

EFFECT OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE OF NEPALESE COMMERCIAL BANKS

A Dissertation submitted to the office of the Dean, Faculty of Management in partial
fulfillment of the requirements for the Master's Degree

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Effect of Corporate Governance on Financial Performance of Nepalese Commercial Banks**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

Mr. Amrit Kumar Neupane has defended research proposal entitled “**Effect of Corporate Governance on Financial Performance of Nepalese Commercial Banks**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidelines of supervisor Mr. Madhusudan Gautam and submit the thesis for evaluation and viva-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled “**Effect of Corporate Governance on Financial performance of Nepalese Commercial Banks**” presented by Amrit Kumar Neupane for the degree Master of Business Studies (MBS semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ABBREVIATIONS

A.D.:	Anno Domini
AGM:	Annual General Meeting
B.S.:	Bikram Sambat
BOD:	Board of Directors
BS:	Board Size
CA:	Company Age
CEO:	Chief Executive Officer
CG:	Corporate Governance
CSR:	Corporate Social Responsibility
FY:	Fiscal Year
NOACM:	Number of Audit Committee Meeting
NOBM:	Number of Board Meeting
ROA:	Return on Equity
ROE:	Return On Assets
ROI:	Return ON Investment
SMEs:	Small and medium-sized enterprises
NRB:	Nepal Rastra Bank

ABSTRACT

Corporate governance appeared to be the global issue and global trend in most of the commercial industries of public concern than ever before. This study attempts to investigate the relationship between financial performance and corporate governance of commercial banks in Nepal. Specifically, it examines the effects of board size, company age, male board of directors, female board of directors, number of audit committee meeting and number of board committee meeting on return on equity and return on assets. This study is based on secondary data collected from the annual reports of 10 commercial banks of Nepal. Samples for this study were taken from 100 observations in the review period from fiscal year 2070/071 to 2079/080 B.S. The study finds out that the board size and male board of directors and company age positively impacts the financial performance of commercial banks in Nepal whereas female board of directors, number of audit committee meeting and number of board committee meeting negatively impact the financial performance of commercial banks in Nepal. The research utilizes quantitative methods to analyze data gathered from financial reports and governance disclosures of Nepalese commercial banks. Findings aim to contribute to the existing literature by providing empirical evidence on the relationship between corporate governance practices and financial outcomes in the context of Nepalese banking. Understanding these dynamics can offer insights into enhancing corporate governance frameworks to improve financial performance and sustainability in the banking sector of Nepal.

Keywords: Board Size, Company age, Male Board of Director, Female board of directors, Number of Audit Committee Meeting, Number of Board Meeting

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Corporate governance plays a pivotal role in shaping the financial performance of banks worldwide. In the context of Nepal, where the banking sector is rapidly evolving and facing various challenges, understanding the relationship between corporate governance practices and financial performance is imperative for sustaining growth, ensuring stability, and fostering investor confidence. Corporate governance is no more a fashionable and trendy terminology to be used in the credibility and transparency of an organization. Every organization wants a competitive profit through diversified series of portfolio investment. But this has to be in line with governance aspect, which is the major challenge of contemporary corporate world. Corporate governance has now been developed as the significant strategic tool to eliminate risk in business. In this regards, corporate governance is fair, equitable, transparent and justifiable management model that aims at long term satisfaction of key stakeholders. The importance of a vibrant, transparent and healthy banking system in the mobilization and intermediation of fund, for the growth and development of the economy need not be over-emphasized. Worthy of is the fact that the level of functioning of the financial sector depend on the perception and patronage of the citizens towards its services (Al- Faki, 2006).

Nepal's banking industry has undergone significant transformations over the years, marked by increasing competition, technological advancements, and regulatory changes. In this dynamic environment, effective corporate governance mechanisms become essential for banks to navigate risks, maintain transparency, and uphold accountability to stakeholders.

Several studies have explored the impact of corporate governance on financial performance in the global banking sector. For instance, research by Shleifer and Vishny (1997) emphasizes the importance of strong corporate governance in mitigating agency conflicts between managers and shareholders, ultimately enhancing firm value. Similarly, studies by La Porta et al. (2000) and Yermack (1996) provide insights into the

relationship between governance structures, risk management practices, and financial outcomes in banking institutions.

Corporate Governance is a mechanism to structure, operate and control a company with the objective to achieve long-term strategic goals of safeguarding the interests of shareholders and different stakeholders. Besides meeting the environmental and local community needs the aim of corporate governance is to govern the firms by complying with the legal and regulatory requirements. It is concerned with the proper implementation of policies and procedures by a company to satisfy its related parties including shareholders, employees, customers, suppliers, regulatory authorities and the community at large (Kaur, 2014).

Corporate governance has been emerging as one of the screening tools for both financial and non-financial organizations as a series of corporate frauds happened in developed and underdeveloped countries. The fraud brought negative effects to the corporate performance and stakeholders' interest, and even made some firms go bankrupt. The organization's failure to address governance in many circumstances created the worst condition. For example, As presented in the CSR journal (2020), YES Bank of India began as a non-bank financial corporation (NBFC) in 1999 and expanded into a full-fledged bank in 2003. Former Managing Director and CEO Rana Kapoor was known for propping up the market by agreeing to distribute loans to corporate borrowers rejected by other banks, and his board members were continuously fighting for the top slot. The bank would levy a hefty upfront cost, and most borrowers were willing defaulters. Yes, Bank's financial position has been steadily deteriorating, owing to the bank's failure to raise capital to handle possible loan losses and subsequent downgrades, as well as investors' invocation of bond covenants and withdrawal of deposits. In recent years, the bank has also faced major governance concerns and procedures, which have contributed to its continuous collapse. The RBI worked closely with the bank's management to identify methods to improve the bank's balance sheet and liquidity. The bank's management told the RBI that it was in talks with several investors and that they were likely to succeed.

Nepal's central bank, enacted regulations requiring financial institutions to adhere to corporate governance standards, increasing public trust. The Nepal Rastra Bank now has

a strong legal framework for overseeing financial organizations, thanks to the Banking Act of 2014. It has been noted that the licensing function has been suspended; nevertheless, the merger procedure has begun because each bank must raise its capital to Rs 8,000 million. The bank should either issue right shares or merge with another financial organization to increase this amount. Furthermore, the Banking Act requires financial institutions to publish their financial statements every quarter for the public's benefit. This has aided in the instillation of discipline and strong corporate governance among financial organizations significantly (NRB, 2010).

The intent interest of mass general public, government, stakeholders, regulating body and management towards corporate governance is increasing with the increasing cases of financial irregularities. Nepalese banking industry is suffering from ups and downs because of issues in corporate governance that is observed from recent change in monetary policy by Nepal Rastra Bank regarding capital structure, board member, board size and interdependence of board member. Banking sector works the financial intermediary in the aggregate economy. Although there are several directives and regulations to strengthening the situation of corporate governance by Nepal Rastra Bank, there is a gap of policy and implementation of policy in Nepalese banking industry that can be observed by the default of bank and financial institutions in Nepal. The real estate crisis of Nepal in the period from 2007 to 2009 further highlighted the importance of corporate governance in Nepalese banking industry. Therefore, the corporate governance of bank is more importance than other industries (Adnan et al., 2011).

Bank is the highest regulatory body in all financial-related activities in Nepal. Nepal has not a long history of Corporate Governance practices. Effective corporate governance reduces ownership and control problems and draws a clear line between the shareholder and the manager. The Nepalese commercial banks are successfully practicing corporate governance activities such as representative board members, accountable and responsible banking services, transparent financial and operational information, effective internal control mechanism and satisfactory performance.

The regulatory framework governing the banking sector in Nepal has evolved over time. The Nepal Rastra Bank (NRB), established in 1956, serves as the central bank and regulator

Nepal's banking sector has faced various challenges, including political instability, regulatory issues, and vulnerability to natural disasters. In recent years, efforts have been made to strengthen the regulatory framework, enhance risk management practices, and promote financial stability through reforms and policy measures. Like many countries, Nepal's banking sector is undergoing a digital transformation, with the adoption of technology-enabled banking services such as internet banking, mobile banking, and digital payments. This shift towards digitalization aims to improve efficiency, accessibility, and customer experience in financial services.

1.2 Problem Statement

As corporate governance is the responsible and significant factor in maintaining the performance of banks. Therefore, this study is being conducted to examine and measure the contribution of corporate governance in terms of performance of the Nepalese commercial banks. Over the previous decade, Nepal has had a significant number of bank failures. Several banks have been placed under the management of a curator, some have closed their doors, while others are still barely making ends meet, and most writers attribute this to weak corporate governance. Banks are not the only element of the economy that has been shaken; other public and private firms have also been shaken. Several more studies have investigated the link between various governance methods and firm performance.

Corporate governance has emerged as a crucial aspect of managing corporations, particularly in the banking sector. It involves the processes and structures by which businesses are directed and controlled, focusing on enhancing corporate performance and accountability while considering stakeholders' interests. In the context of Nepalese commercial banks, corporate governance plays a significant role in determining financial performance, with key elements such as board size, audit committee size, and the proportion of independent directors influencing outcomes like return on equity (ROE) and nonperforming loans (Bhattarai, 2017).

The findings from this research are expected to contribute to the existing literature on corporate governance and financial performance, particularly in the context of developing economies like Nepal. By identifying specific governance practices that enhance financial outcomes, the study aims to provide practical recommendations for policymakers, regulators, and banking institutions to improve governance structures and thereby boost financial performance

Effective corporate governance is critical for the financial health and sustainability of commercial banks. This study aims to elucidate the specific governance practices that can enhance financial performance in Nepalese commercial banks, thereby contributing to a more robust and resilient banking sector. Through comprehensive analysis and evidence-based recommendations, the research seeks to promote better governance practices that align with the long-term strategic goals of safeguarding stakeholders' interests and achieving sustainable financial growth.

The relationship between the profitability of a bank and specific corporate governance variables such as board size, company age, board gender diversity, and board meetings can be complex and multi-dimensional. A larger board brings diverse perspectives, expertise, and skills, which can enhance decision-making and strategic planning. Larger boards can lead to slower decision-making, coordination challenges, and higher costs also. The relationship can be non-linear. An optimal board size that balances diversity and efficiency tends to be positively correlated with profitability, while very large or very small boards might negatively impact it. Smaller boards can be more agile and efficient in decision-making, with better communication and coordination. Limited diversity and expertise can constrain strategic decisions and innovation. Smaller boards can positively impact profitability if they are sufficiently diverse and skilled, but too small boards might lack necessary oversight and strategic depth.

Older banks often benefit from stable revenue streams and market positions, positively impacting profitability, but must balance maintaining tradition with innovation to remain competitive. Younger banks may have higher growth potential and profitability opportunities but face higher risks and volatility. Diverse perspectives lead to better decision-making, creativity, and understanding of market needs. Enhanced reputation and

compliance with regulatory expectations. Numerous studies suggest a positive correlation between board gender diversity and profitability, as diverse boards are better at problem-solving and reflecting diverse customer bases. Lower gender diversity can negatively impact profitability by limiting the board's effectiveness and ability to innovate.

Regular meetings ensure ongoing oversight, timely decision-making, and the ability to address issues promptly. Excessive meetings can be costly and time-consuming, potentially leading to diminishing returns. A moderate frequency of board meetings is generally associated with higher profitability, as it reflects active and engaged governance without being overly burdensome. Infrequent meetings can negatively impact profitability due to reduced oversight and slower reaction times to market changes or internal issues.

Gyawali (2023) found that there is no significant correlation between CEO compensation and bank performance, aligning with prior studies. This insignificance is attributed partly to conflicting compensation directives from Nepal Rastra Bank, diverging from international standards and proving impractical. Subedi (2018) showed the board size is a negative correlation with Return on Assets (ROA), while firm size and ownership exhibit a positive relationship with both ROA and Return on Equity (ROE). Moreover, the debt-to-equity ratio negatively impacts ROE. The findings underscore the importance of policy-level interventions to enhance governance practices in the insurance sector. Specifically, increasing the frequency of board meetings enhances problem resolution and industry efficiency. The study suggested further exploration of additional governance variables such as independent directors, board composition, and leverage, while also highlighting the need to consider factors like CEO qualifications and audit meeting frequency.

Ahmed and Hamdan (2016) reported that the most sample firms meet or exceed corporate governance standards, with substantial shareholder ownership and an average board size of 12 members, though boards tend to be less independent. Empirically, Size of Board and Independent variables show positive impacts on ROE and ROA. Control variables indicate leverage's positive impact on ROE and a mixed relationship with ROA. Singh et al. (2018) argued a negative correlation between board size and bank performance, indicating that a smaller board size enhances performance. Similarly, a lower number of

female board members correlates with improved performance. Dangol (2021) indicated that, on average, boards consisted of approximately seven directors, with roughly one female director per company. Results regarding the relationship between board size and financial performance were mixed, while board gender diversity showed a negative association with banks' financial performance.

The present research addresses the following questions:

- What is the current status of corporate governance indicators and financial performance of Nepalese commercial banks?
- Does there any relationship between board size, company age, male board of directors, female board of directors, number of audit committee meeting and number of board meeting on financial performance of Nepalese commercial banks?
- What is the effect of board size, company age, male board of directors, female board of directors, number of audit committee meeting and number of board meeting on financial performance of Nepalese commercial banks?

1.3 Objective of the Study

The main purpose of the study is to examine the impact of corporate governance in respect to the banking performance of the Nabil Bank which is a commercial bank. Other specific objectives are: -

- To identify the current status of corporate governance and bank performance in Nepalese commercial banks.
- To examine the relationship between board size, company age, male board of directors, female board of directors, number of audit committee meeting and number of board meeting on financial performance of Nepalese commercial banks.
- To analyze the impact of board size, company age, male board of directors, female board of directors, number of audit committee meeting and number of board meeting on financial performance of Nepalese commercial banks.

1.4 Rationale of the study

Due to a rise in documented examples of frauds, insider trading, agency conflicts, and other business sagas, many government leaders around the world are concerned about corporate governance (Enobakhare, 2010). Recently, there has been a surge in interest among scholars worldwide in corporate governance and commercial bank performance, as seen by an explosion of corporate governance research (Adams, 2012; Adams, Hermalin & Weisbach, 2008). The notion of corporate governance has piqued public interest in recent years, owing to its potential impact on a corporation's overall economic health. As the financial crisis draws to close, authorities, governments, and academics are increasingly focusing on corporate governance to boost investor trust and attract more fund employment in business. Evidence implies that bad governance causes enterprises in developing nations to be undervalued in financial markets (LaPorta et al. 2000). As a result, better corporate governance can boost investor trust and strengthen these companies' access to financial markets (Rajagopalan & Zhang, 2009). It is no longer enough for a corporation to be profitable; it must also demonstrate excellent corporate citizenship through environmental awareness, ethical behavior, and sound corporate governance.

1.5 Limitations of the Study

Research may have several limitations that can affect the interpretation and generalizability of their findings. Here are some common limitations researchers encounter:

- Due to a time restriction, the current analysis is based on secondary data from financial statements spanning ten years, from FY 2013/14 AD to FY 2022/23 AD.
- The official website has AGM reports of the past nine years only and the researcher is constrained to this data only as authenticated financial data points for the study.
- The current analysis focuses on financial statements based on historical data and ignores the current economic situation. External factors that can influence financial performance of the banks are not considered in the study.

- The data is collected from financial statements. Therefore, the accuracy of the research work solely depends on the data provided by the concerned banks.

CHAPTER TWO

LITERATURE REVIEW

Every research endeavor necessitates the completion of a literature review. What do we know, or don't know; about this issue/topic/subject is shown by literature reviews? This portion of the study effort described the general past relevant studies as well as the research methodologies, gaps, sample measurement, and statistical strategy used to get meaningful results from the research data. This chapter produced the conceptual framework and variables, and research was conducted using these frameworks and variables.

2.1 Theoretical Literature Review

A theoretical literature review is a critical examination and synthesis of existing theoretical perspectives, concepts, and frameworks relevant to a particular topic or research question. Theoretical literature reviews play a crucial role in shaping research directions, informing the development of hypotheses, and providing a theoretical foundation for empirical studies. They help researchers situate their work within the broader scholarly discourse and contribute to the advancement of knowledge in their respective fields.

2.1.1 Theory of Corporate Governance

Corporate governance is a framework of rules, practices, and processes by which a company is directed and controlled. It encompasses the mechanisms by which companies, particularly corporations, are managed and held accountable to shareholders. One prominent theory in corporate governance is agency theory, which focuses on the relationship between shareholders and management and seeks to mitigate conflicts of interest that may arise due to divergent goals.

Agency theory posits that managers, as agents, may act in their own self-interest rather than in the best interest of shareholders. This misalignment of interests can lead to agency problems such as managerial opportunism, risk aversion, and information asymmetry. To address these issues, mechanisms such as executive compensation, board oversight, shareholder activism, and regulatory frameworks are employed.

One seminal work in agency theory is Jensen and Meckling's (1976) paper "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure," which laid the foundation for understanding agency relationships within firms. The authors argue that conflicts of interest between shareholders and management arise due to the separation of ownership and control in modern corporations. They propose that aligning the interests of managers with those of shareholders through appropriate incentive mechanisms can mitigate agency costs and improve firm performance.

Additionally, the stewardship theory offers an alternative perspective, emphasizing the importance of trust, transparency, and ethical behavior in corporate governance. Proponents of stewardship theory argue that rather than viewing managers as self-interested agents, they should be seen as stewards entrusted with the responsibility of safeguarding and enhancing the long-term interests of stakeholders.

In conclusion, corporate governance theories such as agency theory and stewardship theory provide valuable insights into the dynamics of corporate decision-making and the mechanisms for ensuring accountability and alignment of interests within organizations. These theories continue to inform corporate governance practices and regulatory frameworks worldwide.

2.1.2 Theory of Firm Performance

The theory of firm performance encompasses various perspectives and frameworks aimed at understanding and explaining how businesses operate and achieve their objectives. Here are some key theories and concepts commonly discussed in the realm of firm performance:

Agency Theory: This theory focuses on the relationship between principals (owners) and agents (managers) within a firm. It examines how conflicts of interest between these parties can affect firm performance and suggests mechanisms to align their interests, such as incentive structures and monitoring mechanisms.

Resource-Based View (RBV): RBV posits that a firm's competitive advantage and performance are primarily determined by its unique bundle of resources and capabilities.

According to this view, firms with valuable, rare, and difficult-to-imitate resources are more likely to achieve sustainable competitive advantage and superior performance.

Transaction Cost Economics (TCE): TCE analyzes the costs associated with conducting transactions in the marketplace. It suggests that firms exist to minimize transaction costs, such as search, negotiation, and monitoring costs, which can lead to improved performance by internalizing certain activities instead of relying solely on market exchanges.

Dynamic Capabilities Theory: This theory emphasizes a firm's ability to adapt, innovate, and reconfigure its resources in response to changing environments. Dynamic capabilities are seen as critical drivers of firm performance, enabling firms to sense and seize new opportunities and respond effectively to competitive threats.

Stakeholder Theory: Stakeholder theory asserts that firms should consider the interests of all stakeholders, including employees, customers, suppliers, communities, and shareholders, in decision-making processes. Proponents argue that by addressing the needs of various stakeholders, firms can enhance long-term performance and sustainability.

Institutional Theory: Institutional theory examines how organizations conform to institutional pressures and norms within their environments. It suggests that adherence to institutional rules and practices can influence firm behavior and performance, as firms strive to gain legitimacy and maintain their social acceptance.

Market-Based View (MBV): MBV focuses on the external market environment and competitive dynamics shaping firm performance. It highlights the importance of factors such as industry structure, market positioning, competitive rivalry, and customer preferences in determining firm success.

Knowledge-Based View: This perspective emphasizes the role of knowledge creation, acquisition, and utilization in driving firm performance. It suggests that firms that effectively manage and leverage knowledge resources, including intellectual capital and organizational learning processes, are better positioned to achieve superior performance.

2.2 Empirical Literature Review

An empirical literature review is an assessment and synthesis of existing research studies and papers that are based on empirical evidence. Empirical evidence refers to data collected through direct observation or experimentation rather than through theoretical reasoning or anecdotal evidence. In an empirical literature review, researchers examine and analyze various empirical studies relevant to their topic of interest. They identify trends, patterns, consistencies, and discrepancies among the findings of different studies, offering insights into the current state of knowledge in a particular field or topic area. This type of review typically involves systematic searching, selection, appraisal, and synthesis of relevant empirical studies to provide a comprehensive understanding of the research landscape on a specific subject.

2.2.1 Review of Nepalese Studies

Bhatt et al. (2024) studied the critical factors influencing commercial bank performance in Nepal, highlighting external supervision, capital adequacy levels, and corporate governance structures as pivotal. While effective credit appraisal practices were noted as less influential, diverse boards and robust governance mechanisms significantly contribute to enhanced financial outcomes. The findings emphasize the importance of increasing external supervision, improving credit appraisal processes, maintaining adequate capital levels, and strengthening corporate governance to bolster decision-making, risk management, and overall performance in Nepal's banking sector, thereby promoting stability and sustainability.

Gyawali (2023) investigated the relationship between CEO compensation and performance in Nepalese commercial banks from 2015 to 2020, using ROA and ROE as performance indicators and CEO total compensation (natural logarithm) as a proxy for pay. Analyzing panel data with pooled OLS and fixed effects models, the findings reveal no significant correlation between CEO compensation and bank performance, aligning with prior studies. This insignificance is attributed partly to conflicting compensation directives from Nepal Rastra Bank, diverging from international standards and proving impractical. Moreover, the study suggests further research should encompass all Nepalese financial institutions and consider addressing endogeneity issues using methodologies

like system-GMM estimator (Blundell & Bond, 1998), acknowledging potential bidirectional relationships between executive pay and firm performance.

Chalise and Adhikari (2022) studied the impact of capital structure and firm size on financial performance in commercial banks, using ROA (Return on Assets) and EPS (Earnings per Share) as indicators. It finds a negative relationship between ROA/EPS and capital structure (Debt/Equity ratio), consistent with Timsina (2018), suggesting capital structure has no significant impact on these performance metrics. However, there is a positive association between ROA/EPS and total assets (Size), indicating larger banks tend to be more profitable. The study recommends maintaining higher equity in capital structures for Nepalese commercial banks, offering insights for managerial decision-making to enhance financial performance.

Dangol (2021) examined the impact of corporate governance factors on the financial performance of banks, specifically focusing on board size and board gender diversity as independent variables and return on equity (ROE) and return on assets (ROA) as dependent variables. It aimed to identify the corporate governance framework and financial performance while investigating the relationship between board size, board gender diversity, and financial performance in Nepalese banking sectors. Findings indicated that, on average, boards consisted of approximately seven directors, with roughly one female director per company. Results regarding the relationship between board size and financial performance were mixed, while board gender diversity showed a negative association with banks' financial performance.

Sapkota (2020) investigated the correlation between corporate governance and firm performance, focusing specifically on Nepalese commercial banks. Utilizing a descriptive, correlational, and causal-comparative research design, data from secondary sources spanning a decade (2008/09 to 2017/18) and a sample of nine commercial banks were analyzed. While leverage ratio demonstrated a significant positive impact on Return on Equity (ROE), the effect of board size on ROE was mixed and statistically insignificant. Additionally, board meetings were found to negatively impact bank performance, though not significantly. Ownership concentration exhibited mixed effects on ROE, and control variables yielded varied results. Notably, Net Interest Margin (NIM)

had a significant positive impact on ROE, consistent with the banks' reliance on interest income. The findings suggest that leverage positively influences bank performance, board size's impact is inconclusive, and board meeting frequency may negatively affect performance due to associated costs and internal conflicts. The size of banks positively affects performance due to economies of scale and competitive advantages.

Maharjan (2019) analyzed the impact of corporate governance on the financial performance of the Nepalese insurance sector using data from 2011 to 2018. It focuses on 18 insurance companies, comprising 13 non-life and 5 life insurance firms. Employing panel data and correlational and regression analyses, the research finds that board meetings and audit committees positively influence firm profitability, while CEO duality has a negative effect. Board size does not significantly affect performance, but the size and age of the company positively correlate with financial performance. Overall, the study underscores the importance of corporate governance mechanisms in shaping the performance of insurance companies in Nepal.

Baral et al. (2019) researched empirical evidence on the relationship between corporate governance, ownership structure, and firm performance in an economy characterized by underdeveloped capital markets, prevalent family-owned and closely held firms, and limited investor protection. Consistent with agency theory, well-governed firms exhibit better financial performance, with corporate governance exerting a greater influence on market value compared to accounting metrics. Key internal governance mechanisms identified include smaller board sizes, higher proportions of independent directors, reduced ownership concentration, enhanced transparency and disclosure standards, and appropriate director compensation packages. The study underscores the bidirectional relationship between corporate governance and firm performance. Ownership structure emerges as a critical determinant of governance standards, stability, and performance, with ownership concentration aiding in monitoring managerial actions but adversely impacting governance. Notably, local promoters' significant ownership stakes may incentivize self-interest, leading to principal-principal conflicts and diminishing market value. The findings contribute to understanding the endogenous relationship between corporate governance and performance, supporting the principal-principal agency model.

Practical implications include the need for tailored governance codes accounting for country-specific characteristics and the potential for improved compliance to enhance firm performance. Limitations include the simplistic nature of the corporate governance index and the focus solely on internal governance mechanisms, suggesting avenues for future research expansion.

Bista et al. (2018) conducted a study explores the significance of dividend per share and dividend yield as key factors influencing investor interest in both established and potential investment opportunities. While high rates of both metrics are favored by sophisticated investors and appeal to smaller investors alike, many lack comprehensive understanding of the intricate operational and external variables shaping a company's dividend policy. The research, focused on Nepalese commercial banks and insurance companies spanning the years 2010–2011 to 2015–2016, emphasizes the pivotal role of a firm's financial performance in investor decision-making. Analysis reveals that firm size and foreign ownership exhibit positive correlations with dividend payout ratio and dividend yield, indicating that larger firms and those with higher foreign ownership percentages tend to offer greater dividends. Conversely, institutional ownership is found to exert a negative influence on both dividend payout ratio and yield. These findings underscore the complex interplay between corporate performance metrics and dividend policy, shedding light on factors driving investor behavior in the Nepalese financial market.

Subedi (2018) examined the impact of corporate governance on the financial performance of the Nepalese insurance sector, utilizing secondary data from 2009/10 to 2016/17 encompassing 15 sample companies. Employing a descriptive cum analytical research design with regression analysis, the study reveals that corporate governance significantly influences firm performance in Nepal's insurance industry. Notably, board size shows a negative correlation with Return on Assets (ROA), while firm size and ownership exhibit a positive relationship with both ROA and Return on Equity (ROE). Moreover, the debt-to-equity ratio negatively impacts ROE. The findings underscore the importance of policy-level interventions to enhance governance practices in the insurance sector. Specifically, increasing the frequency of board meetings enhances problem

resolution and industry efficiency. The study suggests further exploration of additional governance variables such as independent directors, board composition, and leverage, while also highlighting the need to consider factors like CEO qualifications and audit meeting frequency. Additionally, future research could explore comparative governance practices between life and non-life insurance companies.

Singh et al. (2018) examined the performance of Nepalese commercial and development banks over the period of 2009 to 2013, utilizing a sample size of twenty commercial banks out of thirty and five development banks. Employing descriptive analysis, correlation analysis, and Multiple Regression, the study evaluates bank performance measured by Return on Assets (ROA) and Return on Equity (ROE). Findings suggest a negative correlation between board size and bank performance, indicating that a smaller board size enhances performance. Similarly, a lower number of female board members correlates with improved performance. CEO duality, where the chairman and CEO roles are separate, positively influences performance. Independent directors also contribute to enhanced performance. Notably, Nepalese commercial banks exhibit no CEO duality. Furthermore, capital adequacy ratio (CAR) negatively impacts ROE but positively affects ROA, suggesting that while higher CAR decreases ROE, it improves ROA. Additionally, banks leveraging more perform better than those relying solely on capital investment, underscoring the significance of proper corporate governance practices for superior performance.

Bhattra (2017) investigated the significance of corporate governance in today's global commercial landscape cannot be overstated, particularly in ensuring transparency, accountability, and integrity to address stakeholder concerns. Following numerous corporate scandals, corporate governance has garnered widespread attention worldwide. Key areas such as board size, CEO role, independent directors, board committees, composition, and external auditors are crucial in governing corporate practices. This study focuses on the impact of corporate governance on the financial performance of Nepalese commercial banks, examining variables like board size, audit committee size, and the proportion of independent directors in relation to return on equity and nonperforming loans. Findings reveal a negative correlation between board size and

return on equity, while audit committee size and the proportion of independent directors show a positive correlation with return on equity. Similarly, a negative correlation exists between board size and nonperforming loans, whereas audit committee size and the proportion of independent directors correlate positively with nonperforming loans. These results emphasize the importance of reducing board size and increasing audit committee size and the proportion of independent directors to enhance financial performance in Nepalese commercial banks.

Silwal (2016) investigated the relationship between corporate governance and firm performance among Nepalese non-financial firms listed on the Nepal Stock Exchange from 2010 to 2015, using pooled cross-sectional data from 18 such firms. Focusing on manufacturing and processing, trading, hotels, and hydro sectors, the study analyzed the impact of board size, leverage, firm age, audit committee presence, and firm size on return on assets, return on equity, and Tobin's Q. Findings suggest that board size, leverage, and firm age significantly affect return on assets, with board size and leverage having a negative impact and firm age a positive one. Firm age emerges as the most influential variable. Return on equity is positively influenced by firm size, firm age, and the presence of an audit committee, but negatively influenced by board size. Firm age and the presence of an audit committee are particularly strong determinants of ROE. Similarly, Tobin's Q is influenced by board size, leverage, the presence of an audit committee, and firm size, with board size and the presence of an audit committee positively associated, and leverage and firm size negatively associated with Tobin's Q. In conclusion, larger board sizes and the presence of an audit committee are associated with higher firm performance.

Pradhan (2015) studied focuses on the Nepalese banking sector, recognizing its growing significance in the economy. Corporate governance is defined as the system overseeing the direction and control of companies, ensuring investors' returns and accountability of company management to shareholders. Through an analysis of 25 banks over the period 2006/07-2010/11 AD, the study investigates the relationship between corporate governance and bank performance, considering factors such as board size, composition, meetings, and leverage. Findings indicate average returns on equity and assets of 15.8%

and 14.1%, respectively, with a non-performing loan ratio of 3.25%. Correlation analysis suggests minimal multicollinearity, with negative associations between board size, executive directors, and non-performing loans, and positive relationships between return on equity/assets and leverage, independent directors, and board meetings. Notably, a higher number of executive directors correlates with increased non-performing loans, while a greater presence of independent directors associates with decreased non-performing loans.

2.2.2 Review of International Studies

Li et al. (2024) studied the impact of corporate governance (CG) and corporate sustainability (CS) on disclosure quality (DD) among Malaysian sukuk issuers, highlighting the mediating role of CS. It finds that a strong board, larger size, gender diversity, CEO non-duality, and renowned external auditors positively influence DD, whereas independent board and audit committee members negatively impact it due to the high costs involved. Gender diversity and renowned external auditors positively affect both CS and DD, though the impact of gender diversity remains limited, suggesting the need for female empowerment in Malaysian corporate culture. All three CS pillars positively impact DD, with the economic dimension having the greatest effect, underscoring the importance of economic sustainability for overall firm sustainability. Mediation analysis reveals CS fully mediates the relationship between CG and DD, with CS having a more significant impact on DD than CG. The findings support implementing robust regulatory, financial, and CG procedures to enhance firm performance and economic growth. Future research should explore other risk aspects and address the barriers to female leadership through interview-based primary data collection.

Abdullah & Tursoy (2023) investigated the impact of corporate governance (CG) attributes on the financial performance of non-financial firms listed in Germany, characterized by a continental CG system and significant shareholder control. Analyzing a sample of 4169 firm-year observations from 2002 to 2018, the fixed-effects regression results indicate that CG characteristics generally have a negative marginal effect on firm performance, with large board size and frequent board meetings linked to poorer outcomes, likely due to coordination and monitoring issues. Audit committee

independence also negatively affected performance, reflecting Germany's shareholder-oriented and insider-controlled system. CEO duality showed no significant effect. High leverage correlated with lower financial performance, while IFRS adoption positively impacted performance due to increased transparency and better accounting quality. These findings emphasize the importance of CG attributes and leverage in influencing financial performance, providing valuable insights for managers, shareholders, and regulators, though results are specific to non-financial firms and may differ for the financial sector. Future research should explore other markets and periods for a broader understanding.

Farooq et al. (2022) studied corporate governance (CG) demonstrates a notable positive impact on accounting returns and market indices like Tobin's Q, yet it has a relatively minimal effect on return on equity. The disparity in benefits based on firm size is evident; larger companies, which often have more structured and effective governance practices, see greater profitability from CG than smaller firms. These smaller firms typically lack robust governance mechanisms, which hinders their ability to capitalize on the advantages of CG. Consequently, the findings suggest that small businesses need to prioritize and improve their governance structures. By doing so, they can enhance their overall profitability and better compete with larger companies. This emphasis on strengthening governance is crucial for smaller firms aiming to achieve sustainable growth and long-term success in the market.

Nasrallah and El (2021) conducted the study discuss the challenge of evaluating the financial performance of family and closely held businesses due to limited financial data and informational asymmetry. In response to globalization and technological advancements, the study introduces a new corporate governance (CG) model tailored for family businesses and closely held entities. It emphasizes the impact of qualitative traits and internal capabilities of SMEs on financial performance. Key findings indicate that the CG score significantly and positively influences Return on Assets (ROA) and Return on Investment (ROI), while financial performance indicators are variably affected by different CG components. Effective management boards enhance ROI, while an efficient accounting system, internal control, and external audit positively affect ROA. Quantile regression analysis reveals that the influence of CG on financial performance is more

pronounced among top-performing SMEs. The study suggests that mature SMEs with moderate turnover and a substantial workforce are more likely to implement CG policies and achieve high financial performance. The research acknowledges limitations such as the static data collection in 2018 and challenges in measuring financial performance in opaque business markets of emerging and developing countries. Recommendations include further testing the model on larger and more diverse samples across different Arab countries with similar environmental factors to Lebanon, particularly in the MENA region, to enhance financial disclosure and transparency.

Elgammal et al. (2020) investigated the level of Corporate Social Responsibility (CSR) disclosure and its determinants among 39 Islamic banks in the Gulf Cooperation Council (GCC) countries from 2010 to 2014. It found that CSR disclosure levels were relatively low despite the AAOIFI guidelines. The research indicated that larger board sizes correlated with higher CSR disclosure, while CEO duality and larger audit committee sizes negatively impacted CSR disclosure. The findings suggested that corporate governance mechanisms might not significantly influence voluntary disclosures. Additionally, the study identified a significant negative association between CSR disclosure and firm value, implying that excessive CSR information might negatively impact firm value from a signaling theory perspective. It recommended that Islamic banks enhance CSR disclosure practices and that policymakers encourage adherence to AAOIFI standards.

Kyere and Ausloos (2020) investigated the impact of various corporate governance mechanisms on financial performance using a sample of 252 firms listed on the London Stock Exchange in 2014. It considers insider shareholding, board size, independent directors, CEO duality, and audit committee meetings, within the frameworks of agency theory and stewardship theory. Results show mixed findings, with some mechanisms, like board size and independent directors, positively influencing financial performance, while others, like insider shareholding and CEO duality, show no significant impact. The study suggests that the UK companies can enhance their financial market performance by adopting appropriate corporate governance mechanisms, although further research is

needed to explore additional variables and external factors like technology, economic conditions, and Brexit implications.

Bhagata and Bolton (2019) studied the ongoing focus on corporate governance issues in both financial and popular media, citing recent scandals at Wells Fargo and Equifax as well as historical events like the 2008 financial crisis and scandals involving Enron, WorldCom, Tyco, and Qwest. Despite subsequent regulatory responses such as the Sarbanes-Oxley Act and the Dodd-Frank Act, concerns persist. The authors propose that misaligned CEO incentive compensation is a common theme underlying these scandals. They argue for director stock ownership as a measure of corporate governance, finding it consistently positively related to future corporate performance, especially among financial institutions. This suggests the importance of aligning director incentives with long-term shareholder interests and highlights the relevance of such measures for policymakers, investors, and corporate governance researchers.

Mohan and Chandramohan (2018) analyzed over corporate governance and its role in safeguarding stakeholder interests has sparked extensive debate, particularly in developed nations, with limited focus on developing nations. Recent corporate governance issues within major Indian corporations have heightened its significance locally. This study, examining corporate governance factors among Sensex firms over a decade, underscores their significant impact on firm performance. Findings highlight the necessity for vigilant monitoring processes to enhance performance, emphasizing the need to separate the roles of CEO and Chair to optimize decision-making and deter opportunistic behavior. Additionally, the study reveals diminishing returns with increased board size, echoing findings from US empirical studies. While contributing valuable insights into firm performance, corporate governance practices, and firm-specific characteristics, the study acknowledges the need for further exploration, including additional variables and industry-specific analyses.

Puri and Walsh (2018) examined the significant impact of good governance on the performance of cooperatives in Nepal. It highlights that good governance, including legitimacy, participation, professionalization, accountability, and transparency, plays a crucial role in enhancing cooperative performance. The research identifies a positive

relationship between good governance and cooperative performance, but also notes instances of negative impact, particularly regarding legitimacy. Furthermore, the study reveals that cooperatives led by women tend to be more transparent, and those in Province 6 exhibit better legitimacy, professionalization, and accountability compared to those in Province 3. Recommendations from the study emphasize the importance of improving governance practices to enhance cooperative performance, suggesting actions to increase professionalization and accountability while reducing legitimacy where necessary. The findings are expected to benefit various stakeholders, including government policymakers, cooperative executives, training centers, pressure groups, primary cooperatives, new researchers, and management, enabling better decision-making and improved performance across the cooperative sector.

Buallay et al. (2017) evaluated corporate governance practices in Saudi listed companies and investigates their impact on firm performance. Using data from 171 companies over 2012-2014, it finds that while over half of the firms adhere to corporate governance regulations, the impact on operational and financial performance is insignificant. However, corporate governance significantly affects market performance, particularly through ownership structure and board size. Recommendations include stricter implementation of governance regulations, awareness workshops, and laws to address ownership concentration and board size. Stakeholders are urged to enhance their understanding of corporate governance for better investment decisions, emphasizing the importance of regulatory bodies and market organizers in promoting governance adoption.

Ahmed and Hamdan (2016) examined the impact of corporate governance characteristics on firm performance in the Bahraini economy. Drawing on theoretical and empirical literature from various countries, corporate governance is defined as a system that directs and controls business corporations, detailing rights, responsibilities, and decision-making procedures (OECD, April 1999). The research analyzes data from 42 listed companies on the Bahrain Bourse over a five-year period (2007-2011), focusing on accounting measures such as ROE, ROA, and EPS to assess firm performance, alongside governance variables. Findings reveal that most sample firms meet or exceed corporate governance

standards, with substantial shareholder ownership and an average board size of 12 members, though boards tend to be less independent. Empirically, Size of Board and Independent variables show positive impacts on ROE and ROA. Control variables indicate leverage's positive impact on ROE and a mixed relationship with ROA. The study concludes that corporate governance positively affects firm performance in Bahrain Bourse, despite limitations due to the study period and sample size. Future research is recommended to extend the study's scope across GCC markets and consider the impact of global financial crises on corporate governance.

Arora and Sharma (2016) analyzed the relationship between corporate governance and firm performance in the Indian manufacturing industry, highlighting that this relationship is not particularly strong due to lax adherence to guidelines and regulations during the initial sample period. Key findings reveal a negative association between board size and return on assets (ROA), a positive but weak link between board meetings and firm performance, and no significant relationship between corporate governance indicators and profitability or stock returns. CEO duality is not deemed crucial for firm performance. The study underscores the importance of implementing good corporate governance practices in developing and emerging economies to enhance accounting and market performance, thereby reducing agency costs. Challenges such as the nascent concept of board independence and the prevalence of individuals serving as independent directors across multiple firms are discussed, emphasizing the need for genuine independence and diverse perspectives on boards. Moreover, the study suggests that board diversity can enhance performance, advocating for the appointment of directors with varied backgrounds and perspectives. It calls for further research to explore additional variables impacting firm performance, including directors' remuneration, gender diversity, and qualitative aspects of board dynamics, while also examining the reverse causality between firm performance and board characteristics.

Mohamed et al. (2016) investigated the correlation between corporate governance and firm performance, utilizing board size and board independence as indicators of corporate governance, and ROA (Return on Assets) and ROE (Return on Equity) as indicators of firm performance. It sets out two main objectives: firstly, to examine corporate

governance practices among the Top 100 listed companies; and secondly, to explore the relationship between corporate governance and firm performance. Descriptive analysis reveals that, on average, the board size consisted of nine directors, with an average board independence ratio of 46% among the Top 100 Malaysian public listed companies from 2008 to 2012. Meanwhile, correlation analysis addressing the second objective demonstrates a nuanced relationship between corporate governance and firm performance, suggesting a mix of impacts.

Dabor et al. (2015) studied the critical role of corporate governance in shaping the internal dynamics of firms, highlighting its significance for firm activities. Descriptive statistics confirm the normality of the model and the absence of autocorrelation. Investigating its impact on the financial performance of Nigerian quoted companies using two models, it identifies return on equity (ROE) and return on assets (ROA) as performance proxies. The regression analysis indicates that a large board, particularly when dominated by executive directors, tends to diminish profitability, while board independence shows a significant positive impact. However, board gender diversity doesn't significantly influence profitability, and ownership structure also lacks a significant effect. Recommendations include advocating for smaller board memberships, implementing laws to regulate ownership structures, advocating for gender diversity on boards, and suggesting further research to compare corporate governance and firm performance between banking and non-banking institutions in Nigeria.

Latif et al. (2013) researched the influence of corporate governance (CG) on firm performance within Pakistan's sugar sector. It highlights the establishment of the first corporate governance code in Pakistan by the Security and Exchange Commission Pakistan (SECP) in 2002 and the subsequent institution for corporate governance in 2004. The study focuses on evaluating CG's impact on firm performance, measured by Return on Assets (ROA). Findings indicate a significant overall impact of CG on firm performance, with specific impacts observed for board size and CEO/Chairman duality. However, board composition shows an insignificant impact on ROA.

Hong and Nguyen (2014) examined the effects of corporate governance on firm performance, revealing several key findings. Firstly, it confirms the positive impact of

CEO duality, where the CEO also serves as chairperson, on firm performance, aligning with stewardship theory. Secondly, the influence of CEO and board ownership on firm performance varies depending on the level of ownership. However, the study fails to find a significant relationship between board size and firm performance. Lastly, the study highlights the nuanced impact of board independence on firm performance across different measures. Recommendations for listed companies include emphasizing the CEO's role in management and monitoring, ideally with the CEO also serving as chairperson, and compensating CEOs with shares rather than cash to align interests and encourage good decision-making. Additionally, the study suggests maintaining lower levels of ownership for the board of directors to ensure alignment with company interests

Wu et. al, (2007) analyzed in terms of board structure, research indicates a significant negative relationship between board size and firm performance, suggesting that larger boards may lead to detrimental decision-making due to diverse insider opinions. Conversely, board independence is positively correlated with firm performance, indicating that more independent boards tend to enhance performance. However, CEO duality shows a negative association with firm performance, suggesting that when CEOs serve as executives, board oversight may suffer, disadvantaging firms. Regarding ownership structure, insider ownership is positively linked to firm performance, potentially aligning interests between authorities and outside shareholders. Conversely, a higher ratio of stock pledged by directors and supervisors correlates with poorer firm performance, indicating potential conflicts of interest that could harm small shareholders. Additionally, a wider gap between voting and cash flow rights negatively impacts firm performance, as it provides controlling shareholders with greater incentives to misuse firm assets, thereby damaging shareholder interests and overall performance.

2.2.3 Summary of Nepalese Literature Review

Table 1

Summary of Nepalese Literature Review

S.N	Authors	Corporate Governance Measure	Firm Performance	Major Findings
1	Bhatt et al. (2024)	Credit Appraisal measurement, External Supervision Capital Adequacy Diversity in boards	ROE& ROA	Commercial banks in Nepal benefit significantly from diverse boards and robust corporate governance structures. Maintaining adequate capital levels and increasing external supervision are crucial for enhancing financial stability and performance in Nepal's banking sector.
2	Gyawali (2023)	CEO Compensations (natural logarithm)	ROE& ROA	The study found no statistically significant correlation between CEO total compensation and bank performance indicators such as Return on Assets (ROA) and Return on Equity (ROE).
3	Chalise and Adhikari (2022)	Business Size (Total Assets), Dept Equity Ratio	ROA & EPS	There is a negative relationship between ROA and EPS with the Debt/Equity ratio in Nepalese commercial banks. Larger total assets (Size) in commercial banks in Nepal are positively associated with both ROA and EPS, indicating that larger banks tend to achieve better profitability metrics.
4.	Dongol, (2021).	Board Size, Bord Gender Diversity	ROE& ROA	Mixed results for board size and negative association for board gender diversity with financial performance
5.	Sapkota, (2020).	Board Size, Leverage Ratio, Ownership concertation, No. of Board Meetings	ROE& ROA	Leverage ratio positively impacted ROE, mixed effect of board size, negative impact of board meetings on performance

6	Maharjan, (2019).	Board Size, CEO Duality, Firm size, Age, NOBODM	ROE& ROA	Board meetings and audit committees positively influence profitability, CEO duality negatively affects performance
7.	G. C., et al. (2019).	Board Size, proportion of promotor directors, on board, independent directors on board,	ROE& ROA	Well-governed firms exhibit better financial performance, ownership concentration affects governance and performance
8.	Singh, et al. (2018)	Board Size, Firm size, Leverage, BGD, CEO Duality, Independent Director	ROE& ROA	Smaller board size and lower number of female board members enhance performance, CEO duality and independent directors positively influence performance
9.	Subedi, (2018).	Board Size, Foreign ownership, Firm size, Age	ROE. ROA	Corporate governance significantly influences performance, negative correlation of board size with ROA, positive relationship of firm size and ownership with ROA and ROE
10.	Bista, et al. (2018).	Board Size, Liquidity, CEO Duality, Managerial Ownership	ROE, ROA, Leverage	Firm size and foreign ownership positively correlate with dividend payout ratio and yield, institutional ownership negatively influences both
11.	Bhattra, (2017).	Board Size, Audit Committee portion, Independent Directors,	ROE. Nonperforming loan	Negative correlation of board size with ROE, positive correlation of audit committee size and proportion of independent directors with ROE

12.	Silwal, (2016).	Board Size, Firm size, Leverage, Audit Committee	ROE. ROA, Tobin's Q	Board size, leverage negatively affect ROA, firm age positively affects ROA and ROE, presence of audit committee positively influences ROE
13.	Pradhan, R.S. (2015).	Board Size, Number of Executive Director, Independent Director	ROE. ROA, non performing loan	Negative associations of board size and executive directors with non-performing loans, positive relationships of leverage, independent directors, and board meetings with ROE and ROA

2.2.4 Summary of International Literature Review

Table 2

Summary of International Literature Review

S.N	Authors	Independent Variables	Dependent Variables	Major Findings
1.	Li et al. (2024)	Firm Size, Gender Diversity, CEO Duality	Disclosure Quality (DD), Corporate Sustainability (CS)	Corporate governance factors such as a strong board, larger firm size, gender diversity, separate CEO and chair roles, and renowned external auditors positively influence disclosure quality (DD) among Malaysian sukuk issuers. However, independent board and audit committee members have a negative impact due to associated high costs. Corporate sustainability (CS), particularly its economic dimension, fully mediates the relationship between corporate governance (CG) practices and disclosure quality (DD). CS, especially driven by gender diversity and renowned external auditors, significantly enhances both corporate sustainability and disclosure quality, underscoring its crucial role in firm performance and economic sustainability.
2.	Abdullah and Tursoy	Board size, Audit Committee	ROA & ROE	The study finds that large board size and frequent board meetings are associated with poorer financial performance. This negative relationship is attributed to

	(2023)	Independence CEO Duality			potential coordination and monitoring challenges that arise in firms with larger boards and more frequent meetings. Additionally, audit committee independence, which is crucial in shareholder-oriented systems like.
3.	Farooq et al. (2022)	Board size, Audit Committee Independence, CEO Duality, Board Independence	Accounting Returns, Market Indices like Tobin's Q		Corporate governance (CG) practices have a significant positive effect on accounting returns and market indices like Tobin's Q. This indicates that firms with effective governance structures tend to achieve better profitability and market valuation. Larger companies benefit more from corporate governance compared to smaller firms. Larger firms with more structured governance practices experience greater profitability enhancements from CG, highlighting a disparity in the benefits depending on firm size.
4.	Nasrallah and El (2021)	Board, Internal Control, Accounting System, External Audit	ROA & ROI		CG score positively influences ROA and ROI; effective management boards enhance ROI; efficient accounting system, internal control, and external audit positively affect ROA; CG impact more pronounced in top-performing SMEs; mature SMEs more likely to implement CG policies; suggests testing model on larger and diverse samples in the MENA region.
5.	Elgammal et al. (2020)	Board size, CEO duality, Audit committee, Firm value	ROA & ROE		Low levels of CSR disclosure despite AAOIFI guidelines; larger board sizes correlated with higher CSR disclosure; CEO duality and larger audit committee sizes negatively impacted CSR disclosure; significant negative association between CSR disclosure and firm value.
6.	Kyere and Ausloos (2020)	Board size, CEO duality, Audit committee, Firm value	ROA & ROE		Mixed findings: board size and independent directors positively influence financial performance; insider shareholding and CEO duality show no significant impact; further research needed to explore additional variables and external factors like technology, economic conditions, and Brexit implications.
7.	Bhagata and Bolton	Board size, CEO duality, Audit	ROA & ROE		Misaligned CEO incentive compensation common in scandals; director stock ownership positively related to future corporate performance; importance of aligning

	(2019)	committee, Firm value, CEO compensation		director incentives with long-term shareholder interests.
8.	Mohan and Chandramohan (2018)	Board size, CEO duality, Audit committee	ROA & ROI	Corporate governance factors significantly impact firm performance; need for vigilant monitoring processes; separating roles of CEO and Chair optimizes decision-making; diminishing returns with increased board size.
9.	Puri and Walsh (2018)	Firm Size, board gender diversity, Board independence	ROA, ROE, Non-Performing Loan	Good governance positively impacts cooperative performance; women-led cooperatives more transparent; Province 6 cooperatives exhibit better legitimacy, professionalization, and accountability compared to Province 3; recommendations for improving governance practices.
10.	Buallay et al. (2017)	Ownership structure, board size	ROA & ROE	Over half of firms adhere to corporate governance regulations; insignificant impact on operational and financial performance but significant impact on market performance through ownership structure and board size; recommendations for stricter implementation of governance regulations and awareness workshops.
11.	Ahmed and Hamdan (2016)	Board size, Firm size, Audit Committee structure	ROA & ROI	Positive impact of corporate governance on firm performance; substantial shareholder ownership; average board size of 12 members; recommendations for further research across GCC markets and considering the impact of global financial crises.
12.	Arora and Sharma (2016)	Board size, CEO duality, Audit committee size	ROA & ROE	Weak relationship between corporate governance and firm performance; negative association between board size and ROA; positive but weak link between board meetings and firm performance; CEO duality not crucial for firm performance; importance of good corporate governance practices in developing economies; challenges include board independence and diversity.

13.	Mohamed et al. (2016)	Board Size, Board Independence	ROA & ROI	Average board size of nine directors; average board independence ratio of 46%; nuanced relationship between corporate governance and firm performance.
14.	Dabor et al. (2015)	Board Size, Board Independence, board gender diversity, ownership structure	ROA & ROE	Large board size, particularly with executive directors, diminishes profitability; board independence shows a significant positive impact; board gender diversity and ownership structure lack significant effect on profitability; recommendations include smaller board memberships and further research to compare corporate governance and firm performance between banking and non-banking institutions in Nigeria.
15.	Latif et al. (2013)	Board size, CEO duality, chairmen duality	ROA & ROE	Significant overall impact of corporate governance on firm performance; board size and CEO/Chairman duality specifically impact ROA; board composition shows insignificant impact on ROA.
16.	Hong and Nguyen, (2014)	CEO duality, board ownership structure, board size,	ROA & ROI	Positive impact of CEO duality on firm performance; varied influence of CEO and board ownership on firm performance; no significant relationship between board size and firm performance; nuanced impact of board independence on firm performance; recommendations for aligning CEO incentives with company interests and maintaining lower levels of board ownership.
17.	Wu et al. (2007)	Board size, CEO Duality, Board Independence	ROA & ROE	Significant negative relationship between board size and firm performance; positive correlation between board independence and firm performance; negative association between CEO duality and firm performance; positive link between insider ownership and firm performance; higher ratio of stock pledged by directors and supervisors correlates with poorer firm performance.

2.3 Research Gap

Firstly, it was very difficult to find out the literature review done in the effect of corporate governance on financial performance of Commercial banks in Nepal. So, due to

resources and time constraints this study couldn't totally generalize the study and limits in the ten commercial banks of Nepal. So, population size should be extended and more complex statistical tools should be used in order to generalize the study which is the gap I personally found from other base papers. Secondly, the banking market in recent context is quite more advanced and technology friendly. Previous studies focused on the traditional way of banking but this study has focused more on the current effect of corporate governance on financial performance of commercial banks in Nepal. The study has been able to present more of the current financial situation of bank in Nepal which is the gap from the previous study. Finally, this summarizes the literature review and literature gap.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Methods

The study has adopted quantitative research methods to examine the relationship among the variables in the study. The process of gathering and interpreting numerical data is known as quantitative research. It may be used to look for patterns and averages, make predictions, evaluate causal linkages, and extrapolate results to larger groups (Johnson, 2004). To collect a data, researchers may, collect numerical, or quantitative, data and to collect narrative, or qualitative, data (Tashakkori & Teddlie, 2003). As a result, the current study used the following research methods and procedures, as well as instruments, to examine the impact of corporate governance on financial performance of commercial banks in Nepal.

3.2 Research Design

The research was carried out to explore the impact of Board Size, Company Age, Number of Male Board of Directors, Number of Female Board of Directors, Number of Audit Committee Meetings and Number of Board Committee Meetings on profitability Return on Equity and Return on Assets (ROA and ROE) of different Commercial banks of Nepal. Hence, the research has adopted descriptive and causal research design which emphasizes on exploring relationships the variables. This study also explores the extent to which each independent variable affects the dependent variable. Correlation analysis investigates the combined fluctuation of two or more variables to determine the degree of correlation between them. The study of how one or more variables impact changes in another variable is known as causal analysis. As a result, it's research into the functional connections that exist between two or more variables. This type of study is known as regression analysis. Our goal is in understanding and regulating correlations between variables rather than finding causes per se, therefore correlation analysis was considered to be somewhat more relevant (Kothari, 2004). This is also applicable in this case, as we can explore the level of impact corporate governance has on the profitability of commercial banks in Nepal with correlational analysis and regression analysis can provide the overall picture of the extent of this impact.

3.3 Population and Sample Data

The population refers to the entire group, individual, events or things of interest that the researcher intends to investigate (Kothari, 2004). In this case, the researcher intends to explore the relationship between variables under the study to provide recommendation to a specific organization i.e., Ten commercial banks in Nepal. Hence, the population of the study are 10 commercial banks in Nepal.

The major types of sampling design are probability and non-probability sampling design (Cooper & Scindler, 2011). Non-probability sampling design is used in the study. The non-probability sampling technique uses subjective judgement of the researcher to select samples required for the study. Judgement sampling technique was used for the study to select samples required for the study. In this technique, the researcher selects the units of the sample based on existing knowledge, or judgement (Kothari, 2004). In this case, a criterion was adopted to select the sample units based on the researcher's judgement. Since, the major focus of the study is 10 Commercial banks in Nepal is selected to collect required financial data randomly.

As for the sampling frame, all the all the commercial banks can be taken under the study to establish a relationship between corporate governance elements and profitability. The major focus of the study is 10 commercial banks in Nepal. The total sampling frame consists of 10 commercial banks in Nepal.

A sample is simply the subset of the population. The sample consists of 10 commercial banks in Nepal. As per the focus of the study we are only considering the impact between corporate governance and profitability for 10 commercial banks in Nepal. A total of 10 years of data for these 10 banks have been collected for analysis. The sample banks were selected on the basis of total assets of the bank. Total of 10 data points over the 10-observation period was used for data analysis. The observation period for the data analysis includes ROA, ROE from data period of 2070/071-2079/080.

Table 3*List of Samples*

S.N.	Name of Commercial Bank	Review Period	No. of Observation
1	Nepal Bank Ltd.	2070/071-2079/080	10
2	Nabil Bank Ltd.	2070/071-2079/081	10
3	Nepal Investment Mega Bank Ltd.	2070/071-2079/082	10
4	Himalayan Bank Ltd.	2070/071-2079/083	10
5	Kumari Bank Ltd.	2070/071-2079/084	10
6	Machhapuchchhre Bank Ltd.	2070/071-2079/085	10
7	NIC Asia Bank Ltd.	2070/071-2079/086	10
8	Global IME Bank Ltd.	2070/071-2079/087	10
9	NMB Bank Ltd.	2070/071-2079/088	10
10	Siddhartha Bank Ltd.	2070/071-2079/089	10
11	Total		100

3.4 Data Collection

The two types of data from which information may be acquired are primary data and secondary data (Kothari, 2004). Secondary data relates to information gathered from government sources, electronic databases, the Internet, and commercial marketing research firms. Therefore, only secondary data was used by the study based on official reports to identify key financial data. The annual reports of 10 commercial banks in Nepal contain sufficient data for analysis, however, reports from other sources were utilized as well to collect overall financial data. Secondary data was gathered from annual reports, a financial statement that are publicly available as listed banks in Nepal.

3.5 Method of Data Analysis

All the data obtained by direct methods, and recorded electronic means is now being processed to assess various parameters and data responses. Acquiring data, processing data, analyzing data, and interpreting conclusions or discoveries are all part of the data processing workflow. As a result, secondary data was collected from company's financial report for this project. The obtained data was verified, organized, transformed, extracted,

and integrated using computer software. As a result, data was documented and arranged with the use of computer tools such as Microsoft Excel. Similarly, statistical data analysis techniques as used to evaluate data, and the results was interpreted using tables, pie charts, bar diagrams, and graphs. Finally, the analysis' findings were analyzed, and key aspects of the study was described.

This study employed correlational analysis to examine the obtained data. Similarly, frequency distribution, bar graphs, and pie charts was utilized to show and interpret the data in this study. Statistical methods such as mean was utilized in the same way. The acquired data was analyzed using SPSS software and Microsoft excel tools in a methodical manner. To demonstrate the link between variables, Pearson's correlation coefficient was employed. The test statistic Pearson's correlation coefficient assesses the statistical link, or association, between two continuous variables.

3.5.1 Descriptive Analysis

The essential features of a study's data are described using descriptive statistics. In a clear manner, they summarize the sample and metrics. Along with simple graphical analysis, they form the cornerstone of almost all quantitative data analysis. When descriptive and inferential statistics are split, it is done for a variety of reasons. You're merely explaining what the data is or implies when you utilize descriptive statistics. When you use inferential statistics, you're attempting to draw conclusions from data that isn't available. Inferential statistics, for example, are used to infer what the general population thinks from a sample of data. Alternatively, we may utilize inferential statistics to see if a group difference discovered in this study is credible or just a coincidence. Descriptive statistics are used to simply describe what is going on, whereas inferential statistics are used to estimate general conditions from data. Using descriptive statistics, numerical data may be presented in a logical and understandable way.

In this study, correlational analysis was used to analyze the acquired data. Therefore, the researcher was able to examine how the variables are related. To present and explain data in this study, frequency distribution, bar graphs, and pie charts was employed. In the same way, mean and other statistical procedures was applied. Using SPSS software tools, the acquired data was thoroughly evaluated.

To demonstrate the link between variables, Pearson's correlation coefficient was employed. Pearson's correlation coefficient is a test statistic that assesses the statistical link, or association, that exists between two continuous variables (Laerd Statistics, 2021). When utilizing SPSS research software to analyze hypotheses, the Pearson correlation test was utilized.

In the data analysis process, the following methodologies and tools are employed.

- Pearson Correlation to explore the correlation between the independent and dependent variables of the study.
- Regression analysis.

3.5.2 Correlation Analysis

In this research, correlation analysis is conducted to assess the relation of independent variables to dependent variables. A bivariate test is conducted that determines the strength and direction of a relationship between two variables. The correlation coefficient goes from +1 to -1 in terms of the strength of the link. If the score is 1, the two variables are inseparably linked. The association between the two variables decreases as the correlation coefficient value approaches zero. The sign of the coefficient indicates the direction of the relationship; a + sign indicates a positive link, while a - sign indicates a negative link. Each corresponding value of the number of board of directors, company age, board gender diversity, number of audit committee, number of audit committee meetings in last fiscal year and number of board of director's meeting in last fiscal year are treated as independent variables, and each corresponding value of Return on Assets and Return on Equity of different years are treated as dependent variables. The linear relation between the mentioned variables is established using Pearson Correlation Tools. The Pearson Correlation Coefficient not only determines if two variables are correlated or not but also the degree to which they are linked (Weinreich, 2006).

3.5.3 Regression Analysis

Linear regression is used to model the value of a dependent scale variable based on its linear relationship to one or more predictors. The linear regression model assumes that there is a linear or "straight line," relationship between the dependent variable and each predictor. The regression models proposed for tested in this study are as follows:

$$Y_i = \alpha + \beta_0 X_i + \beta_1 X_i + e_i \dots\dots\dots (1)$$

Where, Y_i = Dependent

Variable X_i = Variable 1

X_i = Variable 2

β = Coefficient of Independent Variables E = Error term

α = Constant

Here, in this case;

$$ROA = \alpha + \beta_0 BS + \beta_1 CA + \beta_2 MBOD + \beta_3 FBOD + \beta_4 NOACM + \beta_5 NOBM + e_i \dots(i)$$

$$ROE = \alpha + \beta_0 BS + \beta_1 CA + \beta_2 MBOD + \beta_3 FBOD + \beta_4 NOACM + \beta_5 NOBM + e_i \dots(ii)$$

Here,

ROA = Return on Assets

ROE = Return on Equity

BS = Board Size

CA = Company Age

MBOD = Male Board of Directors

FBOD = Female Board of Directors

NOACM = Number of Audit Committee Meetings

NOBM = Number of Board Meetings

α = Constant

β = Coefficient of Independent Variables

E = Error term

3.5.4 Research framework

The following figure represents the conceptual model of the study where profitability is regarded as the dependent variable and BS, CA, MBOD, FBOD, NOACM and NOBM as the independent variable which are the factors of corporate governance. Influence the profitability of the company that ROA and ROE. ROA stands for Return on Assets and

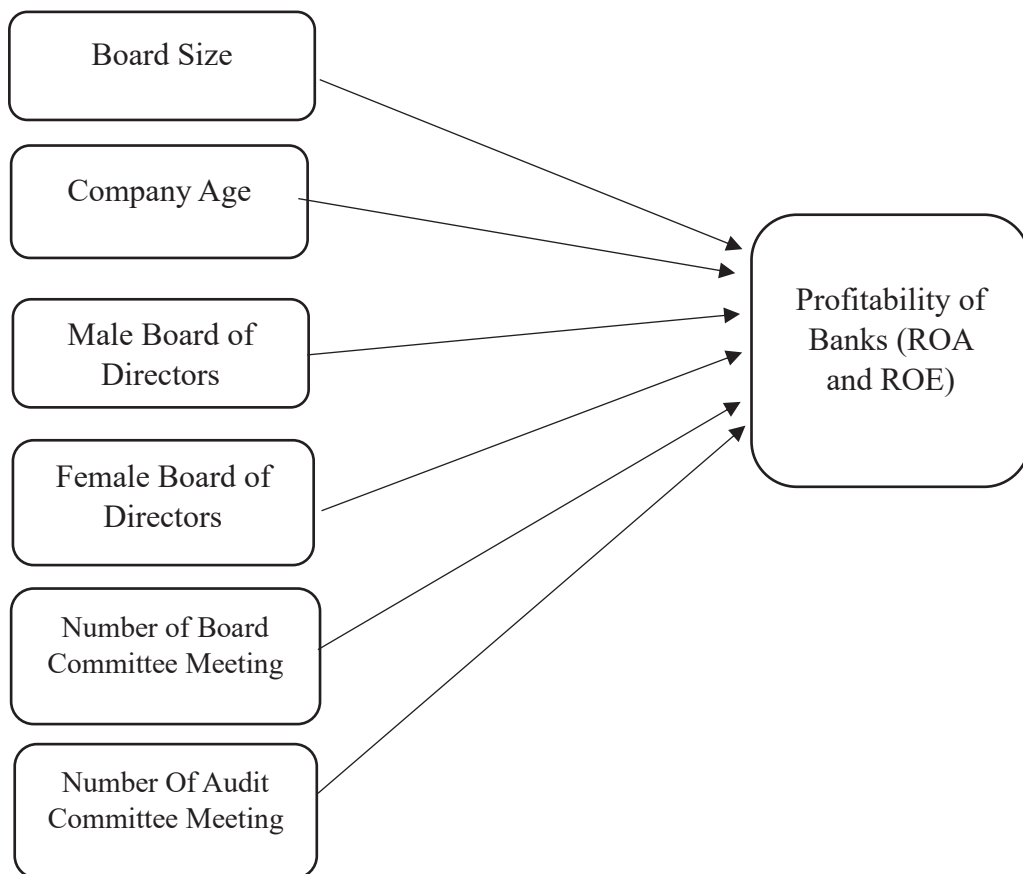
ROE stands for Return on Equity whereas BS stands for Bord Size, CA stands for Company Age, MBOD stands for Male Bord of Directors, FBOD stands for Female Board of Directors, NOACM stands for Number of Audit Committee Meeting and NOBM stands for Number of Bord Meeting

Independent variables

Dependent variables

Figure1

Research Framework



Source: Dabor et al. (2015)

Singh et al. (2018)

Dependent variable

Return on Assets (ROA): Return on Assets (ROA) is a measure of profit per amount of assets. It is usually measured by dividing operating profit by identifiable assets that generated or gave rise to the income (Wright, 2012). It can be given as:

$$\text{ROA} = \text{Net after-tax profit/assets}$$

Return on assets (ROA) is a measure of a company's profitability in relation to its total assets. The return on assets (ROA) tells a manager, investor, or analyst how well company's management is utilizing its assets to create profits. The return on assets (ROA) is expressed as a percentage.

Return on Equity (ROE): The return on equity (ROE) is a measure of a company's profitability and efficiency in generating profits (Wright, 2012). It is computed by dividing net income by shareholders equity and can be given as:

$$\text{ROE} = \text{Net Income} \div \text{Equity, taking into account of the same period.}$$

Independent variable

Board Size (BS): The board size refers to a group of individuals elected by a corporation's shareholders to oversee the management of the company. The number of directors on a board can vary depending on factors such as the company's size, structure, and governing laws. Typically, boards have a minimum and maximum number of directors specified in their bylaws or articles of incorporation. This range can be quite broad, with smaller companies having fewer directors, while larger corporations may have more directors. The exact number is determined by the company's specific needs, governance practices and regulatory requirements.

Company Age (CA): Company age typically refers to the length of time a company has been in operation since its founding or inception. It's a measure of how long the company has been active in the business world, providing goods or services, generating revenue,

and navigating the challenges and opportunities of the market. Company age can be an important factor in assessing a company's stability, experience, and track record.

Male Board of Directors (MBOD): In a corporate context, male board of directors could refer to a board of directors composed primarily or exclusively of male members. This term is often used in discussions about gender diversity and representation in corporate leadership.

Female Board of Directors (FBOD): Female Board of Directors typically refers to a corporate board of directors where a majority or all members are women. The term emphasizes gender diversity at the highest level of corporate governance. Boards of directors are responsible for overseeing a company's management and strategic direction, making their composition crucial for ensuring diverse perspectives and representation. Efforts to increase female representation on boards aim to promote gender equality, enhance corporate governance, and improve decision-making by incorporating a wider range of experiences and viewpoints.

Number of Audit Committee Meetings (NOACM): The "Number of Audit Committee Meetings" in a company refers to the frequency with which the audit committee of the board of directors convenes to fulfill its responsibilities. The audit committee is typically composed of independent directors who oversee financial reporting, internal controls, and audit processes within the organization. The number of meetings can vary depending on factors such as the company's size, complexity, regulatory requirements, and specific needs. Generally, audit committees meet regularly throughout the year to review financial statements, audit findings, internal control issues, and other relevant matters to ensure transparency and compliance with legal and regulatory standards. The frequency of these meetings is often specified in the company's governance documents or bylaws.

Number of Board Meetings (NOBM): Number of board meetings refers to the count or total of meetings held by the board of directors of a company or organization within a certain timeframe, typically within a fiscal year. It's an important metric that can indicate

the level of engagement and oversight provided by the board in the governance of the company.

The frequency of board meetings can vary depending on the company's needs, its size, and its industry. Some companies may have monthly board meetings, while others might meet quarterly or even less frequently. Additionally, special board meetings may be called to address specific issues or opportunities as they arise.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents and analyzes source data in a methodical manner to address corporate governance practices in Nepalese commercial banks. This research is based on secondary data analysis and focuses on quantitative elements of Nepalese commercial bank's annual reports of corporate governance processes. In this chapter methodology of research is defined. It consists of analysis, discussion, and interpretation of the results, based on the data collected. The analysis is mainly based on the secondary data collected through a different annual report of Nepalese commercial banks.

4.2 Results

4.2.1 Financial performance of the commercial bank

Many studies regard corporate governance to be a key factor of bank success. ROE and ROA are used to represent firm performance in this study. Corporate governance policies have an impact on a company's performance. Therefore, companies that follow effective corporate governance have better management, which leads to more transparency and accountability, as well as sensible resource allocation. This improves financial performance, resulting in greater ROE and ROA, which leads to higher share prices. In the study, ROE and ROA are taken as measures for financial performance of the bank. A total of 10 observations were made from the fiscal year 2070/071 to 2079/80.

Table 4*Structure and pattern of return on assets (ROA)*

Bank / Year	2070/71	2071/72	2072/73	2073/74	2074/75	2075/76	2076/77	2077/78	2078/79	2079/80
Global										
IME	1.62	1.39	1.58	1.75	1.67	1.82	1.06	1.20	1.38	1.30
Himalayan	1.30	1.34	1.94	2.19	1.67	2.21	1.79	1.68	1.09	0.47
Kumari	1.10	1.06	1.69	1.29	1.26	1.17	0.76	1.04	1.22	0.14
MBL	1.12	1.26	1.51	1.89	1.47	1.61	1.02	0.02	0.94	0.87
Nabil	2.66	1.81	2.21	2.57	2.47	2.11	1.46	1.55	1.01	1.33
Nepal	0.92	0.55	2.79	1.34	2.41	1.51	1.22	1.33	1.12	1.16
Nic Asia	1.71	1.21	1.51	1.64	0.97	1.56	1.32	1.09	1.20	1.23
NIMB	2.25	1.88	1.97	2.06	2.13	1.79	1.19	1.56	1.55	0.83
NMB	1.36	1.21	1.49	1.97	1.96	1.67	0.95	1.17	1.29	1.12
Siddhartha	1.74	1.51	1.69	1.53	1.59	1.49	1.26	1.25	1.10	1.11
Mean	1.58	1.32	1.84	1.82	1.76	1.69	1.20	1.19	1.19	0.96
S.D.	0.54	0.38	0.41	0.40	0.48	0.30	0.29	0.46	0.18	0.39
CV	0.3446	0.2852	0.2237	0.2177	0.2751	0.1799	0.2384	0.3899	0.1521	0.4050

Table 4 infer the performance metric (ROA) of ten banks over ten fiscal years, revealing both individual and aggregated trends. Global IME's performance fluctuated, peaking at 1.82 in 2075/76 and dropping to 1.30 in 2079/80. Himalayan Bank showed high performance with a peak of 2.21 in 2075/76 but experienced a sharp decline to 0.47 in 2079/80. Kumari Bank's performance was unstable, peaking at 1.69 in 2072/73 and plummeting to 0.14 in 2079/80. MBL had a high of 1.89 in 2073/74, decreasing to 0.87 in 2079/80. Nabil Bank started strong at 2.66 in 2070/71, declining to 1.01 in 2078/79 before slightly recovering to 1.33 in 2079/80. Nepal Bank peaked at 2.79 in 2072/73, ending at 1.16 in 2079/80. Nic Asia remained relatively stable, peaking at 1.71 in 2070/71 and ending at 1.23 in 2079/80. NIMB started high at 2.25 in 2070/71 but saw a significant decrease to 0.83 in 2079/80. NMB peaked at 1.97 in 2073/74, decreasing to 1.12 in 2079/80. Siddhartha Bank remained relatively stable, with a peak of 1.74 in 2070/71 and a slight decrease to 1.11 in 2079/80.

Aggregated data reveals an overall declining trend, with the mean value starting at 1.58 in 2070/71, peaking at 1.84 in 2072/73, and decreasing to 0.96 in 2079/80. The standard deviation ranged from 0.54 in 2070/71, indicating high dispersion, to 0.18 in 2078/79, indicating lower variability. The coefficient of variation (CV) showed the lowest

relative variability at 0.1521 in 2078/79 and the highest at 0.4050 in 2079/80, indicating increased inconsistency among bank performances in the final year.

Overall, the data highlights varying performance trends, with some banks maintaining stability and others experiencing significant declines, particularly in the later years. The increasing CV towards the end suggests rising inconsistency, pointing to potential external economic factors or internal management issues affecting the banks differently, warranting further investigation

Table 5

Structure and pattern of Return on Equity (ROE)

Bank / Year	2070/71	2071/72	2072/73	2073/74	2074/75	2075/76	2076/77	2077/78	2078/79	2079/80
Global										
IME	12.38	12.69	12.35	11.37	11.47	12.31	12.48	13.20	12.67	13.34
Himalayan	16.85	17.06	24.53	21.58	14.17	18.34	15.40	14.89	10.76	4.65
Kumari	11.81	10.84	11.69	14.50	13.36	10.50	6.71	10.43	12.28	1.47
MBL	10.63	12.24	12.36	16.82	15.36	12.79	13.02	12.06	13.36	13.58
Nabil	25.74	21.51	22.91	22.17	19.34	18.28	13.39	13.31	8.03	11.25
Nepal	4.55	7.49	10.20	7.57	14.00	8.87	7.77	8.92	8.24	9.41
Nic Asia	15.93	13.05	16.50	16.84	12.09	22.73	19.26	17.09	18.43	16.39
NIMB	21.64	19.84	14.32	14.82	14.71	13.00	8.92	11.04	11.17	6.69
NMB	11.13	16.40	21.96	16.49	13.54	15.45	15.08	15.08	13.59	13.33
Siddhartha	11.39	11.10	11.25	12.74	12.12	12.70	13.17	13.36	13.00	12.47
Mean	14.21	14.22	15.81	15.49	14.02	14.50	12.52	12.94	12.15	10.26
S.D.	6.06	4.37	5.38	4.41	2.24	4.20	3.82	2.42	2.96	4.66
CV	0.4268	0.3070	0.3401	0.2847	0.1598	0.2896	0.3048	0.1873	0.2439	0.4544

The table 5 infer the annual financial performance (ROE) of various banks in Nepal over a decade, specifically from the fiscal year 2070/71 to 2079/80. The performance metric appears to be a percentage measure, possibly related to profitability or return on assets.

Global IME Bank shows relatively stable performance, with percentages ranging from 11.37% to 13.34%, peaking in the final year (2079/80). Himalayan Bank exhibits significant volatility, with a high of 24.53% in 2072/73, but a dramatic decline to just 4.65% in 2079/80. Kumari Bank's performance fluctuates considerably, peaking at

14.50% in 2073/74 but plummeting to a low of 1.47% in 2079/80. MBL maintains a more consistent performance, improving from 10.63% in 2070/71 to 13.58% in 2079/80, with a notable peak at 16.82% in 2073/74.

Nabil Bank starts strong at 25.74% in 2070/71 but experiences a downward trend, reaching a low of 8.03% in 2078/79 before recovering slightly to 11.25% in 2079/80. Nepal Bank's performance is more erratic, with a significant rise to 14.00% in 2074/75, then stabilizing around 8%-9% in the subsequent years. Nic Asia demonstrates considerable variability, with a low of 12.09% in 2074/75 and a high of 22.73% in 2075/76, ending at 16.39% in 2079/80. NIMB shows a declining trend from a high of 21.64% in 2070/71 to 6.69% in 2079/80. NMB Bank sees significant fluctuations, peaking at 21.96% in 2072/73 and settling at 13.33% in 2079/80. Siddhartha Bank exhibits stable performance with slight fluctuations, ending at 12.47% in 2079/80.

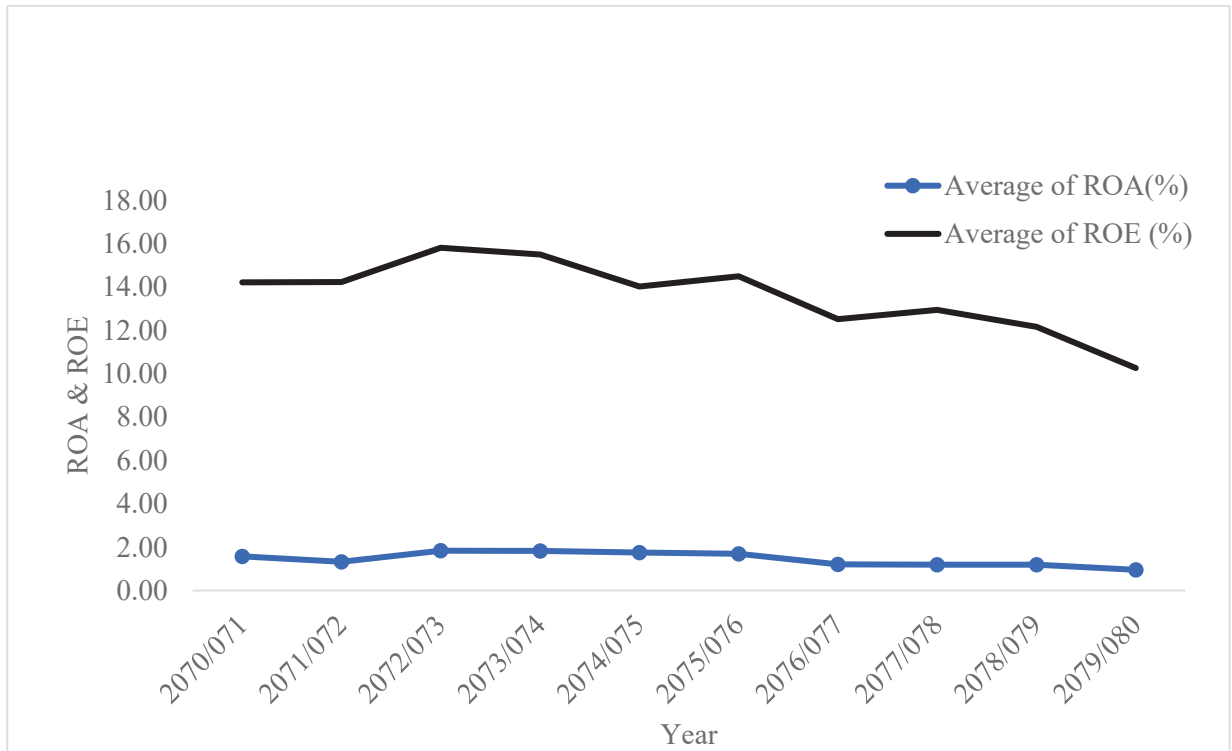
The mean performance across all banks starts at 14.21% in 2070/71, reaches a peak of 15.81% in 2072/73, and declines to 10.26% in 2079/80. The standard deviation indicates the variability of the bank performances, starting at 6.06% in 2070/71, showing a general decrease over the years, but spiking to 4.66% in 2079/80. The coefficient of variation (CV) measures relative variability, starting at 0.4268 in 2070/71, dropping to a low of 0.1598 in 2074/75, and increasing to 0.4544 in 2079/80. This suggests that while there was a period of relatively stable performance with less variability, the variability increased significantly in the final year.

ROE of Nepalese commercial bank is good with 2 digits return on last ten years. The banks have been able to generate profit well from its equity investment. This indicates a positive outlook on the banks as it is able to produce a substantial return on investment from its equity investment.

The average ROE of Nepalese banks' is 13.61% with standard deviation of 4.3227% and coefficient of variance 0.3176 over the 10-observation period from fiscal year of 2070/071 to 2079/80. Also, the average ROA over the same period is at 1.45% with standard deviation at 0.4854% and coefficient of variance 0.3335.

Figure 2

Average ROA and ROE



From the Figure 2 it can infer that from 2070/71 to 2072/73, there is a positive growth in ROE, indicating an improvement in the efficiency of equity utilization. Later 2072/73, the ROE shows a decline, suggesting a reduction in the profitability or efficiency of the companies in utilizing their equity. The decline is gradual but consistent from 2072/73 to 2079/80. By 2079/80, the average ROE drops to around 11%, indicating a significant reduction from its peak.

An initial period of growth in average ROA, with the peak occurring around 2070/071 and 2071/072. After reaching this peak, there is a clear and consistent downward trend in average ROA from 2072/073 to 2078/079. The fluctuations suggest varying economic conditions or changes within the companies being measured, leading to initial improvements in asset returns followed by a period of decline.

4.2.2 Descriptive analysis

Analysis of mean, standard deviation and range is conducted to estimate the statistical features of the variables.

Table 5 contains the descriptive nature of the variables that investigates the effect of ROA, ROE, BS, Company Age, Male BOD, Female BOD, NOACM and NOBM

Table 6

Descriptive statistics

Variables	Mean	Standard Deviation	Minimum	Maximum	CV
ROA	1.45	0.4854	0.02	2.79	0.3348
ROE	13.61	4.3227	1.47	25.73	0.3176
BS	6.84	1.0983	5	10	0.1606
Age	27	19.9772	6	86	0.7399
Male BOD	6.53	1.2984	4	10	0.1988
Female BOD	0.32	0.4688	0	1	1.4650
NOACM	16.42	8.5719	4	63	0.5220
NOBM	26.74	11.1070	5	68	0.4154

Table 6 presents various financial and governance-related variables for a sample of firms, highlighting notable differences and trends. The average Return on Assets (ROA) is 1.45, with a standard deviation of 0.4854, indicating moderate variability. The ROA values range from a minimum of 0.02 to a maximum of 2.79, with a coefficient of variation (CV) of 0.3348, reflecting a moderate level of dispersion. Similarly, the average Return on Equity (ROE) is 13.61, with a standard deviation of 4.3227. The ROE spans from 1.47 to 25.73, with a CV of 0.3176, suggesting moderate variability around the mean.

The average board size (BS) is 6.84 members, with low variability (standard deviation of 1.0983) and a CV of 0.1606, indicating consistency in board sizes among firms. Firms have an average age of 27 years, but this variable shows high variability with a standard deviation of 19.9772 and a CV of 0.7399, indicating a wide range of firm ages from 6 to 86 years.

Regarding gender diversity, the average number of male board members is 6.53 with moderate variability (standard deviation of 1.2984) and a CV of 0.1988. In contrast, the number of female board members averages 0.32 with a higher variability (standard deviation of 0.4688) and a CV of 1.4650, reflecting significant gender disparity on boards.

The number of audit committee meetings (NOACM) averages 16.42 per year, with a high standard deviation of 8.5719 and a CV of 0.5220, indicating considerable variability. Similarly, the number of board meetings (NOBM) averages 26.74 per year, with a standard deviation of 11.1070 and a CV of 0.4154, also showing notable variability. Overall, the data reveals moderate to high variability in financial performance, firm age, and governance practices among the firms, with significant gender disparity on boards and diverse operational practices indicated by the frequency of audit and board meetings.

4.3 Correlation Analysis

Correlation Coefficient depicts the direction, intensity, and significance of a connection between variables. The following table summarizes the significant correlation coefficients between the variables.

Table 7*Relationship between dependent and independent variables*

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) ROA	1.000							
(2) ROE	0.601***	1.000						
(3) BS	(0.000) 0.086	0.228**	1.000					
(4) Age	(0.397) 0.050	(0.022) -0.306***	-0.211**	1.000				
(5) Male BOD	(0.620) 0.208**	(0.002) 0.295***	0.938***	-	1.000			
(6) Female BOD	(0.038) -0.382***	(0.003) -0.285***	(0.000) -	0.268*** 0.236**	-	1.000		
(7) NOACM	(0.000) -0.219****	(0.004) 0.031	(0.006) 0.105	(0.018) -0.002	0.580*** 0.012	0.202**	1.000	
(8) NOBM	(0.029) -0.317*	(0.762) -0.257***	(0.299) -0.201**	(0.985) 0.402***	(0.902) -	(0.043) 0.268***	0.522***	1.000
	(0.001)	(0.010)	(0.045)	(0.000)	0.274*** (0.006)	(0.007)	(0.000)	

*Note.**** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

The correlation Table 7 shows the relationships between various variables, including Return on Assets (ROA), Return on Equity (ROE), Board Size (BS), Age of the firm (Age), number of male board members (Male BOD), number of female board members (Female BOD), number of audit committee meetings (NOACM), and number of board meetings (NOBM). There is a significant positive correlation between ROA and ROE (0.601, $p < 0.01$), indicating that higher ROA is associated with higher ROE. Board size (BS) has a positive but not significant correlation with ROA (0.086) and a significant positive correlation with ROE (0.228, $p < 0.05$). The firm's age is not significantly correlated with ROA (0.050) but has a significant negative correlation with ROE (-0.306, $p < 0.01$) and BS (-0.211, $p < 0.05$).

The number of male board members (Male BOD) shows a significant positive correlation with ROA (0.208, $p < 0.05$) and ROE (0.295, $p < 0.01$). It is highly correlated with BS (0.938, $p < 0.01$) and negatively correlated with age (-0.268, $p < 0.01$). Female board members (Female BOD) have a significant negative correlation with ROA (-0.382, $p < 0.01$) and ROE (-0.285, $p < 0.01$) and a significant positive correlation with age (0.236, $p < 0.05$). Female BOD also negatively correlates with Male BOD (-0.580, $p < 0.01$). The number of audit committee meetings (NOACM) shows a significant negative correlation with ROA (-0.219, $p < 0.05$) but no significant correlation with ROE. NOACM is positively correlated with Female BOD (0.202, $p < 0.05$). The number of board meetings (NOBM) is significantly negatively correlated with both ROA (-0.317, $p < 0.1$) and ROE (-0.257, $p < 0.01$). NOBM has significant correlations with BS (-0.201, $p < 0.05$), age (0.402, $p < 0.01$), Male BOD (-0.274, $p < 0.01$), Female BOD (0.268, $p < 0.01$), and NOACM (0.522, $p < 0.01$).

Overall, the Table highlights the complex interrelationships among corporate governance variables and financial performance metrics, underscoring the importance of board composition and activity in influencing firm performance.

4.4 Regression Analysis

The causal link between the variables is determined using regression analysis. A causal relationship between two highly linked variables isn't always required. A regression analysis is required to discover a cause-and-effect connection between variables or among variables. To find this, the researchers used SPSS software and Microsoft excel to run a regression analysis.

4.4.1 Independent Variables And ROA

Table 8

Effect of corporate governance variables on ROA

Factors	Coefficients	t Stat	P-value
Intercept	1.87586	5.59483	0.00000
BS	-0.03748	-0.08441	0.93291
Age	0.00668	2.66222	0.00915
Male BOD	0.02241	0.05040	0.95991
Female BOD	-0.36072	-0.82053	0.41401
NOACM	0.00272	0.42195	0.67404
NOBM	-0.01570	-2.92008	0.00439
Adjusted R ²	0.2072		
F Value	5.3126		
Significance	0.0000		

From Table 8, it can infer that the regression results provide insights into the relationship between the dependent variable (likely a measure of financial performance, such as ROA) and several independent variables: Board Size (BS), Age of the firm (Age), number of male board members (Male BOD), number of female board members (Female BOD), number of audit committee meetings (NOACM), and number of board meetings (NOBM).

The intercept of 1.87586 is statistically significant ($t = 5.59483$, $p < 0.0000$), indicating that the baseline value of the dependent variable is 1.87586 when all independent variables are zero. Board Size (BS) has a coefficient of -0.03748 with a t-statistic of -

0.08441 and a p-value of 0.93291, indicating that BS is not statistically significant and has a negligible effect on the dependent variable. The Age of the firm has a coefficient of 0.00668 with a t-statistic of 2.66222 and a p-value of 0.00915, suggesting a significant positive relationship, where older firms tend to have higher values of the dependent variable. Male BOD has a coefficient of 0.02241, a t-statistic of 0.05040, and a p-value of 0.95991, indicating no significant effect on the dependent variable. Female BOD has a coefficient of -0.36072, a t-statistic of -0.82053, and a p-value of 0.41401, indicating no statistically significant effect on the dependent variable.

The number of audit committee meetings (NOACM) has a coefficient of 0.00272, a t-statistic of 0.42195, and a p-value of 0.67404, showing no significant effect. The number of board meetings (NOBM) has a coefficient of -0.01570, a t-statistic of -2.92008, and a p-value of 0.00439, indicating a significant negative relationship. More frequent board meetings are associated with lower values of the dependent variable. The adjusted R-squared value of 0.2072 indicates that approximately 20.72% of the variance in the dependent variable is explained by the independent variables included in the model. The F-value of 5.3126 and its significance level of 0.0000 suggest that the model is statistically significant overall.

In summary, the regression results highlight that among the variables considered, only the age of the firm and the number of board meetings have significant effects on the dependent variable, with firm age having a positive effect and the number of board meetings having a negative effect.

4.4.2 Independent Variables and ROE

Table 9

Effect of corporate governance variables on ROE

Factors	Coefficients	t Stat	P-value
Intercept	13.7923	4.4150	0.00003
BS	-0.1086	-0.0262	0.9791
Age	-0.0331	-1.4185	0.0159
Male BOD	0.4154	0.1002	0.9203
Female BOD	-1.4977	-0.3656	0.7154
NOACM	0.0894	1.4911	0.1393
NOBM	-0.0839	-1.6754	0.0972
R Square	0.1847		
F Value	3.5125		
Significance	0.0035		

Table 9 shows the regression analysis aims to understand the impact of various factors on a dependent variable, likely a measure of firm performance such as Return on Equity (ROE). The model's intercept, which is 13.7923 and highly significant with a p-value of 0.00003, indicates that the baseline performance is considerably high when all other factors are zero. However, the individual factors show varying levels of impact and significance.

Board Size (BS) has a coefficient of -0.1086, with a very high p-value of 0.9791, suggesting that it has a negligible and statistically insignificant impact on firm performance. Age, with a coefficient of -0.0331 and a p-value of 0.0159, shows a small

but statistically significant negative effect, implying that as age increases, firm performance slightly decreases.

The number of male board members (Male BOD) has a coefficient of 0.4154 and a p-value of 0.9203, indicating a positive but statistically insignificant impact. Similarly, the number of female board members (Female BOD) has a coefficient of -1.4977 and a p-value of 0.7154, showing a negative but statistically insignificant effect on performance. The number of audit committee meetings (NOACM) has a coefficient of 0.0894 and a p-value of 0.1393, suggesting a positive impact that is not statistically significant. Meanwhile, the number of board meetings (NOBM) has a coefficient of -0.0839 and a p-value of 0.0972, indicating a negative impact that is close to being statistically significant at the 10% level.

The model's R Square value of 0.1847 reveals that 18.47% of the variation in firm performance is explained by these factors. The overall F-value of 3.5125, with a significance level of 0.0035, indicates that the model is statistically significant as a whole, meaning that the combined influence of these factors significantly explains the variation in firm performance.

4.6 Discussion

This study investigates the effect of corporate governance on the financial performance of Nepalese commercial banks, with a specific focus on variables such as board size, company age, board gender diversity, number of board meetings, and number of audit committee meetings on return of assets and return of equity of banks. The findings reveal significant insights into how these governance attributes influence the financial health of banks in Nepal.

This analysis indicates that larger board sizes are positively associated with improved financial performance, suggesting that a diverse and adequately sized board can enhance decision-making processes and strategic oversight. This aligns with the resource dependency theory, which posits that boards with a greater number of members can draw on a wider range of expertise and resources. Similar findings were reported by Bhatt et al. (2024), underscoring the importance of board size in banking contexts.

Furthermore, the frequency of board meetings was found to be another critical factor. Regular board meetings are linked to better financial outcomes, implying that consistent oversight and timely discussions among board members contribute to more effective governance and strategic planning. This is consistent with the findings of Gyawali (2023), who emphasized the role of active board engagement in enhancing firm performance.

Audit committee meetings also emerged as a significant determinant of financial performance. Independent audit committees are crucial for maintaining transparency and accountability, thereby boosting investor confidence and ensuring robust financial management. This finding echoes the conclusions of Chalise and Adhikari (2022), who highlighted the importance of independent oversight in promoting financial stability in Nepalese banks.

The major emphasis of this research was on corporate governance procedures and bank performance in Nepalese commercial banks. Board Size, Company Age, Male BOD, Female BOD, NOACM and NOBM were all utilized in this study as independent variables. Similarly, financial performance of banks (ROA & ROE) was utilized as dependent variables.

The correlation matrix reveals several key relationships among the variables studied. Firstly, there is a moderately strong positive correlation (0.6014) between ROA (Return on Assets) and ROE (Return on Equity), which is logical as ROE typically includes ROA as a component. This indicates that higher ROA tends to correspond with higher ROE. Age exhibits a moderate negative correlation (-0.3062) with ROE, suggesting that as a company's age increases, its return on equity tends to decrease. This implies that older firms might face challenges in maintaining high profitability relative to younger companies.

Board Size (BS) shows moderate positive correlations with both ROA and ROE, indicating that larger boards might contribute to higher financial returns. This suggests that board size could be a factor in enhancing financial performance. Moreover, the correlations involving Age show varied relationships, including negative associations

with ROE and some positive associations with board demographics, indicating complex dynamics in how age influences financial metrics and board composition.

Additionally, Board Diversity (Male BOD and Female BOD) demonstrate correlations with each other and with other variables, suggesting potential relationships between board composition and financial performance metrics. Furthermore, variables related to governance structures (NOACM and NOBM) exhibit positive correlations with each other and with other variables, implying that governance frameworks and possibly business size could influence financial outcomes.

In summary, this correlation matrix provides insights into the interdependencies among key variables such as financial performance metrics (ROA, ROE), business size, board demographics, and governance structures. These relationships offer a foundation for further analysis into factors influencing financial performance within the dataset.

BS shows a non-significant negative coefficient ($p > 0.05$), suggesting no significant relationship with the dependent variable. Age has a significant positive coefficient ($p < 0.05$), indicating that as age increases, the dependent variable also increases (by about 0.00668 units per year). Male BOD and Female BOD both have non-significant coefficients, implying no significant relationships. NOACM shows a non-significant positive coefficient, indicating no significant relationship. NOBM has a significant negative coefficient ($p < 0.05$), indicating that as NOBM increases, the dependent variable decreases (by approximately 0.01570 units per one-unit increase in NOBM).

variables such as Age, BS, Male BOD, Female BOD, NOACM, and NOBM do not appear to significantly influence the dependent variable. The coefficients of these variables indicate their impact; negative coefficients (e.g., Age, NOBM) suggest a negative relationship, while positive coefficients (e.g., NOACM) suggest a positive relationship. However, variables with p-values greater than 0.05 (e.g., BS, Age, Male BOD, Female BOD) are not statistically significant, indicating unreliable predictions of the dependent variable based on these variables. Thus, while the intercept is significant, not all independent variables reliably predict the dependent variable according to their coefficients and p-values.

Similarities with previous studies

In order to determine the effect of corporate governance on financial performance of bank in Nepal, this research was conducted by Bhattarai, (2020). Secondary data was acquired from the annual reports of 13 commercial banks of Nepal. Samples for this study were taken from 65 observations in the review period from 2010 to 2015. The examination of data included variety of techniques, including descriptive statistics, correlation analysis, and regression analysis, among others. The study found that the board size is positively correlated with return on equity and the relationship is statistically significant. Similarly, other corporate governance variables like audit committee size and portion of independent directors are positively correlated with return on equity and the relationship among these dependent and independent variables is statistically significant. In addition to this, the study further highlighted the negative relationship between nonperforming loan and board size and the relationship is statistically significant. There is positive correlation between nonperforming loan and audit committee and portion of independent directors and the relationship is statistically significant.

The results explains that higher board size in Nepalese bank leads to poor financial performance whereas higher audit committee size and higher portion of independent directors leads to sound financial performance of commercial bank in Nepal. The results further explains that the higher board size in Nepalese banks leads to worse financial performance and higher audit committee size and higher portion of independent directors leads to improved financial performance of Nepalese commercial bank. Therefore, Nepalese commercial bank can improve ROE and NPA by decreasing the board size and increasing the audit committee size and portion of independent directors. The current study findings are similar to the findings of Bhattarai, (2020). Both the study claims that the companies can increase their profitability by properly managing their corporate governance. The banks with better BS, Age, Male BOD, Female BOD and NOBM can help to maintain higher ROA and ROE which shows positive ness in terms of profitability of the company. Both studies have used similar

tools and techniques such as standard deviation, correlation and regression test to analyze the data collected to interpret the results.

Dissimilarities with previous studies

Kyere and Ausloos, (2020) examined the corporate governance and firms' financial performance in the United Kingdom. The study analyzed information of financial institutions in UK. Descriptive statistics, correlation, and regression analysis are employed in order to establish the link between the dependent and independent variables. The relationships between dependent and independent variable are mostly significant and positively related to return on assets, according to a multiple regression study. The current study is quite different from the study of Kyere and Ausloos, (2020), which analyzed the effect of corporate governance on firms' financial performance in UK where the findings found out that the positive relations between dependent and independent variables. The current study measured the relationship between independent variables BS, Age, Male BOD, Female BOD, NOACM and NOBM moderately significant on return on assets and return on equity of Nepalese commercial banks. The current study findings found out BS, Age, Male BOD, Female BOD, NOACM and NOBM only some variables have moderately significant impact on the profitability of the company that is measuring ROA and ROE of commercial banks in Nepal.

CHAPTER FIVE

SUMMARY AND CONCLUSIONS

This chapter demonstrated the overall findings, data analysis and other recommendations in the conclusive manner. Previously analyzed data has been summarized along with comparison of other research relating to working capital management in different areas. The chapter includes summary of the findings, conclusions, discussion and recommendations.

5.1 Summary

The study has used correlation analysis to establish the relationship between the variables. In the same way regression analysis is also done to measure the level of impact independent variables has incurred to the dependent variables that is profitability of the banks. The study has employed casual research design to design the research methodology. 10 Nepalese commercial banks' data from last 10 fiscal year that 2070/071-2079/80 is taken as the main secondary data to establish the relation and interpret the results. The study has taken corporate governance components such as Board Size, Company Age, Male Bord of Director, Female Board of Director, Number of Audit Committee Meetings and Number of Board Committee Meetings as the independent variable in the study which has influenced the dependent variables of the study such as Return on Assets and Return on Equity. Finally, Nepalese Commercial banks has seen improving the level of profits every year except the effect of earthquake and Covid -19 pandemic time due to increase in business and improving the corporate governance.

Recent external factors that have led to overall downturn in banking performance in the economy. The correlation coefficients showcase a positive relationship between ROE and ROA, however, due to other external factors forcing ROE and ROA to lower value in recent years. For example, average ROE was as high as 15.81% in 2072/073, but due to the earthquake in 2015 the overall financial performance saw a downturn including average ROE which is 10.26% in 2079/080. For the past few years, Nepal has struggled

to preserve macroeconomic equilibrium. Low growth rates, high unemployment, a widening balance of payments deficit, a growing trade imbalance, and high and persistent inflation are just a few of the severe macroeconomic issues now facing the country. Now add banking and liquidity crises, which are mostly caused by banks and financial institutions (BFIs) and, to a lesser degree, the Nepal Rastra Bank (NRB), the central bank, and have severe implications both within and beyond the banking system. According to Financial stability report 2019/20. the banking sector's total profitability has dropped by 20.61 percent. In the previous year, Rs.58.92 billion was spent, up 21.01 percent in the preceding calendar year. Also, the credit flows from BFIs grew at a slower rate of 12.32 percent in 2019/20, compared to 20.18 percent in 2018/19. In mid-July 2020, BFI deposits climbed by 17.27 percent, compared to a growth of 18.24 percent in 2018/19. The non-performing loans of BFIs increased to Rs.61.59 billion in the review year compared to Rs.44.18 billion in the previous year (NRB, 2020). Hence, the overall banking performance is on a downturn even though corporate governance practices have been adopted by commercial banks in Nepal. Corporate governance aspects have been enforced by Nepal Rastra Bank (NRB) on all commercial banks.

Only BS, Age and Male BOD were found to significantly positive affect both ROE and ROA in the regression study. Both the dependent variables ROE and ROA are negatively significantly by Female BOD, NOACM and NOBM.

5.2 Conclusions

This study has investigated the crucial role of corporate governance mechanisms in shaping the financial performance of Nepalese commercial banks. Through an extensive analysis of board size, company age, board meetings, audit committee meetings, board gender diversity and profitability of banks, significant insights have been uncovered. The findings indicate that robust corporate governance practices, such as larger board size with diverse expertise, frequent board meetings, and independent audit committees, positively influence financial performance metrics such as profitability, efficiency, and risk management.

This study examines how corporate governance affects the financial performance of Nepalese commercial banks, focusing on variables such as board size, company age,

board gender diversity, board meetings, and audit committee meetings on return on assets (ROA) and return on equity (ROE). The findings indicate that larger board sizes and frequent board meetings are positively correlated with improved financial performance, while company age shows a negative correlation with ROE. Audit committee meetings positively influence financial outcomes, emphasizing the importance of independent oversight. The study's correlation matrix reveals significant relationships among these variables, but regression analysis shows that most variables, except company age and board meetings, are not statistically significant predictors of financial performance. Overall, effective governance structures, particularly board size and meeting frequency, play a crucial role in enhancing the financial health of banks in Nepal.

5.3 Implications

The study objectives have been analyzed and achieved. The corporate governance has significant impact with the profitability of the Nepalese banks. Therefore, following recommendations are to be provided in order to enhance the banks as well as development of economy benefiting to various peoples and communities.

- Policymakers may find the information from this study to be useful. Better policies must be implemented, especially by banks' managers and executives, to ensure the organization's seamless operation.
- The study's findings may be used by concerned academics, researchers, and students to gain a better understanding of the general idea of how corporate governance influences a bank's profitability in Nepal. The results of this study will also serve as a foundation for future generations of scholars.
- The management of the respective companies will specifically benefit from this study's assistance in examining the state of their corporate governance policies in relation to the productivity of their profitability of their respective businesses.

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APPENDIX

Dependent and Independent Variables

1. NIMB BANK LTD.

S.N.	YEAR	BANK	ROA	ROE	BS	Age	BOD Male	BOD Female	NOACM	NOBM
1	2079/080	NIMB	0.8339	6.6921	7	37	6	1	16	19
2	2078/079	NIMB	1.5535	11.1721	7	36	6	1	17	19
3	2077/078	NIMB	1.5613	11.0396	7	35	6	1	15	20
4	2076/077	NIMB	1.1935	8.9176	6	34	5	1	12	16
5	2075/076	NIMB	1.7887	12.9954	6	33	6	0	18	20
6	2074/075	NIMB	2.1288	14.7132	7	32	7	0	11	18
7	2073/074	NIMB	2.0648	14.8165	8	31	8	0	15	19
8	2072/073	NIMB	1.9655	14.3216	7	30	7	0	13	7
9	2071/072	NIMB	1.8802	19.8371	6	29	6	0	10	12
10	2070/071	NIMB	2.2508	21.6423	7	28	7	0	11	5

2. NIC ASIA BANK LTD.

S. N	YEAR	BANK	ROA	ROE	BS	Age	BOD Male	BOD Female	NOACM	NOBM
1	2079/080	NIC ASIA	1.23	16.39	7	25	6	1	63	68
2	2078/079	NIC ASIA	1.2	18.43	7	24	6	1	58	60
3	2077/078	NIC ASIA	1.09	17.09	7	23	6	1	23	43
4	2076/077	NIC ASIA	1.32	19.26	7	22	7	0	20	39
5	2075/076	NIC ASIA	1.56	22.73	7	21	7	0	29	54
6	2074/075	NIC ASIA	0.97	12.09	7	20	7	0	12	48
7	2073/074	NIC ASIA	1.64	16.84	6	19	6	0	17	34
8	2072/073	NIC ASIA	1.51	16.5	6	18	6	0	27	29
9	2071/072	NIC ASIA	1.21	13.05	8	17	8	0	21	23
10	2070/071	NIC ASIA	1.71	15.93	9	16	9	0	10	18

3. MACHHAPUCHRE BANK LTD.

S.N	YEAR	BANK	ROA	ROE	BS	Age	BOD Male	BOD Female	NOACM	NOBM
1	2079/080	MBL	0.87	13.58	7	23	6	1	20	36
2	2078/079	MBL	0.94	13.36	7	22	6	1	16	18
3	2077/078	MBL	0.02	12.06	7	21	6	1	15	24
4	2076/077	MBL	1.02	13.02	6	20	6	0	19	25
5	2075/076	MBL	1.61	12.79	7	19	7	0	22	25
6	2074/075	MBL	1.47	15.36	6	18	6	0	17	23
7	2073/074	MBL	1.89	16.82	6	17	6	0	14	19
8	2072/073	MBL	1.51	12.36	9	16	9	0	18	24
9	2071/072	MBL	1.26	12.24	7	15	7	0	13	17
10	2070/071	MBL	1.12	10.63	8	14	8	0	19	27

4. NEPAL BANK LTD.

S. N	YEAR	BANK	ROA	ROE	BS	Age	BOD Male	BOD Female	NOACM	NOBM
1	2079/080	NEPAL	1.1585	9.4122	7	86	6	1	23	42
2	2078/079	NEPAL	1.124	8.243	6	85	5	1	17	48
3	2077/078	NEPAL	1.33	8.9153	7	84	6	1	15	39
4	2076/077	NEPAL	1.2204	7.7683	5	83	4	1	19	43
5	2075/076	NEPAL	1.514	8.8682	5	82	4	1	16	45
6	2074/075	NEPAL	2.4093	13.9983	6	81	6	0	13	39
7	2073/074	NEPAL	1.3416	7.5718	6	80	6	0	19	46
8	2072/073	NEPAL	2.79	10.2	7	79	7	0	13	38
9	2071/072	NEPAL	0.55	7.49	7	78	7	0	16	34
10	2070/071	NEPAL	0.92	4.55	7	77	7	0	18	41

5. HIMALAYAN BANK LTD.

S.N	YEAR	BANK	ROA	ROE	BS	Age	BOD Male	BOD Female	NAACM	NOBM
1	2079/080	HIMALAYAN	0.47	4.65	6	30	6	0	11	31
2	2078/079	HIMALAYAN	1.09	10.76	8	29	8	0	9	27
3	2077/078	HIMALAYAN	1.68	14.89	8	28	8	0	11	24
4	2076/077	HIMALAYAN	1.79	15.4	8	27	8	0	13	21
5	2075/076	HIMALAYAN	2.21	18.34	8	26	8	0	16	19
6	2074/075	HIMALAYAN	1.67	14.17	8	25	8	0	16	22
7	2073/074	HIMALAYAN	2.19	21.58	8	24	8	0	18	28
8	2072/073	HIMALAYAN	1.94	24.53	8	23	8	0	17	13
9	2071/072	HIMALAYAN	1.34	17.06	8	22	8	0	36	12
10	2070/071	HIMALAYAN	1.3	16.85	8	21	8	0	21	18

6. NABIL BANK LTD.

S.N	YEAR	BANK	ROA	ROE	BS	Age	BOD Male	BOD Female	NOACM	NOBM
1	2079/080	NABIL	1.331	11.254	7	39	6	1	25	31
2	2078/079	NABIL	1.0138	8.033	7	38	6	1	27	35
3	2077/078	NABIL	1.5546	13.3123	7	37	6	1	15	28
4	2076/077	NABIL	1.4571	13.3945	5	36	4	1	9	25
5	2075/076	NABIL	2.1074	18.2799	6	35	6	0	8	24
6	2074/075	NABIL	2.4736	19.3424	7	34	7	0	9	23
7	2073/074	NABIL	2.5708	22.171	7	33	7	0	8	21
8	2072/073	NABIL	2.2147	22.9092	6	32	6	0	4	13
9	2071/072	NABIL	1.8052	21.5062	7	31	7	0	6	15
10	2070/071	NABIL	2.6578	25.7379	7	30	7	0	5	17

7. KUMARI BANK LTD.

S.N	YEAR	BANK	ROA	ROE	BS	Age	BOD Male	BOD Female	NOACM	NOBM
1	2079/080	KUMARI	0.14	1.47	7	23	7	0	20	36
2	2078/079	KUMARI	1.22	12.28	5	22	4	1	12	38
3	2077/078	KUMARI	1.04	10.43	5	21	4	1	12	36
4	2076/077	KUMARI	0.76	6.71	5	20	4	1	13	33
5	2075/076	KUMARI	1.17	10.5	5	19	4	1	11	39
6	2074/075	KUMARI	1.26	13.36	6	18	6	0	15	33
7	2073/074	KUMARI	1.29	14.5	6	17	6	0	13	37
8	2072/073	KUMARI	1.69	11.69	6	16	6	0	11	35
9	2071/072	KUMARI	1.06	10.84	7	15	7	0	12	31
10	2070/071	KUMARI	1.1	11.81	8	14	8	0	13	33

8. SIDDHARTHA BANK LTD.

S.N	YEAR	BANK	ROA	ROE	BS	Age	BOD Male	BOD Female	NOACM	NOBM
1	2079/080	SIDDHARTHA	1.11	12.47	6	21	5	1	20	19
2	2078/079	SIDDHARTHA	1.1	13	6	20	5	1	22	20
3	2077/078	SIDDHARTHA	1.25	13.36	6	19	5	1	23	26
4	2076/077	SIDDHARTHA	1.26	13.17	6	18	5	1	19	27
5	2075/076	SIDDHARTHA	1.49	12.7	6	17	5	1	12	23
6	2074/075	SIDDHARTHA	1.59	12.12	5	16	5	0	7	23
7	2073/074	SIDDHARTHA	1.53	12.74	5	15	5	0	11	26
8	2072/073	SIDDHARTHA	1.69	11.25	8	14	8	0	12	19
9	2071/072	SIDDHARTHA	1.51	11.1	9	13	9	0	11	17
10	2070/071	SIDDHARTHA	1.74	11.39	9	12	9	0	10	20

9. GLOBAL IME BANK LTD.

S.N	YEAR	BANK	ROA	ROE	BS	Age	BOD Male	BOD Female	NOACM	NOBM
1	2079/080	GLOBAL IME	1.3	13.34	6	16	6	1	13	17
2	2078/079	GLOBAL IME	1.38	12.67	6	15	6	0	12	18
3	2077/078	GLOBAL IME	1.2	13.2	6	14	6	0	15	31
4	2076/077	GLOBAL IME	1.06	12.48	7	13	7	0	17	27
5	2075/076	GLOBAL IME	1.82	12.31	5	12	5	0	20	21
6	2074/075	GLOBAL IME	1.67	11.47	6	11	6	0	19	17
7	2073/074	GLOBAL IME	1.75	11.37	5	10	5	0	22	16
8	2072/073	GLOBAL IME	1.58	12.35	8	9	8	0	25	19
9	2071/072	GLOBAL IME	1.39	12.69	7	8	7	0	25	35
10	2070/071	GLOBAL IME	1.62	12.38	7	7	7	0	13	19

10. NMB BANK LTD.

S.N	YEAR	BANK	ROA	ROE	BS	Age	BOD Male	BOD Female	NOACM	NOBM
1	2079/080	NMB	1.12	13.33	8	15	7	1	6	15
2	2078/079	NMB	1.29	13.59	8	14	7	1	5	15
3	2077/078	NMB	1.17	15.08	6	13	6	0	6	17
4	2076/077	NMB	0.95	15.08	7	12	7	0	10	19
5	2075/076	NMB	1.67	15.45	8	11	7	1	17	27
6	2074/075	NMB	1.96	13.54	7	10	7	0	12	19
7	2073/074	NMB	1.97	16.49	7	9	7	0	17	23
8	2072/073	NMB	1.49	21.96	10	8	10	0	27	25
9	2071/072	NMB	1.21	16.4	9	7	9	0	23	27
10	2070/071	NMB	1.36	11.13	9	6	9	0	15	25

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ABSTRACT Corporate governance appeared to be the global issue and global trend in most of the commercial industries of public concern than ever before.

This study attempts to investigate the relationship between financial performance and corporate governance of commercial banks in Nepal. Specifically, it examines the effects of board size

, company age, male board of directors, female board of directors, number of audit committee meeting and number of board committee meeting

on return on equity and return on assets. **This study is based on secondary data collected from the annual reports of 10 commercial banks of Nepal. Samples for this study were taken from 100 observations in the review period from**

fiscal year 2070/071 to 2079/080 B.S. The study finds out that the board size and male board of directors and company age positively

impacts the financial performance of commercial banks in Nepal whereas