a mandate to uphold the rights of shareholders. Moreover, the Report suggests that, companies should go beyond the legal requirements to further empower their shareholders [3]. Protection and empowerment of shareholders for better governance practices have been underscored by the governments and international organizations, such as the World Bank, OECD, and Asia-Pacific Economic Cooperation (APEC). The OECD Principles of Corporate Governance had been endorsed by OECD Ministers in 1999

and since then it became an international benchmark for policy makers, investors, corporations and other stakeholders worldwide. Among the six principles of it, Principle II: The Rights of Shareholders and Key Ownership Functions, and Principle III: The Equitable Treatment of Shareholders [16] highlighted the rights and equitable treatment of shareholders.

The OECD principles also deal with the rights of shareholders on equitable treatment of shareholders which requires that, all shareholders are treated fairly including minority and foreign shareholders under the corporate governance framework. All shareholders should have the opportunity to obtain effective redress for violation of their rights in order to ensure equitable treatment. In addition, all shareholders should be treated equally within the same series of a class. Addressing the issue of exploitation of minority shareholders, the OECD principles ask for protection of minority shareholders against abusive measures by, or in the interest of, controlling shareholders. The recommendation was also made that custodians or nominees cast votes in a manner agreed with the beneficial owner of the shares and processes and procedures for general shareholder meetings should allow for fair treatment for all shareholders. OECD principles also recommended that impediments to cross-border voting to be eliminated to provide equal treatment to foreign investors.

Thus the minority shareholders have the right to expect company officers and directors to act in the best interest of the company and comply with the agreement of shareholders. When a corporation breaches the rights of a minority shareholder by acting through its officers, directors, or majority shareholders, the minority shareholder can bring an action against the corporation [10]. With an agreement to the views of BEI Report [3], this study also considers that the existence of active and vibrant shareholders with an ability to exercise rights and privileges can improve the climate of corporate governance in Bangladesh.

Moreover, the legal and regulatory frameworks governing the company are seen to be the main sources of shareholders rights. The Companies Act 1994 of Bangladesh is such a law that governs a company to get registered in Bangladesh. It lays down the shareholders' rights and duties such as voting rights in meetings, election of directors, and claim on declared dividend of a company registered in that country. Apart from this, the regulations issued by the regulatory bodies, for example, the Corporate Governance Code 2018 in Bangladesh issued by the BSEC, also provide guidelines to the company to act in the best interest for the shareholders. The listing agreements with stock exchanges, such as DSE Listing Regulation, also focus typically on company's good governance by regularizing the dividend declaration, disclosure practices, etc. of the company. Some other regulations are there also to be complied with as additional requirements in the industrial sectors, for instance, the Banking Companies Act 1991 and the Bangladesh Bank's regulations for banking companies, which direct the companies concerned to keep necessary provisions for the interest of the common shareholders.

2. Objective of the Study

The objective of the study is to evaluate the rights and privileges of minority shareholders in the family-owned firms on the perception of three major stakeholders of the sample companies with regards to the importance of different elements of corporate governance.

3. Methodology of the Study

For the purpose of developing appropriate research question a board literature review has been conducted. Besides textbooks, research papers, various publications and online data have been used for the study. Both primary and secondary sources of data were used for the study. For gathering primary data, a structured questionnaire has been developed, which comprises 5-point likert scale, was surveyed among 100 respondents. Relevant statistical tools have been used to analyze the collected data. Primary data have been analyzed with SPSS software, using some descriptive and inferential statistics, such as Mean, Rank, T-test, ANOVA, Post Hoc Test and Mean Differences among the data groups. While using quotation and references, the American Psychological Association (APA) style of referencing has been followed throughout the study.

3.1. Determination of Sample Size

The study considers only the listed family-owned firms and hence due to time and resource constraints, it has taken into account the family-owned firms belong to five (5) dominant industries in terms of size, categorically banking, textile, cement, pharmaceuticals and food and allied companies which are listed with both stock exchanges, i.e. DSE and CSE.

3.2. Hypothesis Development

The study aims at understanding the rights and privileges of minority shareholders in the family-owned firms in Bangladesh. We, therefore, develop four sets of hypothesis in order to achieve the objectives of the study. The hypotheses are developed as below:

H1= There is a significant difference of opinion on role of minority shareholders' rights and privileges among the groups.

H2= There is a significant difference of opinion on cumulative voting rights among the groups.

4. Literature of the Study

The characteristics of family businesses have changed over time, which are revealed in different research. In this context, research conducted by [8] revealed that in the first half of the twentieth century in UK there was a lack of protection for minority investor, which we know today, but that the shift from family ownership to more dispersed shareholdings has still occurred. This was because the shares were issued through acquisitions and mergers while the families tried to

maintain control of the board by retaining a large majority of the seats. Moreover, Mallin [14] pointed out that the legal protection of minority shareholders remains either non-existent or ineffective in many countries, including European countries like France, many Asian countries and South American countries, and so families are often owned by companies because non-family investors will not find an attractive business investment when rights are not protected. Therefore, by referring to the agreement of several countries, he suggested to protect the rights of non-family investors within the legal framework of the country and also in the corporate governance of the individual companies in which they invest, as business requires external financing to pursue its expansion.

Independent directors act as a guide to the company. In general, their duties include enhancing corporate integrity and governance standards that act as a watchdog and play a important role in risk management. Sarbah et al. argued that the role of the board of directors and, in particular, the independent directors play an important role in the different committees set up by the company to ensure good governance in the management of the company. In order to ensure that proper processes are followed, these independent directors play important roles in the compensation, audit, nominating and other important committees. In such a background, this study will also examine the role of independent directors in the listed family businesses in Bangladesh along with main objectives. In fact, to a great extent ensure good corporate governance practices [23].

Diversity of interests between controlling shareholders and minority shareholders may also occur. Controlling shareholders can use the company for themselves, expropriating rents at the expense of minority and other stakeholders [13]. Such expropriations could be carried out by means such as by misappropriation of assets, loans on preferential terms, and by issuing stocks or dividends to dilute the interests of minority shareholders. One of the main assumptions is that the principal pays monitoring cost includes all the aspects related to monitor the behavior of the agent and reduce information asymmetry [18]. Monitoring costs may include the cost of external audits [1], appointment of independent directors, and expenditures associated with committees such as the audit and compensation committees [15]. In Bangladesh Context, it reduces the risk of fraud and more specifically, the misappropriation of assets by employing good corporate governance.

The main problem with the agency used in this field of research is that, because of loyalty to the family, the controlling families are likely to be favoring family interests over non-family stakeholders. In large and family-controlled public firms, this dilemma is even more pronounced where minority stakeholders cannot be handled properly by controlling families. The potential of this conflict of interest suggests that ownership and control are clearly separated in modern companies so that a system of checks and balances can be created [4]. Corporate governance measures must be implemented to curb these conflicts of interest. To this end,

the usually prescribed corporate governance model is the prevailing one in the United States and the UK. This Anglo American model, which focuses on shareholder value, often calls for the independence of board members from executive, the role of minority shareholders within the board and for high levels of financial and business divulgation [2].

La Porta et al. [11] suggests that countries that have a civil law/legal system often have a limited protection for minority shareholders; moreover, these countries are often concentrated shareholding structure rather than more dispersed shareholder bases such as the UK and the US. In analyzing the corporate governance of continental European countries, this aspect should be considered. The Continental European Model is rather different and the framework is based on the stakeholder theory of the firm. US Securities & Exchange Commission [30] stated that the Commission's guiding principle for voting states that cumulative voting is a form of voting system which contributes to enhance the capacity of minority shareholders to elect a director. Shareholders might use this method to cast all their votes for a single nominee, while there may be numerous openings on the board of directors. In contrast, shareholders may not cast more than one vote per share to a single nominee during the "regular" or "statutory" voting. For example, if the election is for four directors and you own 500 shares (each with one vote), you might vote a maximum of 500 shares for each candidate using the conventional voting procedure (giving you 2,000 votes total 500 votes per each of the four candidates). With cumulative voting, shareholders are given 2,000 votes from the very beginning and can opt to vote all 2,000 votes for one candidate, 1,000 votes for each of two candidates, or otherwise divide their votes accordingly.

5. Finding of the Study

5.1. Minority Shareholders' Rights and Privileges

In Bangladesh, there are legal and regulatory systems in place to protect the shareholders' rights and obligations, rules and regulations for conducting business, and penalties for violations of these regulations. The Companies Act 1994 in Bangladesh defines the rights of both majority and minority shareholders. In line with protecting the interests of shareholders, the Act provides for certain supervisory functions to be performed by the shareholders in the form of giving rights to participate in meetings, appoint and remove directors, and to obtain financial information as well as approve the balance-sheet annually.

However, a bit more discussion before showing the study results as to minority shareholders' rights and privileges with special attention to the protection of their interests, empowerment, and remedies provided in country's legislation as well as in Common Law follows.

Section 233 of the Companies Act 1994 provides that minority shareholder is the power of court to give direction for protecting interest of the minority. Moreover, section 195 of the Act allows government to investigate affairs of

company by inspectors on application by members of a company. Section 233 further states that the members holding not less than one-tenth (10 percent) of shares in case of a company having share capital and one-fifth (20 percent) of the members of a company not having share capital are eligible to apply to the court for appropriate measures, if they feel the affairs of the company are being conducted or the powers of the directors are being exercised in a manner prejudicial to one or more of its members or the company is acting or is likely to discriminate the interest of any member or debenture holder. This section is an inclusion to the Act after a long felt need to allow the Court to intervene if it finds that the majority of the companies are operating in a manner that oppresses the minority interests [32]. Furthermore, section 155 of the Act narrates that the shareholders have the pre-emptive right to subscribe to any additional capital the company wishes to raise.

Despite above important protections afforded to minority shareholders come in the form of statutory remedies in the Companies Act 1994 of Bangladesh, it is evident that the minimum shareholding requirement of 10 percent detracts from the main rationale behind the legislation, namely to protect minority shareholders whatever their shareholdings may be. It is illogical to say that a minority has no right to protect itself unless it is at least 10 percent minority, while in many countries, for example, Australia and England, any shareholder can apply to protect their rights [32]. It is also pertinent to note here that in *Re Jermyn Street Turkish Baths Ltd.* case, a high court judge named John Pennycuik held that even without registration as members, the personal representatives of a deceased Member had to be considered as members of a company for the purposes of an application to protect the minority shareholders rights [19]. Moreover, sometimes minority shareholders unawareness about the protection of their rights and privileges make the law provisions blunted, although the concerned provisions are rightly drawn up in the acts and regulations. In this regard, Sobhan and Werner's [27] note is relevant to cite here.

In Bangladesh, minority protection actions are often brought before the court, although a large number of these actions are ultimately found to be vexatious or not covered under the section. Section 233 of the companies Act 1994 and other provisions offer adequate protection for minority shareholders, many shareholders are not aware of this section and the minority protection regime.

Now, some Common Law provisions as to minority shareholders' remedies are presented below.

At Common Law, an oppression remedy to shareholders is a statutory right available to oppressed minority shareholders. The United Kingdom (UK) Companies Act 2006 (Section 994) provides that a member of a company may apply to the court by petition for an order on the ground that the affairs of the company are being or have been carried out in a manner that is not fairly detrimental to the interests of the members generally or of some parts of them (including at least himself) or an actual or proposed act or omission of the company (including an act or omission on its behalf) is or would be so

prejudicial [29].

To explore the remedies in favor of minority shareholders, the rule of *Foss vs. Harbottle* [7] incorporated in Companies Act 2006 of UK can be cited here. The rule had been established based on an allegation brought by two minority shareholders of Victoria Park Company, Richard Foss and Edward Starkie Turton, against the directors (Thomas Harbottle and others) of the company. The court held that it is only the company that has standing to sue when a company is wronged by its directors. In effect, the court established two rules, which are known as the plaintiff principle (also known as common rule empowered only the company) and the majority rule principle (empowered a simple majority of the members in a general meeting), to take action against the wrongdoer, the person particularly the director who commits to a breach of duty. But the rule did not put directly anything in favor of the minority shareholders. Rather as it leaves the minority in an unprotected position, the several important exceptions that have been developed are often described as “exceptions to the rule in *Foss vs. Harbottle*” and in other words, the exceptions are known as “derivative action”. This applies in situations of “wrongdoer control” and is actually the only true exception to the rule. The rule has now largely been partly codified and displaced in the UK by the Companies Act 2006 (section 260-264), which establishes a statutory derivative claim. Derivative actions are those actions brought by the shareholders or directors of any

company on behalf of that company against a third party allegedly causing harm to the company. Often, the third party is an insider of the company, such as an executive officer or director. Even if the directors or employees of the company are not willing to file an action, a minority shareholder may sign first petition against them to proceed. If such petition fails, the shareholder may take it upon himself to bring an action on behalf of the corporation.

The ‘fraud on the minority’ exception allowed an individual shareholder to explore a claim belonging to the company but in the shareholder’s own name and to obtain a corporate remedy. The wrongdoing had to amount to ‘fraud’ in order to satisfy this exception and the wrongdoers must have been in control of the company. Fraud on the minority includes not just fraud and illegality at Common Law but also fraud in the wider equitable sense of an abuse or misuse of power by the directors [6]. However, the law also suggests that most of the disputes in which minority shareholders seeking redress can be solved through the exercise of their voting power [20].

Against this backdrop, the study sought the opinions of the three groups of respondents comprising of executive/non-executive directors, independent directors, and shareholders as to 7 (seven) types of minority shareholders’ rights and privileges. The statistical analysis of the findings of the opinions is tabulated in Table 1.

Table 1. Descriptive analysis, ANOVA and post hoc test of the respondents’ opinion on minority shareholders’ rights and privileges.

Sl. No.	Statement on Rights	Executive/ Non-Executive Directors	Independent Directors	Shareholders	ANOVA	Post Hoc Test (Turkey Test)
		Mean	Mean	Mean		
1	Encouraging shareholders to participate effectively in AGM.	4.64	3.84	4.21		Executive & Non-Executive Directors vs Independent Directors = 0.940
2	Shareholders are well informed prior to participate in the AGM about their roles in the AGM.	4.64	3.46	4.04		Executive & Non-Executive Directors vs Shareholders = 0.000
3	Right to demand for functioning of market for corporate control in an efficient and transparent manner.	4.28	3.64	3.94		
4	Right to be informed on capital structure and other arrangements that effect the degree of control.	4.24	3.46	3.86	F=23.700 p = 0.000	
5	Right to be informed regarding exercise of ownership rights by other shareholders.	4.44	3.14	3.75		
6	Right to receive equitable treatment of all shareholders, including minority and foreign shareholders.	4.64	2.92	3.76		Independent Directors vs Shareholders = 0.000
7	Right to get protection under legal and regulatory framework from any abusive actions (insider trading, self-dealing) by the controlling shareholder, board of directors, or executives of the company.	4.56	3.18	3.85		
Average Mean		4.49	3.38	3.92		

Source: From Table A1, A2, and A3. Statistical software package, SPSS has been used for data analysis (Appendix-A)

In this regard, it is evident from Table-1 that the averages of the mean scores among the three groups of respondents are 4.49, 3.38, and 3.92 respectively. On the basis of mean scores, it may be commented that although the executive directors have identified the rights as moderately important (mean

score 4.49) but independent directors (mean score 3.38) and shareholders (mean score 3.92) have not given full marks to the elements of rights as to their accomplishment. That means, these mean scores apparently indicate that the three groups of respondents were not admitting the same with the

execution of the stipulated minorities' rights and privileges in their firms. However, to find out the level of differences, one way ANOVA is applied and it reveals a significant difference of opinions of the groups on minority shareholder's rights and privileges ($F= 23.700$, $p= .000$) (Table-1). To find out the reasons behind this significant difference, Post Hoc Test (Turkey test) is applied and it reveals that shareholders maintain significant difference with both executive/non-executive directors ($p = 0.000$) and independent directors ($p=.000$), whereas executive/non-executive directors maintain insignificant difference with independent directors ($p = 0.940$) (Table-1).

5.2. Cumulative Voting Rights

Cumulative voting is the process of electing the company's directors. In general, each shareholder is entitled to one vote per share multiplied by the number of elected directors. This is sometimes referred to as proportional voting. Cumulative voting is beneficial for individual investors because they can choose one candidate with all of their votes. This process is said to be of benefit to minority shareholders because they have an option to concentrate their entire attention on a single candidate or decision point. If minority shareholders' focus is culminated in a single direction together, they often have the power to influence a change or appointment in their desired direction [14].

When investors purchase shares of common stock, they generally acquire the right to vote in the election of the board of directors of the firm and on other important issues facing the company. The members of the board are elected by "straight voting" in most companies. In straight voting, each shareholder is entitled to cast votes equal to the number of shares held each for director position. If a group controls 51 percent of the vote, it can elect the entire board of directors by casting all of its votes for the candidate that it favors for

each position. Some companies, on the contrary, do not use straight voting but elect their board members through 'cumulative voting' instead. In cumulative voting, each share entitles the shareholder to as many votes as there are directors to be elected. A shareholder may cast all votes for a single candidate or distributed them among more than one candidate. With cumulative voting, minority shareholders may be able to elect some board members even if the majority of shareholders oppose their election [12].

With the concentration of the voting power typically residing in a family block, the management can perpetuate its re-election to the board with little incentive to pursue policies calculated to garner (collect) votes from outside shareholders. This, in turn, results in widespread among outside shareholders since they perceive that their participation will have no impact on the outcome of the elections to the board [5]. To find a way to allow minority shareholders to place a director on the board, the BEI Report [3] suggests cumulative voting as a possible alternative voting method. Moreover, in Bangladesh, corporate governance system is still developing the effectiveness and capacity of its regulators and courts. In such situation, the OECD suggests shareholder-initiated mechanisms and asks local laws or listing requirements that will encourage cumulative voting for the listed companies by making it the default rule, with individual opt out by supermajority vote of the shareholders [17]. OECD also remarks that, most jurisdictions in Asia now mandate or do not prevent cumulative voting. Although there is no provision in the Companies Act 1994 of Bangladesh as to prescribing cumulative voting system, this study seeks to recommend the introduction of cumulative voting system and, therefore, it seeks the opinions of the respondents as to viability of cumulative voting systems highlighting 5 (five) cumulative voting rights. The findings are exhibited in Table-2.

Table2. Descriptive Analysis, ANOVA and Post Hoc Test of the Respondents' Opinion on Cumulative Voting Rights.

Sl. No.	Statement on Cumulative Voting Rights	Executive / Non-Executive Directors	Independent Directors	Shareholders	One way ANOVA	Post Hoc Test (Turkey Test)
		Mean	Mean	Mean		
1	Cumulative voting allows minority shareholders to have a say in the board of director meetings	3.32	3.36	3.26		Executive & Non-Executive Directors vs Independent Directors = 1.00
2	Assure that minority shareholders have the ability to elect at least some representatives to the board, more or less in proportion to the proportion of shares held by the minority	3.60	3.52	3.12		
3	Minority shareholders are empowered to remove a director through cumulative voting	3.36	3.56	3.14	p = 0.538	Executive & Non-Executive Directors vs Shareholders = 0.634
4	Facilitate shareholders in organizing a proxy right or in cumulative voting in a resolution to be approved in AGM	4.20	4.04	3.62		
5	Cumulative voting is advantageous for individual investors because they can apply all of their votes to one candidate	3.68	3.68	3.86		Independent Directors vs Shareholders = 0.634
Average Mean		3.63	3.63	3.40		

Source: From Table A4, A5, and A6. Statistical software package, SPSS has been used for data analysis (Appendix-B).

In this regard, it is evident from Table-2 that the averages of the mean scores among the three groups of respondents, that is, executive/non-executive directors, independent directors, and shareholders, are 3.63, 3.63, and 3.40 respectively. Although the scores seem to have with almost similar worth, their level of intensity is said likely to be moderate. That means, with a few exceptions with shareholders opinions (average mean score 3.40) the three groups of respondents have shown the same and moderate sentiments about the cumulative voting rights. To test the level of differences, one way ANOVA is applied and it reveals an insignificant difference of the opinions of the three groups on the importance of cumulative voting rights ($F=0.624$, $p=0.538$) (Table -2). To find out the reasons behind this insignificant difference, Post Hoc Test (Turkey test) is applied and it reveals that every two groups, taking together interchangeably for comparison, maintain insignificant difference, i e., shareholders with executive/non-executive directors ($p=0.634$), shareholders with independent directors ($p=0.634$), and executive/non-executive directors with independent directors ($p=1.00$) (Table-2).

5.3. Shareholders' Perception About Annual General Meeting (AGM)

In this section, the study inquires into shareholders' perception about the annual general meeting (AGM) with reference to two important issues: general meeting and voting system in the listed firms of Bangladesh. The findings along with a bit detail discussion prior to the findings on the concerned issues follow.

An annual general meeting (AGM) is a mandatory yearly gathering of the shareholders of a company to participate as well as to raise their voices in the management of that company. Although it's a statutory obligation to hold an AGM, it (AGM) bestows an opportunity to the shareholders to exchange views, appraise the activities of directors, peruse the financial statements, consider any recommendation as to dividend, etc.[9]. So the AGM is found to be the only place where shareholders have direct power over the company and get to meet and discuss issues relating to the company's activities with the managers and the board of directors in a formal way [22]. At the AGM, the directors of the company present an annual report containing information for shareholders about the company's performance and strategy [9]. The directors share the past year's business performance, strategies and future prospects with shareholders at the meeting. Moreover, shareholders get to vote for the removal or election of new or existing directors, approval of the fees of the directors, auditors, payment of dividends, etc. [21].

The annual general meeting (AGM) is the primary avenue for companies to communicate with their shareholders [22]. Due to constant monitoring of several regulatory authorities, most of the companies listed in stock exchanges have been holding their AGM in time although still there are some

loopholes e.g. quorum requirement to hold a board meeting is not met or the directors have resigned or the audit report is not yet ready leading to the inability of the company to call the AGM [24]. Section 81 of the Companies Act 1994 of Bangladesh states that a company must hold at least one general meeting (i e., AGM) of its shareholders in every calendar year. If an AGM is not duly called then the Registrar of Joint Stock of Companies (RJSC) or the court may authorize the holding of the meeting out of time. Further, section 82 of the Act states that if the holding of an AGM fails, the company's directors shall be punishable with a fine, which may extend to Tk. 10000, and in case of continuing default, a further fine, which may extend to Tk. 250 per day for each day of default, shall be imposed. About scheduling the AGM, section 85(a) of the Act states that, an AGM may be called by a 14-day notice in writing.

At this stage, the study seeks the opinions of the respondents of the shareholders' group as to whether they consider AGM as the primary forum for the communication among shareholders, management, and the board of directors. In addition to this, shareholders' opinion about to communicating the proceedings, schedule and location of the AGM to the shareholders much before the date of the meeting, revealing the items in the AGM agenda, providing adequate opportunity to the shareholders by the prevailing corporate governance practices in Bangladesh to put a resolution required to be voted or discussed in the AGM, and giving opportunities to the shareholders to raise question(s) to the board of directors in the AGM are also sought for. All of these issues relating to the general meeting are analyzed by using percentage distribution of a dichotomous variable of two values: yes or no.

As to the opinions of the respondents, it is evident from Table 3 that absolute majority (94 percent) of the respondents have recognized the AGM as primary forum for communication between shareholders, management, and board of directors. However, only 6 percent respondents have given negative opinion regarding this matter. The findings of the opinions are exhibited in Table 3.

Table 3. Percentage Distribution of Opinion of the Shareholders as to Consider the Annual General Meeting (AGM) of a Company as the Primary Forum for Communication between Shareholders, Management, and Board of Directors.

Types of Opinion	Shareholders	Percentage (%)
YES	47	94%
NO	3	6%
Total	50	100%

Source: Field study. Statistical software package, SPSS has been used for data analysis

This para deals with the findings of the respondents' opinion about to communicating the proceedings of the AGM to the shareholders. The proceedings are generally referred by the minutes. The Companies Act 1994 (Sec. 89) has clearly defined the term 'minutes'. According to the Act, minutes are the written record of the proceedings of

every general meeting and of every meeting of its board of directors. The Act also provided that every company shall hold minutes of all proceedings of general meetings and meetings of its directors, which shall be recorded in books kept for such purposes. But the receipt of the recorded proceedings is also important to the shareholders for their clear understanding as well as to participate actively in the discussion at the AGM. Here the study assesses whether to communicate these recorded proceedings to the shareholders a convenient time before the AGM begins. The findings of the opinions are exhibited in Table 4. It is revealed from Table-4 that sheer majority (92 percent) of the respondents have recognized the need for communicating the recorded proceedings of the AGM a convenient time before the date the AGM. Only 8 percent respondents, however, have shown adverse reaction in this regards.

Table 4. Percentage Distribution of Opinion of the Shareholders on the Minutes of the AGM to be Communicated to the Shareholders a Convenient Time Before the AGM Begins.

Types of Opinion	Shareholders	Percentage (%)
YES	46	92%
NO	4	8%
Total	50	100%

Source: Field study. Statistical software package, SPSS has been used for data

The schedule and location of the AGM, on the other hand, have an impact on the rate of participation of shareholders. The empirical survey of this study finds that, the board of the sample companies has to face adverse reaction from the shareholders regarding location of the AGM. The location of the AGM is decided by the directors, but normally it is at the registered office of the company. As a result, shareholders from other divisions can not participate in the AGM which is regarded as hindrances to participation of the shareholders in the AGM. In such a context, the study enquires into the

Table 6. Percentage Distribution of Opinion of the Shareholders on Revealing the Items in the AGM Agenda.

Sl. No.	Area of Agenda	Shareholders		Total	Percentage (%)	
		YES	NO		YES	NO
1	Appointment of Independent Director(s)	32	18	50	64%	36%
2	Adoption of the Directors' Report	31	19	50	62%	39%
3	Removal and election of Directors	34	16	50	68%	32%

Source: Field study. Statistical software package, SPSS has been used for data analysis.

Although AGM is a mandatory requirement for publicly traded companies, it is not very unusual for listed companies in Bangladesh to default or delay in holding an AGM. Section 183(2a) of the Companies Act 1994 of Bangladesh states that the company is required to hold at least one general meeting within 9 (nine) months after the end of each financial year. Any other general meeting of the company is referred to as an extraordinary general meeting (EGM) or an ad hoc meeting of the shareholders typically to pass a special and/or ordinary resolution. The proposal which is voted at the meeting and accepted by the members/shareholders is termed

opinions of the respondents whether the schedule and location of the AGM should be communicated to the shareholders prior to the date of the AGM so that a conflict does not arise with such major events. The findings of the opinions are presented in Table 5. From Table 5, it is found that 86 percent respondents have recognized that the schedule and the location of the AGM should be communicated to the shareholders conveniently before the date of the AGM so that there is no conflict with any major events that might hinder the participation of the most of the shareholders. However, 14 percent respondents have not given emphasis on this matter.

Table 5. Percentage Distribution of Opinion of the Shareholders as to Communicating Schedule and Location of the AGM to the Shareholders before the Date of the Meeting.

Types of Opinion	Shareholders	Percentage (%)
YES	43	86%
NO	7	14%
Total	50	100%

Source: Field study. Statistical software package, SPSS has been used for data analysis.

While seeking respondents' opinion on agenda items, it is seen that the selection of the AGM agenda is done by the board of directors. Board agenda are required to be placed before the AGM for shareholders' approval; the study appraises the opinions of the respondents on such 3 (three) items as to their manifestation in the AGM agenda. The findings of the opinions are presented in Table -6. Table- 6 shows that the respondents have given paramount importance to the agenda item of the removal and election of directors (68 percent) followed by the items of appointment of independent director(s) (64 percent) and adoption of the directors' report (62 percent). It is further observed that although the consent rate is above 60 percent, 30-40 percent respondents have been reluctant towards the revelation of the items in the AGM agenda.

as resolution. The study appraises the opinions of the respondents as to know whether prevailing corporate governance practices in Bangladesh provide adequate opportunity to the shareholders to put a resolution to be voted or discussed in the AGM. The findings of the opinions are presented in Table 7. Table 7 reveals that the majority respondents (56 percent) have opined to 'no' option. It indicates that the listed firms in Bangladesh are lagging behind this requirement and are required to give adequate time and opportunity to the shareholders for discussion on the relevant issues in the AGM.

Table 7. Percentage Distribution of Opinion of the Shareholders on the Issue of Providing Adequate Opportunity to the Shareholders to Put Resolution to be Voted or Discussed in the AGM by the Prevailing Corporate Governance Practices in Bangladesh.

Types of Opinion	Shareholders	Percentage (%)
YES	22	44%
NO	28	56%
Total	50	100%

Source: Field study. Statistical software package, SPSS has been used for data analysis.

Corporate governance framework in Bangladesh presumes that the general meeting of shareholders is the legally prescribed occasion to meet other shareholders and have direct contact with the directors and raise vital questions. But sometimes, individual shareholders, for their insignificant shareholding, are not in a position to express their concerns to the board through one to one meeting. However, shareholders consider AGM as the only opportunity to raise questions to the board in relation to either underperformance of the company or denial of statutory rights of the shareholders. With this background, this study evaluates the opinions of the respondents that whether they consider that shareholders should be given an opportunity to raise questions freely in the AGM. The findings of the opinions are presented in Table -8. It is revealed from Table 8 that the absolute majority respondents (76 percent) have positively reacted as to the fact that shareholders should have opportunity to raise questions freely in the AGM.

Table 8. Percentage Distribution of Opinion of the Shareholders on Giving Opportunities to the Shareholders to Raise Question(S) Freely to the Board of Directors in the AGM.

Types of Opinion	Shareholders	Percentage (%)
YES	38	76%
NO	12	24%
Total	50	100%

Source: Field study. Statistical software package, SPSS has been used for data analysis.

5.4. Voting System

Most likely the important right for a shareholder is the ability to cast votes for directors in a company's annual general meeting. For the lack of understanding by the Bangladeshi shareholders about their rights and privileges, the BEI report rightly suggests that "Voting rights and procedures should be clearly explained to shareholders so that they may fully assert their rights in general meetings" [3]. In Bangladesh, the voting procedure of the joint stock companies is guided by Regulation 61 through 68 of the Companies Act 1994.

Among these, Regulation 66 is mandatory and other Regulations are voluntary. Moreover, Regulation 57 of the schedule 1 of the companies Act 1994 of Bangladesh provides that at any general meeting a resolution put to the vote of the meeting shall be decided on the basis of showing

hands, unless a poll (ballot procedure) is demanded before or at the declaration of the result of the show of hands according to the provisions of section 85 of the Act. However, empirical findings of this research on AGM show that in most of the AGMs, no arrangement of vote through ballot procedure is found in practice. It is also noticeable that, the shareholders do not ask the board of directors to go for vote on any agenda presented in the AGM.

This study examines whether the shareholder respondents consider the introduction of ballot procedure to account for every vote of the shareholders in the AGM. The findings of the study are shown in Table-9. It is revealed from table-9 that the majority respondents (88 percent) have been in favor of introducing ballot procedure, where only 12 percent respondents have supported the existing poll (head count) as the voting procedure in the AGM.

Table 9. Percentage Distribution of Opinion of the Shareholders on Voting Procedure.

Types of Opinion	Shareholders	Percentage (%)
Ballot Procedure	44	88%
Poll (Hand count)	6	12%
Total	50	100%

Source: Field study. Statistical software package, SPSS has been used for data analysis.

Further, it is seen that there is no provision in the Companies Act 1994 prescribing cumulative voting system. In such a context, this study seeks opinion of shareholder respondents as to introducing cumulative voting system in the AGM that may allow an organized group of minority shareholders to elect a director. The findings of the opinions are exhibited in Table 10. It is revealed from Table-10 that the majority respondents (86 percent) positively consider the introduction of cumulative voting system.

Table 10. Percentage Distribution of Opinion of the Shareholders as to Introducing Cumulative Voting That May Allow an Organized Group of Minority Shareholders to Elect a Director.

Types of Opinion	Shareholders	Percentage (%)
YES	43	86%
NO	7	14%
Total	50	100%

Source: Field study. Statistical software package, SPSS has been used for data analysis.

6. Conclusion

Protection of minority shareholders' interest bears extreme significance in any corporate governance framework. Various corporate governance codes (e.g., The OECD Principles of Corporate Governance, UK Combined Code 2018, BSEC Corporate Governance Code 2018, etc.) highlighted the rights of shareholders. The legal and regulatory framework governing the company is generally the sources of shareholders' rights. Despite having an independent regulatory authority, i.e. BSEC along with the other supervisory authorities, e.g., RJSC and the central bank

(i.e. Bangladesh Bank) for overseeing the corporate governance practices in the listed corporation in Bangladesh, this study uncovers some specific and important issues discussed earlier that likely act as barriers against practicing a good corporate governance in the listed family-owned firms in Bangladesh. In this context, this study attempts to put forward some recommendations that can come out as policy issues to the concerned authorities.

In such a context, the shareholders have provided paramount importance on the need for some issues related to the AGM including their role in the AGM, namely, i) considering the AGM as a primary forum of communication between the shareholders and the authority, ii) communicating AGM agenda including schedule, location, and minutes to the shareholders well before the AGM begins, iii) introducing cumulative voting rights for minority shareholders to elect a director in the board, iv) introducing ballot option instead of poll (head count) as the voting

procedure, v) revealing the items like appointment of independent director(s), adoption of the directors' report, and removal and election of directors in the AGM agenda.

In formulating/amending the governance guidelines, the regulator is suggested to concentrate more to some items relating to minority shareholders' rights and privileges that have been revealed in this study as disagreeing facts once between the executive/non-executive director and the independent director respondents and again among these two groups and shareholder respondents. The items are i) shareholders straight and cumulative voting rights, and ii) adequate opportunity of the shareholders to put a resolution for vote or discussion in the AGM.

Finally, to ensure the regular presence of independent director(s) and their monitoring functions in the board meeting of the listed family-owned firms, this study suggests the BSEC to promulgate a new guideline regarding this issue.

Appendix

Table A1. Descriptive Analysis of the Respondents' Opinion on Minority Shareholders' Rights and Privileges.

Descriptive Statistics		1	2	3	4	5	6	7
Statement on Rights*								
Executive & Non-Executive Directors	Mean	4.6400	4.6400	4.2800	4.2400	4.4400	4.6400	4.5600
	N	25	25	25	25	25	25	25
	Std. Deviation	.70000	.48990	.67823	.83066	.86987	.48990	.71181
Independent Directors	Mean	4.5200	4.6000	4.2000	4.2800	4.2800	4.5600	4.4800
	N	25	25	25	25	25	25	25
	Std. Deviation	.87178	.50000	.76376	.84261	.97980	.50662	.87178
Shareholders	Mean	3.8400	3.4600	3.6400	3.4600	3.1400	2.9200	3.1800
	N	50	50	50	50	50	50	50
	Std. Deviation	1.21823	1.18166	1.13856	1.05386	1.21235	1.33768	1.38048
Total	Mean	4.2100	4.0400	3.9400	3.8600	3.7500	3.7600	3.8500
	N	100	100	100	100	100	100	100
	Std. Deviation	1.08521	1.07233	.99311	1.02514	1.23399	1.31133	1.30558

Source: Field study. Statistical software package, SPSS has been used for data analysis.* Detailed statement of rights corresponding to the digits have been shown in Table 1.

Table A2. ANOVA of the Respondents' Opinion on Minority Shareholders' Rights and Privileges.

ANOVA					
Minority Average					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	29.075	2	14.537	23.700	0.000
Within Groups	59.500	97	.613		
Total	88.575	99			

Source: Field study. Statistical software package, SPSS has been used for data analysis.

Table A3. Post hoc test of the respondents' opinion on minority shareholders' rights and Privileges.

Multiple Comparisons						
Dependent Variable: Minority Average						
Tukey HSD						
(I) Stakeholders	(J) Stakeholders	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Executive & Non-Executive Directors	Independent Directors	0.07429	0.22152	0.940	-0.4530	0.6016
	Shareholders	1.11429*	0.19184	0.000	0.6577	1.5709
Independent Directors	Executive & Non-Executive Directors	-0.07429	0.22152	0.940	-0.6016	0.4530
	Shareholders	1.04000*	0.19184	0.000	0.5834	1.4966
Shareholders	Executive & Non-Executive	-1.11429*	0.19184	0.000	-1.5709	-0.6577

Multiple Comparisons						
Dependent Variable: Minority Average						
Tukey HSD						
(I) Stakeholders	(J) Stakeholders	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
	Directors					
	Independent Directors	-1.04000*	0.19184	0.000	-1.4966	-0.5834

* The mean difference is significant at the 0.05 level.

Source: Field study. Statistical software package, SPSS has been used for data analysis.

Table A4. Descriptive Analysis of the Respondents' Opinion on Cumulative Voting Rights.

Report						
Statement on Cumulative Voting Rights		1	2	3	4	5
Executive & Non Executive Directors	Mean	3.3200	3.6000	3.3600	4.2000	3.6800
	N	25	25	25	25	25
	Std. Deviation	1.46401	1.44338	1.49666	1.08012	1.18040
Independent Directors	Mean	3.3600	3.5200	3.5600	4.0400	3.6800
	N	25	25	25	25	25
	Std. Deviation	1.31909	1.38804	1.44568	1.05987	1.06927
Shareholders	Mean	3.2600	3.1200	3.1400	3.6200	3.8600
	N	50	50	50	50	50
	Std. Deviation	1.36740	1.23949	1.26184	1.17612	1.06924
Total	Mean	3.3000	3.3400	3.3000	3.8700	3.7700
	N	100	100	100	100	100
	Std. Deviation	1.36700	1.33500	1.36700	1.14287	1.09041

Source: Field study. Statistical software package, SPSS has been used for data analysis. Detailed statement of cumulative voting rights corresponding to the digits have been shown in Table 2.

Table A5. ANOVA on Cumulative Voting Rights.

One way ANOVA					
Voting Average					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.346	2	0.673	0.624	0.538
Within Groups	104.509	97	1.077		
Total	105.854	99			

Source: Field study. Statistical software package, SPSS has been used for data analysis.

Table A6. Post Hoc Test of the Respondents' Opinion on Cumulative Voting Rights.

Post Hoc Test

Multiple Comparisons						
Dependent Variable: Voting Average						
Tukey HSD						
(I) Stakeholders	(J) Stakeholders	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Executive & Non Executive Directors	Independent Directors	0.00000	0.29359	1.000	-0.6988	0.6988
	Shareholders	0.23200	0.25425	0.634	-0.3732	0.8372
Independent Directors	Executive & Non Executive Directors	0.00000	0.29359	1.000	-0.6988	0.6988
	Shareholders	0.23200	0.25425	0.634	-0.3732	0.8372
Shareholders	Executive & Non Executive Directors	-0.23200	0.25425	0.634	-0.8372	0.3732
	Independent Directors	-0.23200	0.25425	0.634	-0.8372	0.3732

Source: Field study. Statistical software package, SPSS has been used for data analysis.

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