

# **IMPACT OF CORPORATE GOVERNANCE ON BANK PERFORMANCE IN NEPAL**

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

by

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## **Certification of Authorship**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “IMPACT OF CORPORATE GOVERNANCE ON BANK PERFORMANCE IN NEPAL”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor. It has 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. Rabindra Timilsina has defended research proposal entitled “IMPACT OF CORPORATE GOVERNANCE ON BANK PERFORMANCE IN NEPAL”, successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Madhusudan Gautam and submit the dissertation for evaluation and viva voce examination.

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## **Approval Sheet**

We have examined the dissertation entitled “IMPACT OF CORPORATE GOVERNANCE ON BANK PERFORMANCE IN NEPAL” presented by Rabindra Timilsina for the degree of Master of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

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## **Abbreviations**

BOD	:	Board of Directors
BS	:	Board Size
C.V.	:	Coefficient of Variation
D/Y	:	Dividend Yield
FS	:	Firm Size
GDP	:	Gross Domestic Product
ICAN	:	Institute Of Chartered Accountants of Nepal
IPO	:	Initial Public Offering
LC	:	Letter Of Credit
LIC	:	Life Insurance Corporation Limited
LM	:	Female Director
NEPSE	:	Nepal Stock Exchange
NIM	:	Net Profit Margin
NRB	:	Nepal Rastra Bank
ROA	:	Return on Assets
ROC	:	Registrar of Companies
S.D.	:	Standard Deviation
SEB	:	Securities Exchange Board
SEC	:	Securities Exchange Centre
SIZE	:	Firm Size

## Abstract

The interaction between shareholders, the board of directors, and top management in deciding the corporation's performance and direction is known as corporate governance. It also covers the interactions between the stakeholders and the objectives that guide the corporation's governance. The study mainly aims to identify the dimensions that represents the corporate governance and banking performance. To examine the relationship between corporate governance and bank performance. The specific objectives of the study is to analyze the impact of corporate governance on bank performance of Nepalese commercial banks. In this study, a descriptive, informal research design was employed. A casual research design is employed to explain the relationship between several variables or characteristics and their causes. There are 19 commercial banks in this survey. Ten of the nineteen commercial banks in total have been selected for the study. The study found that the board size, earnings per share, and female director have a negative impact on ROA and NIM. Board size is statistically significant, whereas earnings per share and female director are statistically insignificant. Ethnical Group and capital adequacy ratio also have a positive effect on ROA and NIM. The capital adequacy ratio is statistically significant positive impact on performance. Thus Ethnical Group is significant. Hence, there is a linear link between ROA, NIM and the following factors: board size, earnings per share, ethnic group, capital adequacy ratio, and female directors.

*Key Words: Corporate Governance, Performance, ROA, NIM, Board and Ethnical Group.*

# CHAPTER I

## INTRODUCTION

### **1.1 Background of the study**

The term "corporate governance" describes the leadership and management style of businesses. Companies cannot be accountable to their various stakeholders without corporate governance. Corporate governance is defined by a number of academics as the highly visible core component of corporate governance. According to Amarnath (2014), corporate governance is a tool used to guide and manage businesses and organizations.

The interaction between shareholders, the board of directors, and top management in deciding the corporation's performance and direction is known as corporate governance (Wheelen & Hunger, 2006). It also covers the interactions between the stakeholders and the objectives that guide the corporation's governance. The board of directors, management, and shareholders are the main stakeholders. Employees, suppliers, customers, regulators, the environment, and the community at large are examples of additional stakeholders. Effectiveness, accountability, and openness of an institution's operations by its management while safeguarding stakeholders' interests can be summed up as governance. Over time, contemporary corporate governance standards have changed, and numerous organizations have created distinct codes of best practices for corporate governance. The principles of good corporate governance are outlined in the Basel Code of Corporate Governance and the OECD Code of Corporate Governance. The duties of the board, directors, chairman, CEOs, senior management, auditors, shareholders, and regulators are all generally covered by these principles. These governance principles have addressed and targeted a number of issues, including accountability, internal control, related party transactions, conflicts of interest, and information disclosure (Cabraal, 2014).

In order for corporate bodies to accomplish their goals with regard to their stakeholders, they combine best practices and corporate policies, which is known as corporate governance. The study of the various problems resulting from the separation from ownership and control falls under the umbrella of economics as well. The corporate

governance structure outlines the rules and procedures for making decisions about corporate affairs as well as the allocation of rights and responsibilities among various stakeholders, including shareholders, board managers, and other stakeholders (Pradhan & Adhikari, 2011).

The phrase "corporate governance" has evolved to denote morality as well as immorality. Its non-moral uses include strategic planning, effective resource allocation, and timely decision-making, among others (Monks & Minow, 2011). However, ethically speaking, sound corporate governance is now viewed as encouraging an environment that is morally acceptable in and of itself as well as consequentially suitable in that ethical company practices produce positive commercial results (Francis, 2003). Due diligence, the responsibilities of directors, and the overall strengthening of corporate responsibility are hence the connections here. A key idea in business management is corporate performance, which refers to how an organization uses its material, financial, and people resources wisely in order to accomplish its overarching goals. It maintains the company's operations and expands the window of opportunity for future growth.

Stronger investor trust in our nation's economy should be the net result of excellent company governance. Establishing credibility, guaranteeing accountability and transparency, and keeping an efficient conduit for information disclosure are all part of corporate governance, which will improve business performance. Therefore, adhering to a solid corporate governance ethos is essential for every industry, including the service sector. Nowadays, it is recognized that corporate governance is a potent instrument for fostering confidence in an organization. The main reason it matters to banks is that they handle public funds, and losing an investment can cause banks to fail and have an impact on the economy of the country. Research by Grossman (2005) and Bernanke (2003) shows that bank failures can have a major negative impact on future economic activity. Lower income, compensation growth, increased rates of poverty, and decreased employment were all caused by the bank's failure. Being a good corporate citizen is not a goal unto itself. It serves as a tool to promote three goals: financial stability, sustainable growth, and economic efficiency. strong governance can lead to strong performance.

Though it is especially important for the banking industry, corporate governance is vital for all economic sectors. The quality and nature of corporate governance within the banking sector not only affects the individuals that make up the industry, but it also has the potential to push or impede the entire national system, according to Hambrick et al. (2008). According to Katrodia (2016), the stability of a country's financial system has a direct impact on how well its economy is doing. The failure of major US banks set off the 2008 global financial crisis. This in turn has an impact on nearly every area, including the management of pension holders' income security. Due to inadequate governance, the American financial system failed, which at the time caused a serious crisis that had an impact on the global economy. According to Mareinkowska (2017), inadequate financial institutions are a contributing factor to any worldwide crises.

In order to monitor, manage, and assess the operation of corporate governance in the banking industry, specific attention must be paid utilizing special instruments. According to the Bank for International Settlement, establishing and preserving public confidence in the banking industry depends on strong corporate governance. The public's trust and confidence are the most important factors in deposit mobilization. Implementing corporate governance still appears to be a difficult task in emerging nations. Research on creating corporate governance frameworks, rules, and institutions in underdeveloped nations is required. In emerging nations, corporate governance has received less attention.

Corporate governance has received a lot of attention in the last years and has gained global attention, particularly in the wake of the last economic crisis and the catastrophic collapse of numerous banks and enterprises. Nonetheless, corporate governance and the performance of the global banking industry have received very little attention (Maria, 2010). According to Pradhan and Adhikari's (2011) study, companies in Nepal who conduct their annual general meeting (AGM) on time, present their financial accounts on time, and assign a "A" class auditor to the firm experience higher market prices per share and greater rates of return.

## **1.2 Problem Statement**

Following the financial crisis that hit the USA, Brazil, Thailand, and other countries, banks and financial intermediaries are now at the center. One of the structural causes of

the crisis was the decline in their asset portfolio, which was mostly brought on by the flawed credit management (Sanusi, 2010). In significant part, bad governance is to blame for this issue.

Claessens and Yurtoglu (2012) has recently focused a great deal of attention on corporate governance in developing nations, which is credited with these economies' potential for growth. Furthermore, it has been shown that noise trading influences these economies' markets more than fundamentals do. These markets require more intense corporate governance since they are typically less efficient.

Pradhan and Adhikari (2011) shows that the usefulness of governance structures is a topic of much debate, even in developed market economies. The purpose of this study is to ascertain how corporate governance factors and bank performance factors connect to one another. The relationship between the corporate governance variables—bank size, earnings per share, capital adequacy ratio, board member size, and number of independent directors—and the firm size and net interest margin is examined in this instance.

Protecting domestic investors is just as important as meeting the needs of global investors when it comes to good corporate governance. Domestic investors are frequently enslaved to local markets and run the risk of losing their entire life savings when transparency is inadequate and governance systems are flawed, in contrast to foreign investors who have highly sophisticated tools to diversify the overall risk of their portfolio. The principal-agent theory, which was also used in this study, is often regarded as the beginning point for any discussion on the subject of corporate governance, as Jensen & Meckling (2003) noted. A multitude of corporate governance mechanisms have been put out in an attempt to address the issue of the principal-agent relationship between management and shareholders. According to agency theory, these governance measures include shareholder rights, director ownership, CEO pay-performance sensitivity, board size, and composition. According to the agency theory, a smaller board is advised in order to reduce agency costs by having effective management control, but larger boards may result in an increase in the number of possible contacts and disputes between the group members. On the other hand, there exists a different perspective that supports larger

boards. According to this perspective, companies with larger boards can encourage their managers to monitor debt costs more closely because creditors perceive them as having better financial accounting processes and higher performance (Poudel & Hovey, 2013).

Alabdullah, Ahmed and Kanaan-Jebna (2022) revealed that the improving corporate governance can help Nepal and other developing nations achieve a number of significant public policy goals. Strong property rights, lower transaction and capital costs, lessen emerging market susceptibility to financial crises, and promote the growth of capital markets are all benefits of good corporate governance. Conversely, weak company governance structures undermine investor trust and may deter outside investment.

Balaputhiran (2016) analyzed that by updating and changing rules and guidelines, Nepal Rastra Bank (NRB), the country's central bank, has continuously worked to enhance bank governance. Some of the recommendations designed to guarantee improved governance in banks are the most recent complete directive, guidelines for stress testing, guidelines for the compensation of CEOs, etc.

Even with these rules and regulations, corporate governance is nevertheless difficult since bad actors often find new ways to embezzle public funds. Nepalese organizations still lack a culture of good administration and proper consideration for the interests of the general public. It is still unclear where ownership and management end. In Nepal, there is a significant problem with directors and employees engaging in fraudulent activity (Khatiwada, 2015). The CEO of KIST Bank (2013) and H & B Bank (2012) were accused with misappropriation. In a similar vein, NABIL (2011) and Himalayan Bank (2012) were charged with employee theft of the ATM pin number. The public's confidence in banks to get their currency has been damaged by these occurrences (Khatiwada, 2015). A stronger climate of safety and trust among the populace must be ensured by concentrating on excellent governance. Both consumer deposits and bank profitability can rise when governance is implemented by banks. The following research questions have been established for the study, taking into account the study's background and the literature review:

- What are the status of corporate governance and banking performance?
- Does there any relationship between corporate governance and bank performance?

- What is the impact of corporate governance on bank performance of Nepalese commercial banks?

### **1.3 Objectives of the study**

Finding the relationship between governance elements and bank performance is the study's main goal. This study's goal can be expressed as

- To identify the status of corporate governance and banking performance in Nepal.
- To examine the relationship between corporate governance and bank performance in Nepal.
- To analyze the impact of corporate governance on bank performance of Nepalese commercial banks.

### **1.4 Hypothesis**

The hypothesis test is employed in this investigation to evaluate the importance of the correlation between the independent and dependent variables:

H<sub>1</sub>: Female Director (BM) significant negative relation to the bank performance.

H<sub>2</sub>: Board directors is significant positive relation to the bank performance.

H<sub>3</sub>: ROA is significant negative relation to the bank performance.

H<sub>4</sub>: Bank size is significant positive relation to the bank performance.

H<sub>5</sub>: There is significant positive relationship between capital adequacy ratio and bank performances.

H<sub>6</sub>: There is significant positive relationship between EPS and bank performances.

### **1.5 Rationale of the study**

Because corporate governance and bank performance are related to the economy, research on these topics is crucial. Numerous researchers' studies have demonstrated a direct link between an organization's performance and effective governance. Therefore, the organization will function well if it maintains strong governance, and vice versa. The many factors that determine governance differ depending on the kind of organization and industry. The impact of these elements on the organization varies as well. Therefore, it's critical that the banks understand which variables have a greater and lesser influence on them. Recent scholarly research and policy discussions in Nepal have focused heavily on

the subject of governance (Khatiwada, 2002; Rawal, 2003 & Kafle, 2004). Using data from 20 banks, Paudel and Hovey (2013) examined the effect of corporate governance on the productivity of Nepalese commercial banks. According to the research, commercial banks operate more efficiently when their boards and audit committees are larger, board meetings are held less frequently, and their share of institutional ownership is lower. Thus, a secondary goal of this research is to ascertain how various aspects of good governance affect bank performance. In order to determine their impact on ROA and net interest margin, independent variables such as bank size, earnings per share, capital adequacy ratio, gender representation on the board, and female directorship are used. By concentrating on the relationship between the corporate governance variable and performance measuring factors, this study will guarantee that the banks can achieve the performance. The banks can use this study to ensure that there are still a sufficient number of board members and that an independent director is involved.

## **1.6 Limitation of study**

The required number of bank samples and time frame were used for the research. This study did have certain drawbacks, though. The following are the study's limitations.

- There are altogether 20 commercial banks operating in the country, but the study does not cover all these commercial banks. Only 11 banks are considered for the purpose of the study. The inclusion of all 21 banks in the study would have provided more valid results.
- The study used board member size, female directors, earnings per share, capital adequacy ratio, ethnical group, and bank size as independent variables, there are also other variables such as number of board meetings, number of female directors in the board, age period, members in the management team etc. which were omitted.
- The study used two dependent variables to develop a relationship. There are other dependent variables such as return on assets that can be taken for study.
- The banks which were taken as sample for study were only the commercial banks due to which the relationship between dependent variables and independent variables for development banks, microfinance, Commercial banks, and other non-financial institutions may vary.
- The data collected for the study were for the period of 2012/13 to 2021/22.

- It may also be noted that only secondary data were considered for the study purpose. Data collection conducting the primary survey is not taken into consideration. Hence, the result of the study is not broad and flexible. It is limited to the data available in the annual reports of the sample banks.
- All the portion of the study is based on secondary data and available information. Therefore, the consistency of finding and conclusion are dependent upon the reliability of secondary data and information.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1 Theoretical Literature**

Similar to the word government, the word governance ultimately comes from the Greek word Kubernao, which means "to steer." In the 1990s, a political scientist and economist coined the phrase "governance," which was then promoted by organizations like the World Bank, IMF, and UNO. Neoclassical economics is the source of many theories of governance as a process. These theories constructed deductive models, predicated on the tenets of the contemporary economy, to explain how national players might have established and maintained informal organizations like networks and commons governance practices, as well as formal organizations like states and corporations (Al-Jafari, & Alchami, 2014).

##### **2.1.1 Assimilation theory**

A review of the literature on corporate governance was conducted by Hawley and Williams (1998) as a background study for the Organization for Economic Cooperation and Development. Four types of theories of cooperative governance were identified by their study conducted in the United States. These were the political, stakeholder, stewardship, and simple finance models, also known as agency theories. Stakeholder, agency, and stewardship theories were crucial and at the core of corporate governance. The majority of corporate governance concerns concerned shareholders and management; disagreements over ideas and perspectives led to governance issues. Below is a quick description of the four theories that Hawley and Williams identified (Banu, & Vepa, 2018)

##### **2.1.1.1 Simple finance model / agency theory**

According to this view, the main challenge facing corporate governance is creating incentives and regulations that will affectively match managers' (agents') actions with owners' preferences. Rather than being governed by the legal or regulatory framework of the host nation, the rules and incentives in the financial model are those that the corporations have developed. It is assumed that managers prioritize their own interests over those of shareholders in an opportunistic manner, which leads to the problem. These

issues, which arose from the disagreements between managers and owners, were referred to as agency issues. These agency issues lead to poor governance inside the organization and raise agency costs. As a result, agency theory was created, which is a theory that aims to solve issues that may arise in the agency relationship and describes the interaction between principals and agents in the organization (Bhattarai, 2020).

#### **2.1.1.2 Stewardship theory**

According to the stewardship theory or paradigm, managers strive to maximize corporate profit and return to shareholders because they are good stewards of the company. It upholds the prestige of managing on both a social and professional level. In this case, managers were thought to be driven by a desire to succeed and acquire intrinsic fulfillment from carrying out difficult tasks. To get respect from their superiors and peers, they use their power and carry out their duties correctly. According to this view, the organization needs non-executive directors on the board in order to have strong governance (Bhayani, 2010).

#### **2.1.1.3 Stakeholder theory**

Operating within the broader framework of the host society, which supplies the requisite legal and commercial infrastructure for the firm's operations, the firm was a system of stakeholders. A company's goal was to generate value or wealth for its investors by turning their investments into products and services. Consequently, optimizing the firm's overall wealth should be the aim of managers and directors. Increasing the firm's worth is the main goal of this idea rather than managers or organizations. And in order to do this, it was crucial to link the interests of key stakeholders with those of external or passive shareholders and to offer ownership-like incentives to those employees of the companies who controlled or contributed vital specialized inputs. According to this notion, businesses should have long-term owners and promote the representation of important clients, partners, staff members, and community leaders on their boards (Charumati, 2012).

#### **2.1.1.4 Political theory**

The political model acknowledges that the government set the distribution of company profits, privileges, and power among owners, managers, and other stakeholders. The corporate sector exerted impact over corporate stakeholders' ability to alter the

distribution of micro-level power among themselves. The evolution of corporate governance was significantly influenced by the political paradigm of governance (Kodithuwakku, 2015).

## **2.2 Empirical Literature**

### **2.2.1 Review of journals articles**

Scholars have conducted numerous studies to determine the correlation between performance and the corporate governance component. The selection of the variables and formulation of the hypothesis were aided by the literature review of respective papers. As a company's highest executive body, the board of directors was tasked with developing policies and strategies as well as overseeing the 16 companies' daily operations. Determining the ideal number of directors for a board of directors was difficult because different studies yielded conflicting answers about the ideal number of directors.

Dawood (2023) researched on contribution the effect of corporate governance on firm performance in Pakistan. The study looks into how corporate governance affects the performance of businesses in Pakistan's commercial banking industry. We have examined earlier research from 1980 to 2021. According to these studies, the size of the board, long-term CEOs, the independence and size of the audit committee, foreign ownership, institutional possession, annual preferred meeting, and dividend coverage all boost the financial performance of Pakistani banks. To protect investors and enhance the company's overall financial performance, banks have promoted the implementation of strong corporate governance practices. Most importantly, the regulatory body should support the expansion of Pakistan's commercial banks by imposing suitable endorsements for noncompliance and guaranteeing adherence to proper corporate governance. The study intends to strengthen company governance in other areas, such as the relationship between a company and its finance vendors, compliance with societal demands for felony, ethical, and environmental standards, among others, in addition to the rights and responsibilities of various stakeholders in a company's management. This is where the study makes the biggest contribution to knowledge. This contribution has greatly improved the study's competency about the interpretations of corporate governance in relation to the success of the organization as a whole.

Jebran and Chen (2023) conducted a study on Can we learn lessons from the past? COVID-19 crisis and corporate governance responses, by using various corporate houses for the period in COVID-19. The study focuses on how corporate governance procedures can support businesses in the event of the COVID-19 pandemic. To achieve this, it analyzes articles from prestigious business journals to gain lessons from past crises and pinpoints important corporate governance practices that can be useful in resolving the current COVID-19 situation. A thorough analysis of the literature reveals a number of governance strategies that could aid businesses in addressing the COVID-19 dilemma. Risk management committees, a diverse board, independent directors, foreign investors, institutional ownership, ownership concentration, the CEO's multiple functions, block ownership, and family ownership are some examples of these governance features. Once the corporate governance literature has been reviewed, the analysis offers a number of policy implications. Our analysis demonstrates that companies might be impacted by at least one of the recognized governance mechanisms and that they might discover the usefulness of these governance characteristics during the COVID-19 emergency. Comparing various governance qualities during the COVID-19 crisis, the study shows that independent risk management committees, institutional ownership, board independence, block holders, and family ownership are some of the crucial and successful governance procedures.

Khan (2023) investigated a study on Impact of corporate governance on firm performance: a case of Pakistan stock exchange by using the stock market of Pakistan for the period of 10 years. This study looks at how corporate governance affects the performance of firms. Corporate governance has been operationalized through the use of eight indicators: firm size, firm age, firm leverage, CEO duality, ownership structure, independence of the audit committee, and firm growth. The performance of the firm has also been considered in relation to Firm Size and Return on Assets. Using the Pakistan Stock Exchange and a sample of 100 publicly traded non-financial companies, the investigation was carried out. Using the necessary statistical processes, data pertaining to the research variables have been collected and analyzed for a period of ten years, from 2013 to 2022. The findings indicate that various factors contribute to a company's success, including its size, age, sustainable growth, strong independence on audit committees, lean board composition, low leverage, and the presence of CEOs serving on multiple boards. It has been found that a company's profitability is adversely affected by

excessive levels of leverage, especially when interbank offered rates are high. These findings should be noted by practitioners, corporate regulators, and researchers alike. Further research is recommended to completely understand the impact of more corporate governance index indicators on firm success.

Khanal (2023) examined a study on corporate governance and its impact on financial performance of Nepalese commercial banks by using commercial banks in Nepal for the period of 10 years. This research aims to investigate the relationship between corporate governance structure and bank performance. The conceptual model of this study, which is based on evaluations of earlier research, is mainly concerned with how board structure and processes, together with audit committee procedures, affect bank performance. A questionnaire was used to poll employees in order to collect primary data, which was then analyzed using percentages. Regression analysis, correlation analysis, and descriptive statistics were then employed to examine the mean and standard deviation. Performance measures like banks' Firm Size (SIZE) and Return on Assets (ROA) have been utilized as the dependent factors, whereas corporate governance variables like board size, board independence, audit independence and activity, and CEO duality have been viewed as independent variables. Board size, CEO duality, and corporate governance requirements are important corporate governance techniques that enhance banks' performance, in order of relative importance. There is primary evidence to support these conclusions. More precisely, the corporate governance practices that have a tendency to improve performance are board independence, CEO duality, and audit committee independence. It implies that increasing any one of these variables will most likely result in better bank performance. In addition to improving each bank's performance, the research suggests that banks increase their corporate governance standards, ensuring the stability of the financial industry. Furthermore, it is recommended that banks establish fair corporate governance practices to increase investor confidence and attract further capital by means of clear and superior disclosure.

Musa and Yahaya (2023) researched on corporate governance and firm value. This article investigates the effect of corporate governance in maximizing firm value across 134 listed firms in the Nigerian Exchange Main Board during a ten-year period (2013–2022) using the Generalized Method of Moments. Panel data that was manually selected from the annual reports and accounts of the sampled firms was used in this study. STATA 15.1 is utilized for data processing. The findings indicate that while concentrated ownership,

board size, audit committee size, remuneration committee size, audit quality, and dividend yield have no significant effects on firm value, risk committee size, leverage, asset tangibility, profitability, and firm size do. Market players, managers, shareholders, creditors, and regulators can all benefit from these results. The research is constrained by the quantity of samples, namely 134 companies. It is anticipated that future study will be able to cover every one of the 156 listed companies on the Nigerian Exchange. It is anticipated that additional research will reveal additional corporate governance traits that have shown to be significant.

Tasya and Kusumaning (2023) conducted a study on the impact of corporate governance and firm performance on waste and effluent disclosure: Evidence from polluting industries in Indonesia. This study looked at how business performance and corporate governance—such as the audit committee, gender diversity on the board, independence, and attention—affect waste and effluent disclosure in Indonesian enterprises that pollute the environment. Secondary data from the corporations' 2017–2021 annual and sustainability reports were used in this analysis. A grading system based on Global Reporting Initiative (GRI) Standard 306: Waste and Effluent was used to gauge the waste and effluent disclosure. The companies listed on the Indonesia Stock Exchange in five polluting industries—Paper and Paper, Chemicals, Oil and Gas, Metals and Mining, Infrastructure, Utilities, and Transportation—were the focus of this study. The study's findings indicate that waste and effluent disclosure is significantly impacted by corporate governance, which includes the audit committee, gender diversity on the board, independence on the board, and attention on the board. Conversely, there is no discernible correlation between the waste and effluent disclosure of polluting industry companies listed on the Indonesia Stock Exchange and firm performance, as measured by return on assets (ROA).

Alabdullah (2022) investigated on corporate governance system and firm financial performance. Based on dealing with the concepts, theories, and evidence that were done in the previous studies in the literature review regarding corporate governance and its mechanisms as internal control system and its impact on firm financial performance, this study reviews the systematic understanding between the link between corporate governance system and companies' financial performance from theoretical and practical perspective. Numerous reasons for the processes of corporate governance, including the

impact of CEO duality, independence, and board size on the financial performance of the company, are provided by the current research. The current study suggested that in order to achieve strong corporate governance, internal control mechanisms and board features are essential. Previous research in the literature acknowledged that the financial performance of firms is enhanced by corporate governance frameworks. As a result, the current study demonstrated the importance of internal control mechanisms for business performance.

Boachie and Mensah (2022) examined a study on the effect of earnings management on firm performance: The moderating role of corporate governance quality. This study uses a dynamic framework to examine the relationship between financial performance and earnings management of businesses in Anglophone sub-Saharan African nations. The study demonstrates how best-practice corporate governance quality measures and aggregate transparency attenuate this link. The results show that the performance impacts of earnings management continue to exist even after accounting for the unobserved time-invariant heterogeneity, simultaneity, and dynamic endogeneity that are inherent in the link between earnings management and performance. Once more, the findings validate the agency theory's prediction about the effective monitoring impact of adhering to internal governance systems that follow best practices in limiting firms' earnings management methods and thus improving firms' performance. Furthermore, the study's conclusions about the beneficial impact of earnings management on performance—which point to efficiency-driven motivations for earnings management practices in Africa—showcase how distinctively different the African context is from other emerging markets that report opportunistic motives. Regarding the moderating influence, our research indicates that the presence of high-quality corporate governance tends to amplify the favorable impact of earnings management on the financial performance of organizations.

Huynh (2022) researched a study on does financial leverage mediates corporate governance and firm performance? By using 150 firms for the period of 2011-2021. The objective of this study is to investigate the relationship between corporate governance and firm performance, taking financial leverage into account as a mediating factor. Data for this study came from financial statements and was gathered in Pakistan's non-financial sector. The findings indicate a relationship between corporate governance and firm performance. There exists a positive correlation between the size of the board and the

performance of the firm; a larger board corresponds to higher performance. Performance of the company is favorably and strongly correlated with board independence. Firm performance is favorably correlated with the size of the audit committee as well. Having female directors on the board is also linked to improved business performance. Financial leverage was positively correlated with audit committee size, female directorship, board independence, and board independence. Corporate governance shifts risk from shareholders to debt holders while safeguarding shareholder interests. The findings indicate that corporate governance raises the cost of financial distress by increasing the proportion of debt in financial leverage. The association between board independence and size and business performance is partially mediated by financial leverage, but the relationship between audit committee size and female directorship and firm performance is totally mediated.

Jesuka (2022) analyzed a study on corporate governance and firm performance: does sovereign rating matter? By using the 823 companies for the period of 2004 to 2018. This study looks into how corporate governance and sovereign rating affected Latin American companies' success from 2004 to 2018. For 823 companies, this study did a multilevel model with fixed and random coefficients to confirm the effects of company, time level, and country on performance variation. Return on assets and Tobin's Q were used as dependent variables in the study, and board size, CEO/chairman duality, CEO/board member duality, dummy for the chairman as a former CEO, audit committee, independence, and audit committee expertise were used to measure governance. Results: Latin American corporations outperformed when their home countries implemented stronger audit committee and board of directors procedures, as well as when their sovereign ratings were higher. Depending on whether governance characteristics are present or not, sovereign rating takes on different functions. Governance and rating could serve as stand-in safeguards for investors. As far as the authors are aware, this is the first study to look into how sovereign rating affects company performance in a Latin American context. In Latin American studies, the use of governance metrics—such as the audit committee's experience and the dummy chairman who was a previous CEO—is novel.

Guluma (2021) examined a study on the impact of corporate governance measures on firm performance: the influences of managerial overconfidence. Using a Chinese listed

company as a case study, the study seeks to understand how corporate governance (CG) metrics affect business performance and how managerial behavior affects this relationship. The independent board, dual board leadership, ownership concentration, and debt financing are examples of internal corporate governance (CG) mechanisms that were used in this study. Product market competition and debt financing are examples of external CG processes. The corporate earnings estimates were used to gauge the level of managerial overconfidence. ROA and TQ are used to gauge a company's success. The researcher employed panel data of 11,634 samples of Chinese listed enterprises from 2010 to 2018 in order to satisfy the study objective. The study used a system Generalized Method of Moments estimate model to assess the suggested hypotheses. The results of the study demonstrated a positive and substantial relationship between ownership concentration and product market competitiveness and firm performance as determined by ROA and TQ. Debt finance also has a negative substantial link with both measures of company performance (ROA and TQ), and dual leadership has a negative relationship with TQ. Furthermore, the empirical findings demonstrated that management overconfidence had a negative impact on the associations between ownership concentration, dual leadership, and board independence and company performance. On the other hand, excessive management confidence has a negative effect on the link between operational firm performance and debt financing and a positive moderating effect on the impact of debt financing on firm performance as determined by Tobin's Q. These results provide numerous contributions. Consequently, by offering insight into the impact of managerial conduct in the relationship between CG practices and business performance in an emerging markets economy, the study's findings add to the theoretical framework. Therefore, the study's empirical result has significant managerial implications for practice and is crucial for decision-makers who want to enhance corporate governance in developing market economies.

Khatib (2021) conducted a study on the impact of corporate governance on firm performance during the covid-19 pandemic: evidence from Malaysia by using the 188 non-financial organization for the period of 2019 to 2020. This study aims to assess the impact of COVID-19 on company performance and corporate governance characteristics. A sample of 188 non-financial companies from the Malaysian market was used in this study for the 2019–2020 period. The impact of the COVID-19 pandemic on various business characteristics including as performance, governance structure, dividend,

liquidity, and leverage level has been seen. However, there has been no statistically significant difference between the pre- and post-pandemic periods. The analysis also showed that the size of the board significantly improves the performance of the company. Upon year-wise splitting of the sample, however, we discovered that while board diversity seemed to be significantly improving firm performance in the crisis compared to the previous year, when it had an inverse association with firm performance in both indicators, board size does not matter in the uncertain period of the current crisis. Prior to and before COVID-19, the performance of the company appeared to be significantly impacted negatively by board and audit committee meetings. By offering the first empirical data on the influence of coronavirus on business performance and corporate governance association, this study adds to the scant literature.

Koutoupis (2021) investigated on corporate governance and COVID-19: a literature review. This study aims to review the literature on corporate governance (CG), corporate social responsibility (CSR), and environmental, social, and governance (ESG) issues during the COVID-19 epidemic. It also tackles three research questions: What features distinguish the COVID-19 and CG literature? Which themes run through CG in the COVID-19 era? and What are the main areas for COVID-19 and CG research in the future? Design, procedure, and strategy The authors made an effort to conduct a thorough evaluation of the 62 studies that were published in 2020. The authors employed three criteria to identify major themes in the literature on CG and the pandemic and four criteria to identify characteristics of the literature on CG and COVID-19. To direct future research, the authors examined responses to the research topics above as well as suggestions from the studies they had assessed. Conclusions: The majority of research on CG in the context of COVID-19 has been conducted in industrialized nations and within theoretical frameworks. More research is needed in all nations (developed, emerging, and other) because accounting data are insufficient. Moreover, there are conflicting findings about how important CSR and ESG are to financial performance. To completely understand the effect of COVID-19 on CG, further approaches and data sources should be used in future studies.

Muharam and Atyanta (2021) researched on the effect of corporate governance on firm performance. The purpose of this research is to examine how corporate governance practices impact business performance. Companies listed between 2016 and 2019 on the

Indonesia Stock Exchange (IDX) made up the study's sample. One hundred samples were used in this investigation. Purposive sampling is the method of sampling that is employed. The annual report of the company provided the research data. The multiple regression analysis method used in this study is powered by IBM SPSS Statistics 25, a data processing tool. The amount of independent commissioner, audit committee, and institutional ownership had a favorable and significant impact on Adjusted Tobin's Q, according to the study's findings. Conversely, it was discovered that management ownership and the size of the board of directors had no bearing on Adjusted Tobin's Q. Leverage was found to have no effect on Adjusted Tobin's Q, although firm size and firm age as control variables had a favorable effect.

Haron (2020) analyzed a study on corporate governance and firm performance in an emerging market: The case of Malaysian firms. This study looks at Malaysian corporate governance practices and how they impact business performance. Following the 1997–1998 financial crisis, CG concerns have received the greatest attention in an effort to make the CG structure more flexible and adaptable to different economic environments. This study discovered that Malaysian enterprises have been closely referring to the MCCG as a blueprint to improve their performance, based on an extensive and rich set of data spanning 16 observation years. The performance of the company is significantly impacted by some CG methods. Businesses appear to run with a sizable board, suggesting a favorable correlation between board independence and performance. The negative relationship between CEO duality and role separation supports the favorable relationship between ownership structure and performance, as well as the outcome of board independence. The prevailing theory that appears to be affecting Malaysian enterprises' CG structures is agency theory.

Hermuningsih (2020) conducted a study on corporate governance and firm performance: An empirical study from Indonesian manufacturing firms. The inconsistent results could likely be attributed to the use of several proxies to gauge good corporate governance (GCG). Consequently, in order to improve comparable empirical investigations, a new single metric must be applied. Examining the connection between corporate governance and firm performance is the aim of this research. Purposive sample using predetermined criteria was used in this study to include all manufacturing companies listed on the Indonesia Stock Exchange (IDX) between 2014 and 2016. 110 of the 144 qualifying

organizations could be processed since their financial statements from the research period provided complete data in the form of financial information. The information was gathered from IDX's official webpages. This study employs a novel corporate governance metric: the effectiveness of the GCG. Sales, assets, and firm equity capital are the outputs that are related to the inputs of the corporate governance components in order to compute the corporate governance. This study, which makes use of financial data from companies registered on the Indonesian Capital Market, concludes that corporate governance greatly enhanced the success of the company. More significantly, the research validates and supports the GCG's new single measure. In order to avoid dealing with various corporate governance indicators, this outcome is crucial.

Bhagat and Bolton (2019). *Corporate governance and firm performance: The sequel*. Director stock ownership is most consistently and positively related to future corporate performance. This finding should be especially pertinent to long-term investors and public policymakers, who have a keen interest in long-term company performance. It is imperative that scholars studying corporate governance take into account director stock ownership as a gauge of corporate governance, since this will facilitate the comparison of findings among various studies. We examined data up to 2002 in our 2008 research, *Corporate Governance and Firm Performance*. We expand our sample span until 2016 in this publication. With these extra 14 years of data, there is a strong test of the validity and strength of director stock ownership as a proxy for corporate governance that is conducted outside of the sample. We can also better understand the dynamics of the financial crisis, the Great Recession, Sarbanes-Oxley (2002), and Dodd-Frank (2010) by extending the timeline. Using a variety of criteria, estimation methods, and sub-samples, we find that, in this out-of-sample era (2003–2016), director stock ownership is most consistently and favorably connected to future company success. Among the many subsamples of great public interest are the top 100 financial firms in the United States in 2008. Senior bank regulators are particularly interested in the findings that ownership of bank director shares is favorably correlated with future bank performance and adversely correlated with future bank risk, both before and during the financial crisis.\

Bista (2019) examined a study on impact of corporate governance on dividend policy of Nepalese enterprises by using 14 commercial banks and seven Commercial banks in Nepal for the period of five years. This study's main goal is to evaluate how Nepalese

firms' dividend policies and corporate governance relate to one another. More precisely, it looks at how Nepalese companies' dividend policies are affected by factors such as firm size, liquidity, CEO duality, ROA, foreign ownership, gender diversity on board, management ownership, and leverage. The secondary data used in this study was gathered from seven and fourteen commercial banks in Nepal. The yearly reports from commercial banks and banks are the primary sources of information. The analysis demonstrates a favorable relationship between dividend payout ratio and dividend yield and business size and foreign ownership. The dividend payout ratio increases with the size of the company and the proportion of foreign ownership. It further shows that the dividend yield decreases with decreasing business size and decreasing foreign ownership percentage. The findings of the regression demonstrate that institutional ownership has a detrimental effect on both the dividend yield and payout ratio.

Danoshana and Ravivathani (2019) researched on the impact of the corporate governance on firm performance: A study on financial institutions in Sri Lanka. Since the global economic crisis has been getting worse for more than thirty years, scholars have focused a great deal of attention on corporate governance issues. The primary goal of this research project is to examine how corporate governance affects the performance of listed financial institutions in Sri Lanka and to suggest appropriate corporate governance strategies that can enhance listed financial institution performance. The researcher uses return on equity and return on assets as the primary criteria that determined the firm's performance in order to accomplish these goals. Conversely, corporate governance is measured using the company's audit committee, board size, and frequency of meetings. For the sample period of 2008–2012, twenty-five listed financial institutions were chosen as the sample size. Secondary sources will be used in the data collection process. The analysis shows that the size of the board and audit committee has a beneficial effect on the performance of the company, and that corporate governance variables have a major impact on the performance of the company. Meeting frequency, however, has a detrimental effect on the operation of the company.

Mohan (2018) researched a study on impact of corporate governance on firm performance: empirical evidence from India by using 30 firms for the period of 10 years. Due to the requirement of corporate governance compliance, research on corporate governance is becoming more and more popular. Despite being made essential, corporate

governance problems are becoming more prevalent. Prominent scandals such as Enron, World Com, and the Indian Tata Mistry troubles and Satyam scam have also invigorated policy makers, investors, scholars, and other interested parties. The model takes into account metrics of business performance such as Price to Book ratio (PB ratio) and business Size (SIZE), as well as aspects of corporate governance such as CEO duality, board size, and composition. A few firm-specific factors were also included in the study model. The financial leverage, asset turnover, and sales growth are these firm-specific characteristics. Using a panel data OLS regression model, the study examined the relationship between corporate governance structure and business performance for a sample of thirty companies listed on the Bombay Stock Exchange. The panel data analysis's findings indicate that while board composition did not significantly affect firm performance, the CG factor—specifically, CEO duality and board size—has a substantial detrimental effect on company performance. It shows that monitoring processes are necessary to achieve better company performance and that companies should keep the CEO and chair positions separate to guarantee peak performance. The findings also point to a strong positive relationship between asset turnover and leverage and company performance. Since additional corporate governance and performance criteria would also be taken into account, the findings might not be definitive. Furthermore, another issue that can be investigated is how different industries may be affected differently by corporate governance's effects on firm performance.

Bulley (2017) analyzed a study on corporate governance and firm performance: evidence from Saudi Arabia by using of 171 listed companies by using the period of 2012 to 2014. The purpose of this study was to assess how corporate governance affected the firm performance of Saudi stock exchange-listed enterprises. Pooled data from the Saudi stock exchange (TADAUWL) for the years 2012–2014 comprised the study's methodology. 171 listed companies make up the study sample. Corporate governance principles are the independent variable under investigation. Firm performance, which was assessed using Tobin's Q, SIZE, and ROA, is the dependent variable. Five control variables were also used in the study to aid in assessing the connection between corporate governance and firm performance. As a result of the study, the Saudi stock exchange had a governance level of 61.4%, which is high when compared to earlier research. The study test results show that the operational and financial performance of listed companies on the Saudi stock exchange is not significantly impacted by the implementation of corporate

governance. The study also found that the ownership of the largest shareholder and the independence of the board of directors had no discernible effects on the market performance of the company by testing the Tobin's Q model. The ownership and size of the board of directors were discovered to have a significant impact on the performance of the company.

Ahmed and Hamdan (2015) conducted a study on the impact of corporate governance on firm performance: Evidence from Bahrain Bourse. It is widely acknowledged that one of the most significant effects in fostering investor trust in the business and the economy at large is corporate governance. Encouraging high standards of corporate governance is thought to be crucial for drawing in investment money, lowering risk, and improving a company's success. Examining how corporate governance practices affect Bahrain Bourse firm performance was the goal of this study. The study's earlier studies of the literature revealed that corporate governance effectively raises a firm's performance. Of the 48 Bahraini firms that were listed on Bahrain Bourse between 2007 and 2011, 42 were included in the study sample. The descriptive findings show that, overall, our sample firms fulfill 61.2% of the corporate governance characteristics. The empirical findings show a substantial relationship between corporate governance in Bahrain and performance metrics like return on equity (ROE) and return on assets (ROA). Corporate governance, as a performance metric, did not, however, significantly alter earnings per share (EPS). Overall, the study discovered that corporate governance practices had a favorable impact on the performance of every company on the Bahrain Bourse list.

Pradhan (2015) examined a study on corporate governance and bank performance in Nepal by using Nepalese commercial banks for the period of 8 years. The significance and effect of corporate governance on business performance are investigated in this essay. For this study, the bank's performance variables are the return on assets and firm size, which serve as the dependent variables. The independent variables in corporate governance include the size of the board, the total assets of the company, and the executive CEO. The information was gathered from the following sources: the Bank and Financial Institution Act of 2063, NRB Directives, corporate governance-related bylaws, Companies Act of 2063, Banking and Financial Statistics published by Nepal Rastra Bank, and the Bank and Financial Statistics supervision report. A variety of published papers, reports, books, and magazines are also examined in addition to these. The

Regulation and Supervision Department of Nepal Rastra Bank, the Company Registrar Office, and the relevant bank are the sources of information about compliance with legislative requirements pertaining to corporate governance. The significance and importance of corporate governance in Nepalese commercial banks are tested using multiple regression models.

Danoshana (2013) conducted a study on the impact of the corporate governance on firm performance: A study on financial institutions in Sri Lanka. utilizing twenty-five listed financial institutions between 2008 and 2012. Since the global economic crisis has been getting worse for more than thirty years, scholars have focused a great deal of attention on corporate governance issues. The primary goal of this research project is to examine how corporate governance affects the performance of listed financial institutions in Sri Lanka and to suggest appropriate corporate governance strategies that can enhance listed financial institution performance. The researcher uses return on assets and company size as the primary criteria that determined the firm's performance in order to accomplish these goals. Conversely, corporate governance is measured using the company's audit committee, board size, and frequency of meetings. For the sample period of 2008–2012, twenty-five listed financial institutions were chosen as the sample size. Secondary sources will be used in the data collection process. The analysis shows that the size of the board and audit committee has a beneficial effect on the performance of the company, and that corporate governance variables have a major impact on the performance of the company. Meeting frequency, however, has a detrimental effect on the operation of the company.

Heenetigala (2011) researched a study on the impact of corporate governance on firm performance in an unstable economic and political environment: Evidence from Sri Lanka. By using the 37 companies for the period of 30 years. The growth prospects of an economy are thought to be significantly impacted by corporate governance. Effective corporate governance methods are thought to be crucial for lowering investor risk, drawing in money, and enhancing business success. However, based on their respective political, social, and economic environments, many nations have different organizational structures for corporate governance. Sri Lanka's thirty-year civil conflict came to an end in 2007. It was anticipated that the capital market would have fallen during this time due to the war's severe economic effects. That was untrue. In actuality, share prices increased significantly. Corporate governance guidelines for listed firms were adopted by the

government in 2003. This essay makes the case that, between 2003 and 2007, there was a correlation between the corporate governance initiative and the improvement in business performance. This study looked at the connection between firm performance and corporate governance procedures. Data were taken from the 2003 and 2007 annual reports of a sample of 37 businesses chosen from The Lanka Monthly Digest 50 (LMD)'s top 50 listed businesses. Analysis of variance and Spearman's correlations were used to analyze the data. This study verified that, depending on business size, board composition, board committees, and performance as determined by Tobin's Q all positively correlated with governance practices (separate leadership, board composition, board committee, and firm performance). These connections suggest that companies have adopted corporate governance practices, leading to improved profitability and share price success.

Wu (2009) investigated a study on the effects of corporate governance on firm performance. through the use of eight financial institutions during an eleven-year span. This study's primary goal is to investigate how corporate governance affects the performance of businesses. The return on assets, stock return, and Tobin's Q are the variables used in this study to gauge the performance of the company. According to the empirical findings, the size of the board, the CEO's dual role, the stock pledge ratio, and the difference between the voting and cash flow rights all have a negative and significant impact on the performance of the company. However, insider ownership and board independence have a favorable and significant relationship with corporate performance.

Table 1

*Summary of Empirical Review*

SN	Citation	Variables	Methodology	Findings
1	Dawood (2023)	Board size, Long term CEOs, audit committee size,	Correlation analysis	The study discovered a significant improvement in the ability to conceptualize corporate governance in connection to the overall success of the business.
2	Jebran and Chen (2023)	Risk management committees, Board diversity, Independent directors, Foreign investors, Institutional investors, Concentrated ownership	Literature Review Method	According to the study, companies might be impacted by one or more of the recognized governance mechanisms, and they might discover how these governance characteristics can help during the COVID-19 emergency. Comparing various governance qualities during the COVID-19 crisis, our research shows that independent risk management committees, institutional ownership, board independence, block holders, and family ownership are some of the crucial and successful governance procedures.
3	Khan (2023)	Board Size, Ownership Structure, CEO Duality, Independence of Audit Committee, Firm Size, Firm Age, Firm Leverage, and Firm Growth.	Regression Analysis	The results show that large company size, young firms, sustainable growth, strong independence on audit committees, lean board size, modest leverage, and CEOs serving on several boards all have a beneficial effect on the success of the firm. It has been discovered that large levels of leverage negatively affect a company's profitability, particularly when interbank offered rates are high.
4	Musa & Yahaya (2023)	Risk committee size, leverage, asset tangibility, profitability and firm size	Regression Analysis	The findings demonstrate that firm value is significantly impacted by risk committee size, leverage, asset tangibility, profitability, and firm size. However, there are no appreciable effects of concentrated ownership, board size, audit committee size, compensation committee size, audit quality, or dividend yield on the value of the company.

5	Tasya & Kusumaning (2023)	board gender diversity, board independence, board attention, and audit committee – and firm performance.	scoring method based and Regression	The study's findings indicate that waste and effluent disclosure is significantly impacted by corporate governance, which includes the audit committee, gender diversity on the board, independence on the board, and attention on the board. Conversely, company performance, which was measured using return on assets (ROA) as a proxy, has no appreciable impact on the waste and effluent disclosure of polluting industry companies listed on the Indonesia Equity Exchange.
6	Alabdullah (2022)		Regression analysis	Numerous reasons for the processes of corporate governance, including the impact of CEO duality, independence, and board size on the financial performance of the company, are provided by the current research.
7	Boachie and Mensah (2022)		Correlation analysis	The results show that the performance impacts of earnings management continue even after accounting for the unobserved time-invariant heterogeneity, simultaneity, and dynamic endogeneity that are inherent in the earnings management and performance partnership.
8	Huynh (2022)	Corporate governance, Capital structure, Financial Performance	Regression analysis	The findings indicate that corporate governance raises the cost of financial distress by increasing the proportion of debt in financial leverage. The association between board independence and size and business performance is partially mediated by financial leverage, but the relationship between audit committee size and female directorship and firm performance is totally mediated.
9	Jesuka (2022)	ROA, Firm Market to Book Ratio, ROE, size, A	multilevel regression with fixed and random coefficients	When Latin American nations have higher sovereign ratings and implement stronger audit committee and board of directors procedures, their businesses perform better. Depending on whether governance characteristics are present or not, sovereign rating takes on different functions. Governance and rating could serve as stand-in safeguards for investors.

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10	Guluma (2021)	independent board, dual board leadership, ownership concentration, performance ROA and TQ	Regression analysis	The study's conclusions demonstrated a positive and substantial relationship between ownership concentration and product market competitiveness and firm performance as determined by ROA and TQ.
11	Khatib (2021)	Governance structure, Dividend, liquidity, leverage, ROA	Regression analysis	The results of the analysis showed that the size of the board significantly improves the performance of the company. All aspects of a company, including performance, governance, leverage, dividends, liquidity, and return on assets (ROA), have been impacted by COVID-19. There has been little change in these aspects between the pre- and post-pandemic periods.
12	Koutoupi s (2021)	ROA, Firm Market Ratio, ROE, size, Book to Book Ratio	Literature review Method	The majority of research on CG in the context of COVID-19 has been conducted in industrialized nations and within theoretical frameworks. More research is needed in all nations (developed, emerging, and other) because accounting data are insufficient. Moreover, there are conflicting findings about how important CSR and ESG are to financial performance. To completely understand the effect of COVID-19 on CG, further approaches and data sources should be used in future studies.
13	Muharam and Atyanta (2021)	independent commissioner, audit committee, and institutional ownership, size of board, firm size ROA and ROE.	Multiple Regression analysis	The number of independent commissioners, audit committees, and institutional ownership all had a positive and significant impact on Adjusted Tobin's Q, according to the study's findings. In the meantime, the size of the management. Adjusted Tobin's Q was found to be unaffected by ownership. Leverage was found to have no effect on Adjusted Tobin's Q, although firm size and firm age as control variables had a favorable effect.

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14	Haron (2020)	ROA, Firm Market to Book Ratio, Liquidity	ROE, size,	Regression analysis	The negative relationship between CEO duality and role separation supports the favorable relationship between ownership structure and performance, as well as the outcome of board independence. The prevailing paradigm influencing Malaysian enterprises' CG structures appears to be agency theory.
15	Hermuni ngsih (2020)	Corporate Governance principals, ROA, ROE		Correlation Analysis	More significantly, the research validates and supports the GCG's new single measure. In order to avoid dealing with various corporate governance indicators, this outcome is crucial.
16	Bhagat and Bolton (2019)	ROA, board size, duality,	ROE, CEO	Regression analysis	Senior bank regulators are particularly interested in the findings that ownership of bank director shares is favorably correlated with future bank performance and adversely correlated with future bank risk, both before and during the financial crisis.
17	Bista (2019)	firm liquidity, ROA	size, CEO	Regression analysis	The dividend payout ratio and dividend yield are negatively impacted by institutional ownership, according to the data.
18	Danosha na and Ravivath ani (2019)	ROA, board size, duality,	ROE, CEO	Regression analysis	The analysis shows that the size of the board and audit committee has a beneficial effect on the performance of the company, and that corporate governance variables have a major impact on the performance of the company still. The performance of the company is negatively impacted by meeting frequency.

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19	Mohan (2018)	ROA, board size, CEO duality,	ROE, CEO	OLS regression Method	The panel data analysis's findings indicate that while board composition did not significantly affect firm performance, the CG factor—specifically, CEO duality and board size—has a substantial detrimental effect on company performance.
20	Bulley (2017)	Corporate Governance principals, ROA, ROE		Correlation Analysis	The study test results show that the operational and financial performance of listed companies on the Saudi stock exchange is not significantly impacted by the implementation of corporate governance. The study also found that the ownership of the largest shareholder and the independence of the board of directors had no discernible effects on the market performance of the company by testing the Tobin's Q model. The ownership and size of the board of directors were discovered to have a significant impact on the performance of the company.
21	Ahmed and Hamdan, (2015)	ROA, board size, CEO duality,	ROE, CEO	Regression analysis	The empirical findings show a substantial relationship between corporate governance in Bahrain and performance metrics like return on equity (ROE) and return on assets (ROA). Corporate governance, as a performance metric, did not, however, significantly alter earnings per share (EPS). Overall, the study discovered that corporate governance practices had a favorable impact on the performance of every company on the Bahrain Bourse list.
22	Danosha na (2013)	Corporate governance practice, ROA, ROE		Regression analysis	The analysis shows that the size of the board and audit committee has a beneficial effect on the performance of the company, and that corporate governance variables have a major impact on the performance of the company. Meeting frequency, however, has a detrimental effect on the operation of the company.
23	Heenetig ala (2011)	Board structure and Performance		Regression analysis	These connections suggest that companies have adopted corporate governance practices, leading to improved profitability and share price success.

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24	Wu (2009)	Corporate governance and performance	Regression analysis	According to the empirical findings, the size of the board, the CEO's dual role, the stock pledge ratio, and the difference between the voting and cash flow rights all have a negative and significant impact on the performance of the company. However, insider ownership and board independence have a favorable and significant relationship with corporate performance.
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### 2.3 Research Gap

The difference in research from earlier studies to the current study is known as the research gap. A prior investigation into the corporate governance and performance of Nepalese commercial banks was carried out by Boone et al. (2019) & Boachie & Mensah (2022). Only three banks have been included in prior research on this case study. A sample of ten commercial banks is chosen for this investigation. Additionally, there are variations in the case study's time frame. The time period in this study is from 2012/13 to 2021/22, unlike the short time periods in Fanta (2019). Prior studies have employed return on equity (ROE) and return on assets (ROA) as a foundation. Return on equity (ROE) and net interest margin (NIM) were employed in this analysis. The points that set my case apart from the previous one are as following. The central bank of Nepal, commercial banks and other financial institutions, up-and-coming scholars, and other non-financial entities have all benefited in part from the research on corporate governance and financial performance in the context of Nepalese banks. Regression and correlation analysis of the data assisted in determining the relationship between the independent and dependent variables. The people and organizations listed above may find this outcome useful.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

The approach and method used in all areas of the study are explained by research methodology. Research technique is one of the most crucial aspects of any study since all studies should be planned out in a methodical manner. Numerous research methodologies, such as research design, population and sample, data sources, and data collection procedures, have been used in this study in order to meet the study's primary goal.

#### **3.1 Research Design**

In this study, a descriptive, causal research design was employed. A casual research design is employed to explain the relationship between several variables or characteristics and their causes. Factors such as Board size, Earnings per Share, capital adequacy ratio, Female Director, and Ethnic Group influence the performance of the organization. Analyses of other statistical methods, such as the standard deviation, correlation coefficient, and regression analysis of sampled banks, have also been conducted. The techniques of gathering data, the tools of the research, and the sampling strategy are the main concerns of research design.

#### **3.2 Sources of Data**

Secondary sources provide the information and data that are required. The information was gathered from each bank's annual report, trade report, and publication. Additional information about the NRB, relevant websites, and national and international periodicals.

#### **3.3 Population and Sample**

The stock market is divided into several different industries, including banking, Nepal's commercial banks, manufacturing and processing, hotels, commerce, hydropower, and others. There are 19 commercial banks in this survey. Ten of the nineteen commercial banks in total have been selected for the study. The study used random sampling method for the analysis of data.

### **3.4 Data Collection Procedure**

The majority of the data required for the study came from surveys and secondary sources. Opinions were also sought from a few specific investors, relevant authorities within the organizations, staff members of SEBON and NEPSE, and other relevant individuals. Information about share prices, market capitalization, and NEPSE index volatility, among other things, was obtained from the trading report that NEPSE released. Further information about associated businesses was obtained from the businesses themselves as well as the relevant websites.

The collection procedure is summarized below:

- a) Annual report of the sample banks
- b) Summary sheet of NEPSE

### **3.5 Method of analysis**

It contains all of the gathered data as well as an explanation of it. The study presented and examined data on terms related to ethnic groups, board size, earnings per share, capital adequacy ratio, and female directors. The study's Tables and Figures make the results of the analysis quite evident.

#### **a. Descriptive analysis**

Brief informational coefficients known as descriptive statistics are used to provide an overview of a specific data collection, which may be a sample or a representative of the full population. Measurements of central tendency and measurements of variability (spread) are the two categories into which descriptive statistics fall. The standard deviation, variance, minimum and maximum variables, kurtosis, and skewness are measurements of variability, whereas the mean, median, and mode are measures of central tendency.

#### **b. Correlation analysis**

The statistical method used to characterize how closely one variable is related to another linearly is called correlation analysis (Levin & David, 1994). It is helpful for determining how strongly and how much a linear relationship there is between two variables. A positive correlation is one when there is a direct proportionality between the variables'

values. Conversely, in the event where the variables' values exhibit inverse proportionality, the correlation is considered negative; yet, the correlation coefficient consistently stays within the range of +1 to -1. The formula that follows can be used to find the correlation coefficients (r) between two versions, x and y.

$$\text{Correlation Coefficient (r)} = \frac{n\sum xy - \sum x \sum y}{\sqrt{n\sum x^2 - (\sum x)^2} \sqrt{n\sum y^2 - (\sum y)^2}}$$

Where,

r = coefficient of correlation

$\sum XY$  = Sum of product of two series.

$\sum X^2$  = Sum of squared in X series

$\sum Y^2$  = Sum of squared in Y series

n = number of years

This coefficient's value can never be less than -1 or greater than + 1. Therefore, the limits of this coefficient are + 1 and -1. Positive correlation between variables is indicated by a value of r = + 1, and vice versa. Zero indicated no association at all.

### c. Regression Analysis

A collection of statistical techniques called regression analysis is used to estimate the associations between a dependent variable and one or more independent variables. It can be used to simulate the future relationship between variables and evaluate how strongly the variables are related to one another.

#### The study Model

$$\text{ROA} = \alpha + \beta_1 \text{BS} + \beta_2 \text{FD} + \beta_3 \text{EG} + \beta_4 \text{Size} + \beta_5 \text{EPS} + \beta_6 \text{CAR} \dots\dots\dots \text{(I)}$$

$$\text{NIM} = \alpha + \beta_1 \text{BS} + \beta_2 \text{FD} + \beta_3 \text{EG} + \beta_4 \text{Size} + \beta_5 \text{EPS} + \beta_6 \text{CAR} \dots\dots\dots \text{(II)}$$

Where,

ROA/NIM = Firm Size/ net interest margin

BS = Board Size

FD = Female Director

EG = Ethnical Group

EPS = Earnings per Share

CAR = Capital adequacy Ratio

a = Intercept

$b_1, b_2, \dots$  = Slope of Independent variables

$e$  = Error

### 3.6 Research framework

The current study builds the conceptual framework based on the research objectives and the literature review. The systematic explanation of the relationship between the dependent and independent variables is provided by the study's conceptual framework. Reaching the research goal and keeping the research challenge in focus are beneficial. A research report benefits from a description of the framework in two ways: it helps to identify the research variables and makes the relationships between them clear. The conceptual framework, which is related to the statement's problem, establishes the context for presenting the particular research question that serves as the main focus of the investigation. The figure below displays the research's conceptual framework.

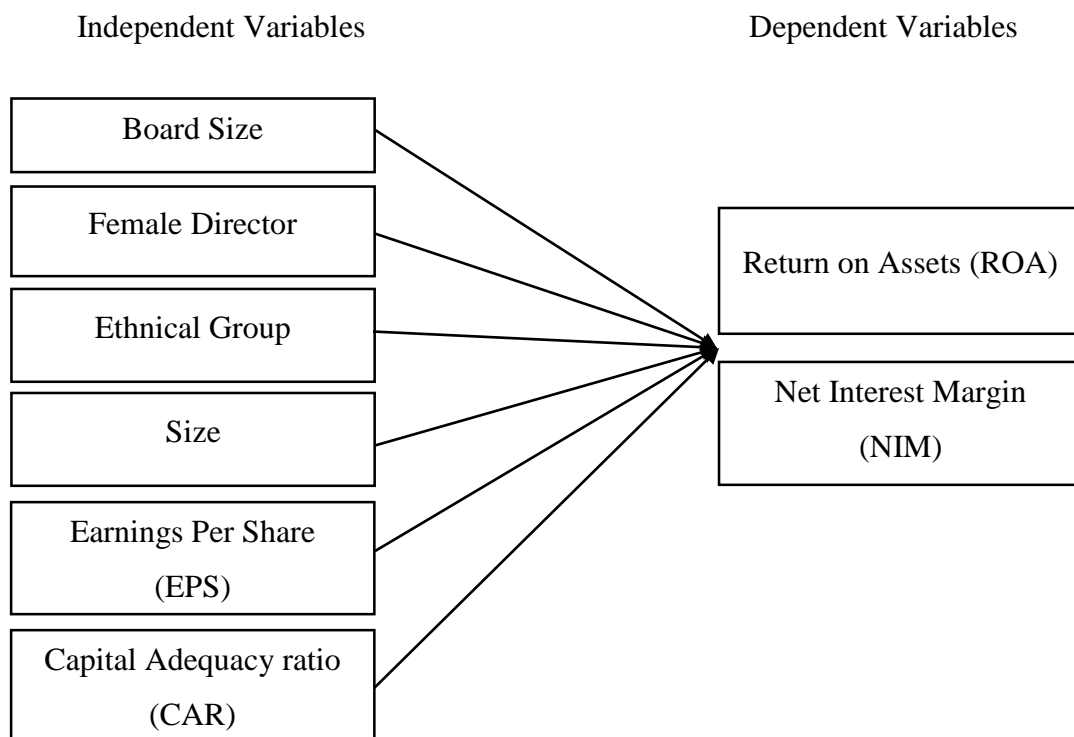


Figure 1

*Research Framework*

#### Definitions of Variables

##### Board Size

The number of directors on the board has a big impact on the company's performance. Directors have an obligation to ensure that management is functioning efficiently and

adhering to the policies and processes that it has set forth. Directors make important decisions and develop policies, rules, and regulations on behalf of the company. Jensen (1996) and Lipton & Lorsch (1995) assert that having a big number of board members can lead to agency problems and decision-making delays, both of which can negatively impact a bank's performance.

### **Female Director**

Women typically make a beneficial contribution to board tasks, particularly those that are qualitative in nature. Several studies show how effective they are at managing supervision, addressing CSR issues, and encouraging the development of strategies (Katrodia, 2012).

### **Ethnic Group**

An ethnic group is a social group or population type that is distinguished and united within a broader community by shared racial, linguistic, national, or cultural characteristics. One manifestation of the social complexity present in the majority of modern cultures is ethnic diversity (Gull, 2013).

### **Size**

A company's size is a scale that can be used to divide it into large and small enterprises based on a number of factors, including its total assets, its stock market value, and/or its average sales level. Because total assets are thought to be more stable and accurately represent the size of the organization, asset size is utilized as a gauge for company size. Because they are thought to have greater access to the financial market, large corporations are thought to carry less risk. (2018, Nugraha).

### **Earnings per Share (EPS)**

The amount of a company's profit allotted to each outstanding share of common stock is known as earnings per share. It is among the determinants of a business's profitability. Greater profitability and improved fund mobilization by financial institutions are both indicated by higher earnings and vice versa. The independent variable in this research is EPS (Wijerathna 2018).

### **Capital Adequacy Ratio (CAR)**

An examination of a bank's risk-weighted assets compared to its available capital is done via the capital adequacy ratio, or CAR. The ratio provides a quick indicator of a bank's capacity to cover losses and preserve its solvency during difficult financial circumstances (Niraula, 2015).

The model is

$$\text{ROA/NIM} = \beta_0 + \beta_1\text{BS} + \beta_2\text{LM} + \beta_3\text{EG} + \beta_4\text{Size} + \beta_5\text{EPS} + \beta_6\text{CAR} + e$$

Where,

ROA/NIM = Return on Assets / Net Interest Margin

BS = Board Size

LM = Female Director

EG = Ethnical Group

EPS = Earnings per Share

CAR = Capital adequacy Ratio

a = Intercept

$\beta_1, \beta_2, \beta_3, \dots$  = Slope of Independent variables

e = Error

## CHAPTER – IV

### RESULTS AND DISCUSSIONS

This chapter presents the data collected in respect to the study's variables. The data for each variable is displayed in a separate figure. To find the answers to the research subjects, data have been assessed using a range of statistical methods. Descriptive statistics like mean, maximum, minimum, and standard deviation have been utilized to compute the elements that ascertain the profitability of an insurance organization.

#### 4.1 Descriptive Analysis

Table 2 displays the descriptive statistics for every variable used in the research. It shows the descriptive statistics for every variable in the analysis. The values for the mean, maximum, minimum, and standard deviation are shown in order.

Table 2

*Descriptive statistics*

Variables	Minimum	Maximum	Mean	S.D.
Board size	8.00	11.00	8.32	.0587
Female Director	1.00	4.00	3.00	0.014
Ethnical Group	5.51	10.68	8.157	1.876
Capital Adequacy Ratio	.19	.94	.692	.261
Earnings Per Share	-2.37	8.98	4.39	3.424
Return on Assets	.17	17.15	2.135	3.455
Firm Size	4.67	62.75	17.56	14.311
Net Interest Margin	2.34	6.86	3.986	1.3527

*Source* Appendix – I and SPSS Output

Table 2 shows that the average value of board size within the period is 8.32 with the maximum value of 11 and minimum of 8. The standard deviation of board size for the period is 0.0587. Female Director ranges from minimum 1 to maximum 4 with average and standard deviation value of 3.00 and 0.014 respectively. The average Earnings per Share for the period is 4.39 with maximum of 8.98 and minimum of -2.37. The standard deviation is 3.424 for the period. Similarly, Ethnical Group has mean value of 8.157 with its maximum being 10.68 and minimum of 5.51. Its standard deviation for the period is 1.876. Capital adequacy ratio has average of 0.692 with maximum of 0.94 and minimum of 0.19. The standard deviation for the period is 0.261. Firm Size has mean value of 17.56 having maximum of 62.75 and minimum of 4.67. The standard deviation for the period is

14.311. The average value of return on assets for the period is 2.135 with its maximum value of 17.15 and minimum of 0.17. It has standard deviation of 3.455 for the period.

## 4.2 Correlation Analysis

The association between the variables utilized in the study is shown in Table 2. If there is a correlation between the variables, it makes sense to assume that at least one of them influences the other. This table displays the Karl-Pearson correlation coefficient between the analysis's variables. It displays the P-value in between additions. The variables are presented as follows.

Table 3

### *Pearson's Correlation Analysis*

Variables	Board	Female	Ethnical	CAR	EPS	ROA	SIZE	NIM
Board size	1							
Female Director	-.450*	1						
Ethnical Group	.739**	-.474*	1					
Capital Adequacy Ratio	.299	-.167	.557**	1				
Earnings Per Share	-.133	-.132	-.037	.265	1			
ROA	-.635**	.097	-.158	.217	.055	1		
Size	-.635**	.180	-.200	.189	.134	.862**	1	
NIM	.032	.418	.336*	.142**	.118	.054	.347	1

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\* . Correlation is significant at the 0.01 level (2-tailed).

*Source:* Appendix II and SPSS Output

Table 3 shows that board size of firms has significant negative relation with Female Director, return on assets and Firm Size at significance level 0.05 and 0.01 respectively also has significant positive relation with Ethnical Group at 1% level of significance. While capital adequacy ratio and Ethnical Group are positively significant with NIM at 0.01 and 0.05 level of significance respectively.

Similarly, Female Director has negative and statistically significant relationship with Ethnical Group as proxy of Ethnical Group ( $P < 0.05$ ) because correlation coefficient is -0.474 at 5 percent level of significance. It means as Ethnical Group increases, CR decreases. Likewise, Ethnical Group has positive and significant relation with capital adequacy ratio. Also Size and ROA are positively significantly correlated.

### 4.3 Regression Analysis

Regression analysis was primarily used to ascertain the impact of the independent factors on the dependent variable. The inquiry aimed to evaluate the hypotheses and analyze the elements influencing business performance.

Table 6

*Regression Coefficient of ROA*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Board size	-5.108	.803	-6.359	.000
Female Director	-.169	.115	-1.465	.158
Ethnical Group	.695	.391	1.779	.090
Capital Adequacy Ratio	4.878	2.030	2.403	.026
Earnings Per Share	-.211	.130	-1.623	.120
Firm Size	-.003	.003	-.726	.473
C	48.474	7.269	6.669	.000
	R-squared		0.716	
	Adjusted R-squared		0.648	
	F-statistic		10.571	
	Prob(F-statistic)		0.000	

*Source:* Appendix III and SPSS Output

Table 6 shows that  $t_{cal}$  of 'a' is 6.669 with P-value of 0.000 or 0.00%. It shows computed 'a' is statistically significant at 10% level of significance. ROA is negatively impacted by board size, Female Director and Earnings per Share where board size is significant at 5% level of significance but Earnings per Share and Female Director is statistically insignificant even at 10% level of Significance.

Similarly, ROA is positively impacted by Ethnical Group and capital adequacy ratio, where capital adequacy ratio is statistically significant at significance level of 5% and Ethnical Group is significant at 10% level of significance respectively with coefficient 4.878 and 0.695. The value of r-square is 71.60%, the impact of independent variable i.e. operating Earnings Per Share, Ethnical Group, capital adequacy ratio, Female Director, board size and Firm size on dependent variable i.e. ROA is statistically significant even significance level 0.05 i.e. 0.000. So, there is linear relationship of ROA with Female Director, capital adequacy ratio, Ethnical Group, board size and Earnings per Share of firms.

Table 9

*Regression Coefficients of NIM*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Board size	1.272	0	1.226	.232
Female Director	1.182	0	0.56	.018
Ethnical Group	3.217	0	1.019	.318
Capital Adequacy Ratio	-6.181	0	-1.489	.149
Earnings Per Share	-7.091	.236	-1.138	.266
Firm Size	-3.668	.256	-3.778	.052
C	0.132	0.042	3.126	.004
	R-squared		0.282	
	Adjusted R-squared		0.167	
	F-statistic		2.449	
	Prob(F-statistic)		0.007	

Source: Appendix IV

**Regression analysis output: coefficient**

The linear equation of this model is,

$$Y = \alpha + \beta_1 BS + \beta_2 FD + \beta_3 EG + \beta_4 Size + \beta_5 EPS + \beta_6 CAR$$

$$NIM = 0.132 + 1.272X_1 + 1.182X_2 - 3.217X_3 - 6.181X_4 - 7.091X_5 - 3.668 X_6$$

Table 9 shows the estimated regression result of Earnings Per Share, Ethnical Group, adequacy ratio, Female Director, board size and firm size on NIM. The positive coefficient of board size, Female Director and Ethnical Group are 1.272, 1.182 and 3.217 respectively which indicates that when board size, Female Director and Ethnical Group increases by Rs.1, NIM decreases by 12.72%, 11.82% and 11.82%. It indicates that higher the board size, Female Director and Ethnical Group higher would be the NIM of Nepalese Commercial banks. Beta coefficient of board size, Female Director and Ethnical Group is positive. It indicates that higher the board size, Female Director and Ethnical Group lower would be the profitability of Nepalese Commercial banks.

The coefficient of determination ( $r^2$ ) is 0.282 i.e. 28.20%. In this table, it indicates that the impact of independent variable i.e. Earnings Per Share, Ethnical Group, adequacy ratio, Female Director, board size on dependent variable i.e. NIM is statistically significant at significance level 0.05 i.e. 0.007. As table above, board size, Female Director, Ethnical Group, capital adequacy ratio and Earnings per Share as independent variable is overall significant but individually only Female Director is significant with NIM with p-value of 0.018. Others are insignificant with NIM.

#### 4.4 Discussion

The purpose of the study is to investigate the impact of corporate governance on bank performance in Nepal. This study used mean, median, maximum, minimum and standard deviation. Higher ROA and NIM are preferable than lower ones which means profit is preferable in terms of ROA and NIM. The "Mean" represents the average value of each variable. For instance, the mean ROA, indicating the average return on assets across the mutual funds studied.

The study performance by Jebran and Chen (2023) found that the size of the board and the ethnic group have a statistically significant association with profitability, but there appears to be no significant relationship between any of the other study variables and profitability. The study's findings also demonstrate that the growth rate, fixed assets, and liquidity of commercial banks have little detrimental effects on their company performance. The study's is similar with the findings of studies carried out by Brogi et al. (2022) and Jigeer and Koroleva (2023).

Dawood (2023) concluded that liquidity and board size, as a proxy for assets, have a negative and statistically significant relationship, according to correlation analysis ( $P > 0.5$ ) at the one percent significance level. It demonstrates that when liquidity rises, so does board size which is similar to the findings of Khan (2023). Likewise, there is a statistically significant negative association between Female Director and Ethnical Group. This is supported by the findings of Boachie and Mensah (2022) but contradict with the findings of Guluma (2021). The study conducted by Koutoupis (2021) concluded that decline in Female Directors when Ethnical Groups rise. Board size also has a negative and substantial relationship with SIZE. ROA and SIZE also have a favorable correlation. This result is in line with what Abdeljawad, Dwaikat, and Oweida (2022) found. The study's findings are in line with the pecking order theory, which contends that profitability and liquidity have a negative relationship. This suggests that an increase in board size, female director, earnings per share and firm size is associated with a decrease in ROA among the sample commercial banks. However, the coefficients for the other independent variables, namely ethnical group and capital adequacy ratio is associated with a increase in ROA of sample commercial banks, indicating that their relationships with ROA were not statistically distinguishable from zero.

Ahmeti and Iseni (2023) findings of this regression analysis reveals that board size, earnings per share, and female director have a negative impact on ROA. Board size is statistically significant at the 5% level of significance, whereas earnings per share and female director are statistically insignificant even at the 10% level of significance which is similar to the findings of Sah and Magar (2021) and Morara and Sibindi (2021) but contradict with the findings of Vojinovi et al. (2022).

Ethnical Group and capital adequacy ratio also have a positive effect on ROA; at the 5% significance level, the capital adequacy ratio is statistically significant, and at the 10% significance level, the Ethnical Group is significant, with coefficients of 4.878 and 0.695, respectively. This is similar to the findings of Ahmeti and Iseni (2023). Hence, there is a linear link between ROA and the following factors: board size, earnings per share, ethnic group, capital adequacy ratio, and female directors.

This means that there is no strong evidence to conclude that these variables have a significant linear relationship with ROA. It implies that there are other factors not considered in this regression model that also contribute to the variation in ROA among commercial banks in Nepal. While this is not comparable to the findings of Tegegn, Sera, and Merra (2020) and Sah and Magar (2021), it is similar to the findings of AI- Matari (2023) and Tsvetkova et al. (2021).

# **CHAPTER – V**

## **SUMMARY AND CONCLUSION**

### **5.1 Summary**

The primary goal of the study was to determine whether corporate governance affects the bank performance. This chapter deals with the background and the subject matter of the study. It consists of introduction of research, which explains the background of the study, problem statement, objectives of the study, rationale of the study and limitation of the study. The appropriate review of literature has been done in the second chapter in terms of theoretical underpinning of banking principles as well as journals; articles and prior thesis. The third chapter discusses the research methods used to assess the liquidity and profitability of the development banks under investigation. The facts and information are presented, evaluated, and interpreted using financial and statistical methods in the fourth chapter. Finally, in the fifth and last chapter, the study's summary, conclusion, and suggestions are presented.

Examining independent factors on the dependent variable, net interest margin, reveals this. Board members play a crucial role in the organization's decision-making process. The board of directors makes decisions about dividend payments, mergers and acquisitions, the implementation of new policies, the expansion or contraction of corporate operations, and other matters. For improved performance, the number of independent directors on boards should also be expanded.

In addition to representing the interests of minority shareholders, the independent directors serve in management as individuals who offer the board balanced and objective viewpoints and steer the banks toward good governance and financial performance. When there are no independent directors, directors who are driven by profit and aggression may make decisions that put ordinary shareholders and stakeholders at risk. Banks ought to pay attention to their earnings per share as well, since rising earnings per share correlates with improved bank performance, as evidenced by rising return on equity and net interest margin. Giving profits to general shareholders is predicated on the assumption that businesses are running efficiently and looking out for their shareholders. The investigation also demonstrated that achieving financial performance does not require a bank to have more capital and reserves. The study provided an answer to the topic of

whether banks continued to function well during the nation's changeover period despite numerous operational challenges. The average net interest margin is 23.4%, while the average return on assets is 1.7%, according to the results. This shows that the bank was successful even in the face of unfavorable political, economic, and technological conditions in the nation. The central bank of Nepal, commercial banks and other financial institutions, up-and-coming scholars, and other non-financial entities have all benefited in part from the research on corporate governance and financial performance in the context of Nepalese banks. Regression and correlation analysis of the data assisted in determining the relationship between the independent and dependent variables.

The independent directors and bank performance metrics, such as ROE and NIM, have a favorable correlation. There is a tenuous positive association, though. This result indicates that the number of independent directors should be increased to the maximum in order to have better performance. The capital adequacy ratio is positively correlated with net interest margin and return on equity. While there is no significant association with the net interest margin, there is a substantial positive relationship with ROE. The return on equity and net interest margin have a positive relationship with earnings per share.

There is a tenuous positive association, though. This result indicates that the number of independent directors should be increased to the maximum in order to have better performance. The capital adequacy ratio is positively correlated with net interest margin and return on equity. While there is no significant association with the net interest margin, there is a substantial positive relationship with ROE.

## **5.2 Conclusion**

This study's main goals were to ascertain the corporate governance of Nepal's commercial bank and how perceived performance relates to other variables including accountability, discipline, responsibility, transparency, and justice. There is a relationship between the perceived performance and corporate governance parameters, according to the analysis that was conducted. The findings showed that a commercial bank's overall performance might be enhanced by prioritizing corporate governance.

The study's conclusion also demonstrates that the performance of Commercial banks' firms is marginally negatively impacted by Female Directors, Size, and EPS. According to correlation study, Female Director and Size, a proxy for assets, have a negative and statistically significant relationship ( $P > 0.5$ ), with a correlation coefficient of -0.508 at the one percent significance level. It indicates that as the number of female directors rises, so does Size.

As a proxy for revenue, Female Director also shows a statistically significant negative connection with revenue. It implies that liquidity falls as revenue rises. Size also has a negative and substantial relationship with SIZE. ROA and SIZE also have a favorable correlation. Similarly, liquidity, business size, and growth rate have a negative impact on ROA, which is not significant even at the 10% significance threshold. Size and revenue also have a favorable effect on ROA; size is statistically significant at the 5% significance level and revenue is significant at the 10% significance level, respectively. Therefore, there is a linear link between SIZE and revenue, fixed assets, liquidity, and the growth rate of businesses.

The most prevalent issue with corporate governance in firms is essentially the absence of a board of directors, similar issues with management, and employee dissatisfaction with the audit committee's effectiveness. The bank's employee also believes that board meetings are not conducted in accordance with regulations. Despite having a written code of conduct, the bank is not operating to the expected standards. The study that has been presented shows how crucial corporate governance is, especially for banks since it gives them a significant amount of influence over information disclosure.

Similar to how business size has a negative impact on SIZE, GDP and Female Director have a statistically insignificant effect even at the 10% level of significance, but firm size is significant at the 5% level. Similarly, revenue and leverage both have a positive impact on SIZE; however, revenue does not significantly change even at a 10% significance level, while leverage is statistically significant at a 10% significance level. Thus, there is a linear association between SIZE and GDP, revenue, size, female directors, and leverage ratios of businesses.

### 5.3 Implications

The study determines the effect of profitability insignificantly and offers certain inferences based on its findings, which led to the following implications.

- The five corporate governance factors/groups were the only subject of this study. Beyond the factors covered in this study, additional research on the link may shed light on additional factors that could influence corporate governance and perceived performance.
- The sample used in this study, drawn from a commercial bank, cannot be applied to other development banks, manufacturing companies, or finance companies.
- The sample size is minimal because this study is solely academic in nature. A larger sample size is recommended for professional research in order to lower error and increase the generalizability of the findings.
- This study only looked at the Kathmandu Valley. To make research more authentic and useful, it might be carried out across the entire nation. It is suggested that future researchers employ a more extensive sample of participants that encompasses the whole banking industry in order to accurately determine the outcomes of the banking sector in Nepal.
- Commercial banks' life insurance premium is negatively impacted by firm size and capital volume, which suggests that excessive debt should be avoided in order to maximize asset return.
- Future studies will examine how well they manage risks and distribute resources, which will impact factors that determine life expectancy. The effects of commercial banks on risk management techniques.

## APPENCIDES

### APPENDIX- I

#### Essential Information of Nepal Investment Mega Bank Limited

(Rs.in Million)

Fiscal Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
EPS	46.2	40.7	30.9	29.3	29.3	35.7	26.4	17	22	20.7
NIM	1.91	1.77	1.25	0.68	0.83	1.36	2.78	2.91	2.46	1.49
CAR	11.49	11.27	11.9	14.92	13.02	12.66	13.26	13.54	14.71	15.96
LN Size	42.4	44.8	45.6	46.4	48.8	63.6	59.1	56.3	60.3	60.8
Ethnical	12	10	9	8	9	11	10	10	8	8
Female Dir.	4	2	1	3	3	4	1	2	2	2
ROA	2.6	2.3	1.9	2	2.1	2.13	1.79	1.19	1.56	1.55
Board Size	9	9	7	7	11	9	9	8	8	8

(Source: Annual Report of Nepal Investment Mega Bank)

#### Essential Information of Laxmi Sunrise Bank Limited

(Rs.in Million)

Fiscal Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
EPS	15.46	11.03	19.27	23.94	16.76	18.13	20.94	15.16	15.25	19.39
NIM	3.74	4.94	2.9	1.22	1.37	1.24	1.03	1.86	1.39	1.3
CAR	11.8	11.49	11.11	12.05	14.47	13.38	13.22	14.38	13.41	12.35
LN Size	38.21	42.26	43.27	45.5	45.25	55.99	59.84	61.13	63.43	67.34
Ethnical	12	11	8	7	10	12	13	12	8	11
Female Dir.	0	1	1	2	2	2	4	3	2	2
ROA	1.19	0.83	1.26	1.62	1.61	1.78	1.8	1.17	1.05	1.15
Board Size	9	9	9	9	8	8	9	9	8	7

(Source: Annual Report of Laxmi Sunrise Bank Limited)

### Essential Information of Rastra Banijya Bank Limited

(Rs.in Million)

Fiscal Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
EPS	21.79	21.38	54.07	27.42	32.32	30.26	56.04	48.61	37.27	34.85
NIM	5.32	6.38	5.35	4.25	3.77	4.75	4.59	4.08	3.23	2.09
CAR	2.94	4.62	10.16	10.46	10.39	11.46	13.39	12.64	13.46	13.29
LN Size	43.89	44.98	50.95	52.88	46.96	31.48	30.57	24.53	22.45	18.92
Ethnical	10.22	9.1	8.23	8.32	7.78	9.2	8.97	9.63	6.99	7.93
Female Dir.	15.78	19.38	14.48	14.09	9.6	5.29	6.44	7.32	3.54	7.32
ROA	1.26	1.47	3.22	1.42	1.6	1.42	2.23	1.64	1.1	1.3
Board Size	7	7	7	9	11	11	10	8	8	8

(Source: Annual Report of Rastra Banijya Bank Limited)

### Essential Information of Agricultural Development Bank Limited

(Rs.in Million)

Fiscal Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
EPS	45.09	59.03	35.19	78.83	52.79	36.91	42.88	31.45	29.13	14.41
NIM	8.98	5.85	5.46	5.35	4.36	3.5	3.29	2.84	1.88	2.09
CAR	19	16.34	14.93	13.9	17.16	20.33	20.37	19.29	16.94	15.59
LN Size	42.11	40.45	42.19	42.28	42.47	28.88	24.72	21.87	33.67	28.07
Ethnical	4	7	7	9	11	13	13	13	11	10
Female Dir.	4	4	5	2	2	2	2	3	2	2
ROA	2.9	2.97	1.76	0.93	0.58	2.71	2.77	1.86	1.59	0.9
Board Size	7	7	7	7	8	8	8	9	7	7

(Source: Annual Report of Agricultural Development Bank Limited)

### Essential Information of Kumari Bank Limited

(Rs.in Million)

Fiscal Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
EPS	18.89	-33.46	17.27	17.24	8.71	15.19	28.38	13.94	14.93	19.4
NIM	6.6	6.01	5	5.1	5.56	4.38	4.05	4.38	3.45	3.19
CAR	16.42	11.67	13.93	13.83	16.07	17.18	16.54	14.2	13.26	11.72
LN Size	2.65	-3.2	8.97	8.82	8.95	9.61	6.94	12.99	39.18	17.58
Ethnical	10	10	10	10	9	9	8	8	8	8
Female Dir.	2	2	2	3	2	1	0	0	1	1
ROA	3.22.4	2.8	2.7	2.41	2.62	3.11	1.49	1.87	2.11	2.31
Board Size	7	7	9	9	9	11	8	9	9	9

(Source: Annual Report of Kumari Bank Limited)

## Essential Information of Sanima Bank Limited

(Rs.in Million)

Fiscal Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
EPS	6.04	15.13	19.28	24.47	32.55	26.31	21.22	28.22	20.18	23.94
NIM	5.72	12.58	15.09	18.19	22.69	14.39	18.67	23.2	16.09	18.54
CAR	37.25	17.18	33.09	22.68	23.04	16.38	15.27	12.33	16.35	20.26
LN Size	2.44	4.05	2.47	3.79	2.11	3.71	4.32	6.05	4.12	3.69
Ethnical	8	8	8	11	11	9	9	9	10	10
Female Dir.	1	0	3	3	1	0	0	2	2	2
ROA	0.89	1.39	1.46	1.55	1.78	1.86	1.85	2.07	1.41	1.44
Board Size	7	7	7	7	9	9	8	9	9	9

(Source: Annual Report of Sanima Bank Limited)

## Essential Information of Nabil Bank Limited

(Rs.in Million)

Fiscal Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
EPS	83.23	91.05	76.12	57.24	59.27	59.86	51.84	50.57	36.16	33.57
NIM	7.38	5.79	4.34	2.29	2.56	4.33	6.08	7	4.84	3.12
CAR	30.25	32.78	27.97	22.73	25.61	26.65	20.94	17.76	13.61	15.19
LN Size	11.05	11.2	11.38	11.66	11.76	11.85	12.04	12.21	12.38	12.58
Ethnical	8	8	7	9	9	8	8	9	7	9
Female Dir.	1	1	2	2	1	1	1	0	2	1
ROA	3.25	2.89	2.06	2.32	2.69	2.61	2.11	1.58	1.71	1.2
Board Size	9	9	9	7	9	7	7	9	11	11

(Source: Annual Report of Nabil Bank Limited)

## Essential Information of Nepal Bank Limited

(Rs.in Million)

Fiscal Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
EPS	198.53	18.08	7.48	44.59	38.77	39.98	26.99	20.68	23.43	17
NIM	22.53	9.6	11.55	17.46	18.81	4.06	4.53	4.19	3.49	4.17
CAR	-0.59	4.55	7.49	10.2	14.47	16.8	17.01	16.8	15.05	16.81
LN Size	10.98	11.17	11.26	11.39	11.55	11.63	11.83	12.05	12.16	12.31
Ethnical	7	8	7	8	8	9	9	8	7	7
Female Dir.	2	2	1	3	2	2	1	1	2	3
ROA	0	0.01	0.01	0.01	0.03	0.03	0.02	0.02	0.01	0.01
Board Size	7	7	8	7	8	9	9	9	8	8

(Source: Annual Report of Nepal Bank Limited)

## Essential Information of Himalayan Bank Limited

(Rs.in Million)

Fiscal Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
EPS	34.19	33.1	33.37	43.03	33.55	23.11	32.44	27.6	28.07	18.26
NIM	-338.98	43.96	13.35	29.41	13.82	11.90	5.88	5.95	13.29	17.85
CAR	11.55	11.23	11.14	10.84	12.15	12.46	12.6	14.89	13.89	11.75
LN Size	2.45	2.42	2.41	2.38	2.5	2.52	2.53	2.7	2.63	2.46
Ethnical	7	9	9	10	9	9	8	10	10	9
Female Dir.	4	4	2	2	3	3	3	2	3	4
ROA	1.54	1.3	1.34	1.94	2.03	1.67	2.21	1.79	1.68	1.09
Board Size	8	8	8	8	8	9	9	9	7	9

(Source: Annual Report of Himalayan Limited)

## Essential Information of Everest Bank Limited

(Rs.in Million)

Fiscal Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
EPS	88.55	91.88	86.04	78.04	40.33	32.48	32.78	38.05	29.71	19.91
NIM	15.19	16.91	24.27	16.16	16.52	17.75	18.56	14.43	18.5	6.5
CAR	11.67	17.32	30.58	27.17	83.94	41.66	20.23	17.5	22.72	37.06
LN Size	10.93	11.09	11.16	11.5	11.64	11.67	11.88	12.04	12.13	12.26
Ethnical	8	8	9	9	9	8	8	8	9	9
Female Dir.	2	2	2	4	4	3	4	3	3	3
ROA	2.39	2.25	1.85	1.85	1.83	1.97	1.94	1.42	0.89	1.13
Board Size	7	7	7	8	7	9	9	9	10	10

(Source: Annual Report of Everest Bank Limited)

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# IMPACT OF CORPORATE GOVERNANCE ON BANK PERFORMA...

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Abstract The interaction between

**shareholders, the board of directors, and top management in** deciding **the** corporation's performance **and**

direction is known as corporate governance. It also covers the interactions between the stakeholders and the objectives that guide the corporation's governance. The study mainly aims