

ROLE OF CORPORATE GOVERNANCE IN IPO PERFORMANCE

**A Dissertation Submitted to the Office of the Dean, Faculty of Management in
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By:

Sita Kandel

Shanker Dev Campus

T.U. Regd. No: 7-2-39-158-2010

Exam Roll No: 36187/21

Campus Roll No: 720

Group: Finance

Kathmandu, Nepal

2025

CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **ROLE OF CORPORATE GOVERNANCE IN IPO PERFORMANCE**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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Sita Kandel

May, 2025

REPORT OF RESEARCH COMMITTEE

Mrs. Sita Kandel has defended research proposal entitled **ROLE OF CORPORATE GOVERNANCE IN IPO PERFORMANCE** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Keshar Singh Khati and submit the dissertation for evaluation and Viva-Voce examination.

.....
Keshar Singh Khati
Dissertation Supervisor

Dissertation Proposal Defended Date:

Dissertation Submitted Date:

Asso. Prof. Dr. Sajeeb Kumar Shrestha
Head of Research Committee

Dissertation Viva-Voce Date:

APPROVAL SHEET

We, the undersigned, the dissertation entitled **ROLE OF CORPORATE GOVERNANCE IN IPO PERFORMANCE** presented by Sita Kandel for the degree of Master of Business Studies (MBS Semester) and conducted the Viva- Voce examination of the candidate. We hereby certify that the acceptable for the award of degree.

.....

Keshar Singh Khati
Dissertation Supervisor

.....

Internal Examiner

.....

Internal Expert

.....

External Expert

.....

Asso. Prof. Dr. Sajeeb Kumar Shrestha
Chairperson, Research Committee

.....

Asso. Prof. Dr. Kapil Khanal
Campus Chief

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ABBREVIATION

C.V.	:	Coefficient of Variance
DFL	:	Degree of Financial Leverage
DPS	:	Dividend Per Share
EBIT	:	Earning Before Interest and Tax
EBL	:	Everest Bank Limited
EBT	:	Earning Before Tax
EPS	:	Earning Per Share
F.Y.	:	Fiscal Year
i.e.	:	Example
Kd	:	Cost of Debt
Ke	:	Cost of Equity
LSBL	:	Laxmi Sunrise Bank Limited
LTD	:	Long Term Debt
MBL	:	Machhapuchre Bank Limited
NABIL	:	Nabil Bank Limited
NI	:	Net Income
NOI	:	Net Operating Income
P.E.	:	Probable Error
r	:	Correlation Coefficient
ROSE	:	Return on Shareholders' Equity
S.D.	:	Standard Deviation
tcal	:	Calculated value of t
ttab	:	Tabulated value of t

ABSTRACT

This study explores how board characteristics and share ownership influence the long-term performance of IPOs in India, using market-adjusted abnormal returns (BHAR) as the measure. It examines factors like board size, independence, leadership, promoter ownership, strategic investors, and institutional investors, along with control variables such as issue size, leverage, and firm size. The findings reveal significant underperformance in the first two years after listing, with board size, the promoter CEO's role, and strategic investor ownership having a notable impact on long-term returns. These results highlight the importance of corporate governance for firms, investors, and regulators. Corporate governance pertains to the framework outlining the roles and obligations of different stakeholders within a company, which includes boards, executives, shareholders, and other relevant parties. It encompasses a spectrum of processes, traditions, regulations, policies, and institutions dictating the direction, management, and oversight of a corporation. At its core, corporate governance emphasizes principles of responsibility and fiduciary duty, aiming to promote ethical behavior and protect the interests of shareholders. Effective corporate governance practices are vital for cultivating investor trust, encouraging competitiveness, and fostering economic advancement. Boards of directors typically assume a pivotal role in corporate governance, overseeing strategic planning, policy development, executive selections, and ensuring organizational transparency. Ultimately, good corporate governance entails transparent, efficient, and equitable decision-making systems anchored in strong management-staff relationships, robust human resource practices, and clear legal frameworks. Profitability in banking reflects a bank's ability to utilize its resources effectively to maximize net profits, serving as a gauge of asset deployment efficiency and managerial prowess. Their findings provide valuable insights into the different facets of corporate governance and its impact on performance within the private banking sector in Nepal.

Keywords: Corporate governance, performance, return on equity, return on assets, size bank, interest rate spread, credit deposit ratio, non performing loan

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Nepalese enterprises must synchronize with worldwide patterns and function systematically, integrating efficient corporate systems. Sound corporate governance principles are paramount, particularly as firms expand. While the Companies Act establishes the basic corporate structure, Nepal's corporate realm must emphasize and advance superior governance standards. Vital components such as discipline, transparency, autonomy, responsibility, equity, and societal commitment are indispensable. Augmenting the market appeal of products and services, refining leadership, and showcasing transparency and societal responsibility are equally crucial. Despite enduring political instability and inconsistent governance, the private sector has significantly contributed to Nepal's progress across various sectors. Grassroots initiatives in education, media, industry, tourism, and banking have played a pivotal role in fostering the country's development. This research seeks to examine the governance landscape within corporate entities, with a specific focus on the banking industry. Given their role as custodians of public funds, banks must maintain rigorous discipline throughout their governance structure, encompassing the board, management, and staff, to uphold customer trust and safeguard deposits. Effective communication and collaboration among stakeholders are paramount. Bank personnel should exhibit strong moral values and be accountable to clients, the institution, and the nation. Those involved in financial matters must prioritize confidentiality, integrity, and discipline consistently.

Nepal is grappling with chaos and instability, particularly evident in government bodies teetering on the edge of collapse due to ineffective governance and excessive politicization. Despite various training initiatives and support from donors, the adoption of good governance practices within government institutions remains elusive. Conversely, privately-run establishments like schools, banks, hospitals, and industries have shown better operational stability. However, these entities face difficulties in fully adopting key corporate governance principles, leading to a communication gap between boards and management and ultimately lower governance standards.

Governance practices within banks in Nepal, with a specific emphasis on A Class Commercial Banks. Nepal Rastra Bank classifies banks and financial institutions into five categories, ranging from commercial banks to microfinance development banks and cooperatives. Despite the abundance of financial institutions relative to the economy's size, grassroots initiatives in sectors such as tourism, education, and media have played a role in fostering the sustainable growth of these institutions. Against this backdrop, the research aims to evaluate the efficacy of corporate governance, particularly within the A Class Commercial Banks in Nepal.

Corporate governance revolves around the manner in which an organization is managed and directed. Effective corporate governance involves maintaining professionalism in both governance and management, with a strong focus on upholding integrity and ethical business practices. Furthermore, the competence and caliber of the individuals entrusted with leading the organization play a pivotal role in its prosperity. It encompasses striking a balance between economic and social objectives, as well as individual and collective aims. The governance structure aims to facilitate optimal utilization of resources while ensuring accountability for stewardship.

The primary goal of corporate governance is to harmonize the interests of individuals, corporations, and society as a whole. It refers to the system of relationships between shareholders, the board of directors, and senior management that directs the company's objectives. In addition to shareholders, management, and the board, other key stakeholders include employees, suppliers, customers, lenders, regulators, the environment, and the wider community.

Ruin (2001) defines a collective body responsible for directing, overseeing, and managing a company with authority. Within this framework, corporate governance ensures directors' accountability to shareholders, akin to a government being answerable to its citizens. Conversely, Low (2003) describes corporate governance as the mechanisms through which stakeholders exert influence over corporate insiders and management to protect their interests. It encompasses a range of processes, traditions, policies, laws, and institutions shaping the direction, administration, or control of a corporation.

Cadbury (1992) defines corporate governance as a system for overseeing and managing companies, combining two key components: "corporate," referring to corporations, and "governance," which focuses on how they are managed. The main goal is to increase long-term shareholder value while also taking into account the interests of other stakeholders.

Agency theory, as elucidated by Jensen and Meckling (1976), explains the genesis of conflicts and strategies to mitigate them within contractual relationships. In the context of a firm, conflicts emerge between owners (principals) and managers (agents) due to conflicting interests. Managers may prioritize their own interests, leading to what Jensen and Meckling term as agency or conflict costs. These costs represent the loss incurred by principals due to conflicts between managers and owners.

Agency theory suggests that corporate governance mechanisms arise from conflicts between various parties within a company, including managers, shareholders, and other resource providers, arising from divergent interests and incentives (Beasley, 1996). To address such conflicts, effective corporate governance structures must be established.

Corporate governance, as outlined by Jensen (1994), encompasses legal and regulatory mechanisms, internal and external control mechanisms, and market competition, with this study focusing on internal control mechanisms that vary across firms and are within the company's control. These mechanisms involve systems designed to oversee and guide management decisions (Davidson et al., 2005). Corporate governance defines the allocation of rights and responsibilities among stakeholders such as the board, management, shareholders, and others and sets rules for decision-making and performance monitoring. Strengthening governance in emerging markets serves public policy goals by reducing financial crisis risks, protecting property rights, lowering transaction costs, and boosting capital market growth. Conversely, weak governance undermines investor confidence and deters external investments. Recently, corporate governance has gained prominence due to scandals involving corporate misconduct, highlighting the importance of legal frameworks that hold individuals accountable for unethical or illegal activities on behalf of the company. Implementing sound corporate governance practices can effectively manage and diminish the likelihood of defaults

while ensuring strong performance and preserving high firm value. Default risks may stem from factors such as excessive leverage, inadequate financial performance, and insufficient internal control measures. Through vigilant oversight, robust corporate governance can mitigate these risks. As a result, implementing robust corporate governance policies brings multiple benefits at different levels of management, such as curbing managerial misbehavior, increasing firm value, delivering shareholder returns, and minimizing financial and investment risks.

1.2 Problem Statement

The influences on performance have gained increasing importance in today's business environment. This heightened significance arises from widespread instances of mismanagement, lack of corporate ethics, and professionalism, particularly prevalent in organizations situated in third-world contexts like ours. Inadequate corporate governance often results in organizational failures, underscoring the necessity for all aspiring organizations to prioritize and adopt sound corporate governance practices.

Corporate governance mechanisms are closely intertwined with economic and legal institutions, which can be reformed through the political process to yield improved outcomes. Although some may oppose governance reforms, believing that market competition alone will motivate firms to reduce costs, it is important to recognize that establishing corporate governance frameworks helps companies secure external capital at the most favorable cost. Numerous challenges associated with corporate governance have been extensively documented. These issues can lead managers to engage in behaviors such as shirking and expropriation of minority shareholders and creditors, prioritizing short-term gains over long-term sustainability (Deangel et al., 1983).

Evidence from economic crises in East Asia and other regions highlights how macroeconomic challenges can be worsened by systemic deficiencies in corporate governance. Weak regulatory frameworks, inconsistent accounting and auditing standards, subpar banking practices, underdeveloped capital markets, inadequate oversight by corporate boards, and insufficient protection of minority shareholders' rights all contribute to these crises (Chomlou, 2000).

In certain nations, the repercussions have disproportionately affected the less affluent, resulting in setbacks concerning banking services, social welfare, and economic advancements, often enduring across generations. Recognizing the crucial role of effective corporate governance in achieving competitive advantage and overall economic and social advancement, many countries have prioritized evaluating the existing corporate governance practices within their entities.

Corporate governance holds particular importance for financial institutions due to their direct management of public funds and service provision to customers. Instances of financial irregularities in Banks and Financial Institutions (BFIs) frequently stem from governance shortcomings and management deficiencies. Challenges such as a shortage of skilled personnel and widespread nepotism exacerbate these issues, impeding governance and hindering BFI progression.

The recent difficulties faced by certain BFIs, including liquidation by Nepal Rastra Bank, underscore the repercussions of weak governance. The liquidation of Nepal Bikas Bank serves as a notable illustration, with additional institutions facing similar outcomes, posing a substantial threat to the nation's financial stability. Identifying the underlying causes behind problematic BFIs is essential. Hence, this study formulates the following research questions to examine the governance of these banks, identify crucial elements of good governance, and propose measures for enhancement.

- What are issues related to corporate governance and performance of private sectors Nepalese commercial banks?
- What are the primary elements of corporate governance and performance challenges within the private banking sector in Nepal?
- Is there a correlation between effective corporate governance and performance, particularly regarding profitability on banks?

1.3 Objectives of the Study

The main aim of this study is to investigate the role of corporate governance in the performance of Nepalese commercial banks within the private sector. The specific objectives include the following:

- i. To assess the current status of corporate governance in performance within the private sectors bank in Nepal.
- ii. To analyze the relationship between Return on equity and size of bank, interest rate spread, credit deposit ratio, non performing loan.
- iii. To examine the impact of size of bank, interest rate spread, credit deposit ratio, non performing loan on return on equity.

1.4 Rational of the Study

Role of Corporate Governance in Performance corporate governance is crucial for two primary reasons: bolstering financial performance and establishing effective monitoring mechanisms. This study aims to assess the current status and practices of corporate governance in Nepal, offering valuable insights for researchers, academics, and practitioners. The findings serve as a practical guide for all stakeholders engaged in Nepal's corporate governance framework. As a scholarly research endeavor, this study delves into corporate governance practices within the Nepalese context, with the outcomes potentially aiding organizations in enhancing their effectiveness and efficiency through improved corporate governance and performance.

1.5 Limitations of the Study

The study has the following limitations:

- The primary data obtained from several experts were gathered using convenient sampling techniques.
- One key limitation is the reliance on perspectives from experts across different sectors, which means the findings from the opinion survey may not provide a complete representation of the entire Nepalese banking industry.
- Although the information are restricted to the feedback collected from the participants, they might not offer a complete perspective of the sector overall.

CHAPTER-II

LITERATURE REVIEW

The review of literature serves as a comprehensive compilation of research conducted by esteemed scholars and researchers on a particular topic. It involves describing, summarizing, evaluating, and elucidating the existing literature, thereby providing a theoretical foundation for the research and aiding in determining its nature. By critically reviewing the literature, researchers gain a thorough understanding and insight into previous studies related to the present topic, which helps in assessing the current status of the research field (Wolf & Panta, 2005).

This process allows researchers to identify gaps in existing knowledge and determine areas requiring further investigation. Additionally, the literature review aids in developing a comprehensive theoretical framework from which hypotheses can be formulated and tested. Generally, literature is reviewed using two approaches for research purposes.

- i. Theoretical Review
- ii. Empirical Review

2.1 Theoretical Review

Corporate governance refers to the framework encompassing regulations, interactions, structures, and procedures governing the exercise and oversight of authority within corporations. It encompasses the mechanisms responsible for ensuring accountability of companies and their leaders. Corporate governance is commonly understood as both the organizational structure and the connections that influence corporate strategy and outcomes. At the core of corporate governance lies the board of directors, whose interactions with other crucial participants such as shareholders and management are fundamental.

It is generally perceived that guides the direction and oversight of organizations, with a focus on the procedures through which a company's board, shareholders, and stakeholders execute their duties and obligations. It serves to ensure accountability and improve performance, thereby enhancing a company's competitive edge. Due to its

perceived importance for the economic well-being of corporations and society, corporate governance has attracted significant public attention. The diverse definitions provided by experts reflect their individual interests in the domain.

2.1.1 Corporate Governance

Khatiwada (2002) asserts that the fundamental principle of corporate law is for a business corporation to focus on maximizing profits and enhancing the value for its owners, the shareholders. Mertzanis (2001) characterizes corporate governance as a branch of economics that investigates mechanisms to ensure the effective management of corporations. This includes incentive tools such as contracts, organizational structures, and regulations, all aiming to improve financial performance by motivating managers to achieve competitive returns.

Murphy (1985) describes a corporation as a legal entity, existing solely within the scope of the law, with unique features like immortality and individuality, allowing it to operate as a unified whole. From this viewpoint, corporate governance relates to how investors ensure returns on their investments in corporations. The American Heritage Dictionary and Black's Law Dictionary both describe a corporation as a separate legal entity, distinct from its members. According to the OECD (1999), corporate governance is the system that guides and supervises business corporations, defining the allocation of rights and duties among key participants such as the board of directors, managers, shareholders, and other stakeholders.

Wolfensohn (1999) emphasizes that corporate governance revolves around fairness, transparency, and accountability. Maw et al. (1994) argue against a narrow conception of corporate governance, asserting that it encompasses the duties of directors and auditors towards shareholders, employees, customers, bankers, and the reputation of the nation's economy.

Governance mechanisms are typically classified into internal and external corporate. Internal governance pertains to the interaction between management and shareholders, encompassing aspects like board composition, roles, and duties. On the other hand, external governance involves the company's associations with external stakeholders like creditors and regulatory authorities.

2.1.2 Principle of Corporate Governance

A fundamental framework essential for promoting effective governance practices, they represent a mode of self-regulation designed to be easily understandable and succinct. The OECD has delineated essential components of corporate governance, highlighting that the principal objective of regulation is to establish a governance landscape in harmony with societal values. This environment should enable competition and market dynamics to function efficiently, thus aiding corporations in attaining sustained economic prosperity over the long term. Several of the OECD principles are expounded upon below:

Rights of Shareholders

It is accomplished by guaranteeing transparent and readily available dissemination of information and by encouraging shareholder participation in general meetings. Essential shareholder rights include:

- i. Ensuring secure methods for registering ownership.
- ii. Facilitating the conveyance or transfer of shares.
- iii. Providing timely and regular access to relevant information about the corporation.
- iv. Allowing participation and voting in general shareholder meetings.
- v. Granting the right to elect members of the board.
- vi. Entitling shareholders to a share in the corporation's profits.

Equitable Treatment Share

The corporate governance structure should ensure equitable treatment for every shareholder, regardless of whether they hold a minority stake or are foreign investors. It should provide all shareholders with equal opportunities to seek appropriate remedies in instances.

Role of Stakeholders in Corporate Governance

The framework should acknowledge the rights of stakeholders, as defined by legal provisions or mutual agreements, fostering collaborative engagement between corporations and stakeholders. This collaboration aims to generate wealth, create job opportunities, and ensure the long-term financial sustainability of businesses.

Disclosure and Transparency

The corporate governance structure must guarantee timely and accurate disclosure of all critical information related to the corporation, such as its financial status, performance, ownership structure, and governance practices.

Responsibilities of the Board

The corporate governance framework should provide oversight of the company's strategic direction, ensuring the board effectively manages the organization and holds it accountable to both the company and its shareholders.

Establishing an Effective Corporate Governance Framework

The governance framework should support transparent, efficient markets while upholding the rule of law, clearly defining the roles and responsibilities of supervisory, regulatory, and enforcement bodies.

To ensure the corporate governance framework's effectiveness, it is crucial to create a solid legal, regulatory, and institutional foundation that all market participants can trust when forming private contractual agreements. This typically involves legislation, regulations, self-regulation, and voluntary standards, with the details of the framework adapting to different countries and evolving business conditions over time.

Importance of Corporate Governance

Governance has been a fundamental concern throughout human history, addressing the challenge of ensuring that organizational power is directed towards agreed-upon purposes. These structures establish rules and procedures for decision-making, objective-setting, and performance monitoring. The importance of corporate governance extends beyond business success to encompass broader economic and social well-being. Strong governance standards facilitate access to capital and contribute to economic growth. Effective governance requires not only internal mechanisms but also a supportive institutional environment, including secure property rights, a functioning judiciary, and a free press.

A well-designed corporate governance system enhances shareholder value within legal and contractual boundaries while promoting socially efficient resource allocation. It

attracts investor confidence, builds market trust, and enhances corporate competitiveness. Corporate governance guidelines emphasize accountability, performance improvement, and alignment of interests among owners, management, and stakeholders. They aim to increase transparency, fairness, and executive accountability to shareholders, while safeguarding the interests of the organization as a whole.

Corporate governance is a critical concern in industrial economies, addressing internal organization, power structures, ownership patterns, and relationships among management, board, shareholders, and stakeholders. It encompasses monitoring mechanisms, shareholder activism, accountability, fiduciary duty, and economic efficiency.

In Germany, corporate governance is structured around a two-tier board system. The management board handles the daily operations of the business, focusing on the interests of various stakeholders. In contrast, the supervisory board, which is made up of non-management members elected by shareholders at the annual meeting, oversees and advises the management board on key policy issues without being involved in the daily management. Legally, the supervisory board ensures that the management board is competent, and practically, it provides guidance on major strategic decisions.

Corporate governance, in its essence, is directed by the board of directors, which is elected to act on behalf of shareholders. This board ensures that management is held accountable by delivering accurate and trustworthy information. It also develops the company's strategy and oversees its execution. Additionally, a corporate audit board is responsible for reviewing management's actions related to the company's operations. Directors have the authority to govern, supervise the management, and ensure accountability to shareholders while fostering effective management practices.

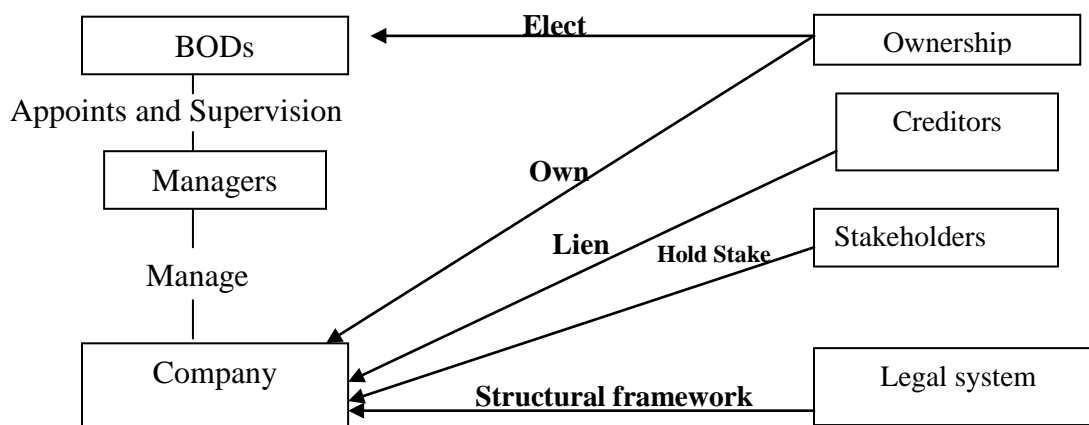
The Major Elements of Corporate Governance

Every corporation, regardless of its scale, is required to have a board of directors elected by its shareholders, while the management team is responsible for the day-to-day operations. The board acts as the representative of the shareholders, overseeing the management's actions. As the shareholders' agents, the board holds the power to make critical decisions, such as appointing or dismissing the CEO, approving or rejecting

mergers and acquisitions, setting executive compensation, selecting external auditors, and addressing other significant corporate matters. While there are no rigid rules on the size, composition, or duration of service for a board, they typically consist of anywhere from 5 to 15 or more directors. These boards often form specialized committees, such as nominating, audit, and compensation committees, to handle specific areas of oversight. Additionally, some companies establish governance committees to ensure proper corporate governance practices are followed.

The audit committee focuses on the company's financial health, internal controls, and interactions with independent auditors. The nominating committee handles matters related to management succession and board composition. The compensation committee oversees executive and director compensation. Boards typically perform a range of functions to ensure effective corporate governance.

There is also requiring each director to hold a significant amount of company stock, limiting the number of inside directors to two or three, requiring directors to retire at the age of 70, subjecting the entire board to election annually. Interlocking directorships, where directors sit on each other's boards, are also common in some cases, as



Source: Raju (1998)

Figure 1 System of Corporate Governance and the Board of the Directors

In the proposed framework, the corporate structure includes a Board of Directors (BOD) chosen by the shareholders or owners, acting as the governing body. The board performs three core functions: representation, strategic direction, and oversight. It appoints and monitors managers responsible for handling the daily operations of the company. This

model highlights the board's responsibility to stakeholders and its crucial role in formulating policies that management is expected to implement. Effective oversight of policy execution is supported by a robust information system. The Board of Directors, which is accountable to the shareholders who elect them, is tasked with ensuring the company achieves specific returns within the market's defined parameters.

Corporate Governance Variables

There exists a correlation between corporate governance and a firm's profitability, as governance mechanisms can influence profitability.

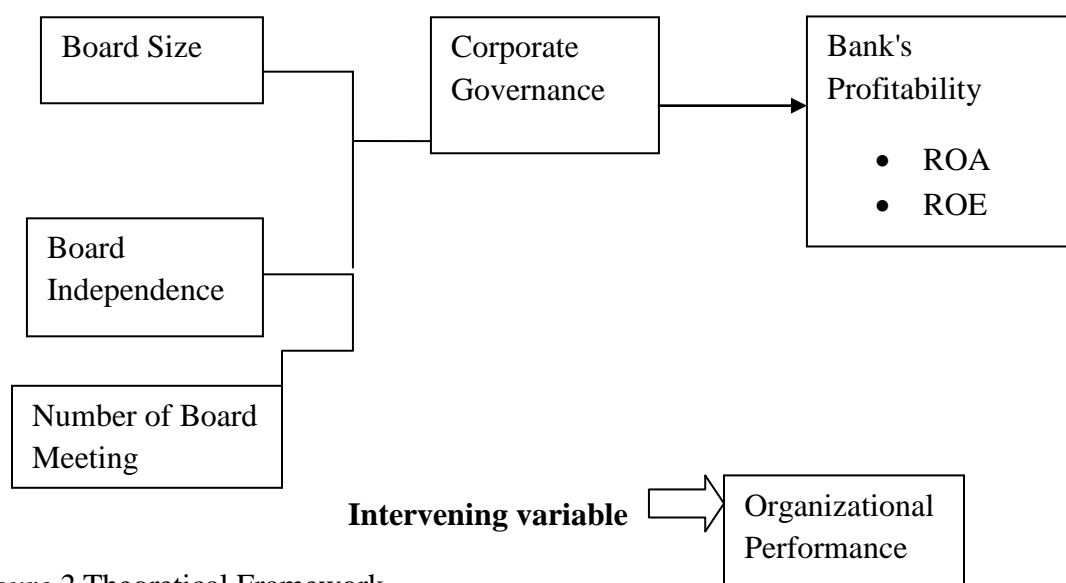


Figure 2 Theoretical Framework

Board size = BS

NED = number of executive director,

NID = number of independent director

NOM = number of BOD meeting in last five fiscal year

Board of Directors/Size

Larger boards may face difficulties in communication, which can negatively impact a company's performance, as demonstrated by studies from Yermack (1996), Eisenberg et al. (1998), and Singh and Davidson (2003). Research indicates a negative relationship between board size and firm performance. Effective boards are integral to a company's

success, serving as a bridge between management and investors, as highlighted by Lipton and Lorch (1992) and Jensen (1993). A smaller board often takes on more responsibility in overseeing company operations than a larger one, as shown by Vaefas (2000). Thus, the study hypothesizes:

H1: There is a significant relationship between board size and the profitability of banks.

Board Independence

The link between board independence and firm performance highlights that independent outside directors, with their professional expertise, can bring more impartial decision-making and better oversight of management. Research by Weisbach (1988), Rosenstein and Wyatt (1997), and Huson et al. (2001) support the notion that a higher proportion of independent directors on boards tends to be associated with improved company performance. On the other hand, an increased presence of executive directors, who may lack external professional experience, could lead to less objective decision-making and weaker oversight. Non-executive directors are essential in providing effective monitoring, which in turn enhances firm profitability and promotes managerial discipline (Duchin et al., 2010; Weisbach, 1988; Fama & Jensen, 1983). Anandarajah (2004) notes that non-executive directors bring a broader range of skills and knowledge to the board, while Awan (2012) suggests that they positively affect firm performance, as measured by return on assets (ROA) and return on equity (ROE). Based on this, the study proposes the following hypothesis:

H2: There is a significant relationship between board independence and the profitability of banks.

Number of Board Meetings

The hypothesis is that frequent board meetings have a positive impact on bank performance. A higher frequency of meetings allows for more thorough discussions of business challenges and opportunities, which in turn can enhance operational efficiency. Therefore, the study presents the following hypothesis:

H3: The number of board meetings is positively associated with bank performance (profitability of banks).

Dependent and Independent Variables

In this study, corporate governance is the independent variable, consisting of three key factors: board size, board independence, and the frequency of board meetings. Profitability, the dependent variable, is evaluated using two measures: return on assets (ROA) and return on equity (ROE). Furthermore, non-performing loans are considered as an additional factor influencing bank profitability within the context of effective corporate governance.

Disclosure

Corporate governance refers to a set of principles that guide the operations of companies and how these principles are communicated to external parties. The corporate governance framework can be viewed as a structured approach aimed at promoting effective communication between companies and their shareholders, as well as other stakeholders. This framework helps clarify the company's strategic and operational goals, including the key factors necessary for achieving them. The purpose of governance codes is to encourage boards to explain their methods of directing and supervising corporate activities. Disclosure provides companies with an opportunity to outline their objectives and values, enhancing their accountability. Disclosure standards ensure the delivery of accurate and reliable information to stakeholders, particularly shareholders and potential investors, enabling them to assess the company's performance and its impact on the capital market through both primary and secondary market transactions.

Corporate information disclosure entails the complete, accurate, timely, and transparent release of financial and non-financial information to shareholders and stakeholders, aiming to enhance their engagement and safeguard their interests. While a robust corporate governance structure is a prerequisite for satisfactory information disclosure, rules and governance structures alone are insufficient to address the issue. Many public companies have established boards of directors (BODs), introduced outside directors, formed special committees, and devised their own governance rules, along with information disclosure practices to meet regulatory requirements.

Annual General Meeting

Every organization must conduct its annual general meeting (AGM) each year, a regular function and duty that marks a milestone for the organization's success. AGMs are shaped by a range of stakeholders, such as the government, shareholders, investors, employees, and other interested parties. These stakeholders evaluate the organization's performance, policies, financial reports, and other activities discussed during the AGM to assess the company's position in the market. The government can regulate companies through AGMs by introducing new policies, goals, strategies, and future plans. AGMs play a crucial role in obtaining government approval for the company's operations. Published data from AGMs helps stakeholders make decisions regarding investment, loans, and services. The main objectives of AGMs include publishing annual transactions and work performance, setting new policies, determining goals and strategies, evaluating the market and competitors, selecting new operational committees, sharing performance with partners, and planning dividend policies, bonuses, and capital increments. AGMs promote transparency in the company's annual operations and hold significant power within the organization. Only partners with the right to participate in AGMs are involved, while others may attend as guests. Government representatives often attend AGMs to assist in regulation and guide transparent decision-making. Companies should provide accurate information to government representatives and seek their advice during AGMs.

AGM in the Nepalese Context

In Nepal, the government emphasizes good governance to regulate companies' activities and create a conducive market environment. The Securities Board of Nepal (SEBON) plays a pivotal role in evaluating, guiding, and regulating companies. SEBON assesses companies' market standing and ensures compliance with regulations. However, only around fifty percent of Nepalese companies hold their AGMs on time, indicating poor adherence to good governance principles and government guidance. This highlights the need for stronger enforcement and support from regulatory bodies to enhance corporate governance practices among Nepalese companies.

Organizational Performance

In the study of organizational performance, various interconnected fields provide valuable insights into its complexities. Organizational culture research focuses on the underlying values, behaviors, and attitudes that shape and sustain processes and decision-making within an organization. In parallel, leadership studies explore the impact of different leadership styles and approaches on organizational dynamics and success.

2.2 Empirical Review

Thanh & Van (2022) explored the impact of corporate governance on firm value in emerging economies, focusing on the mediating roles of corporate social responsibility (CSR) and organizational identification. Corporate governance has gained significant global attention due to its essential role in shaping the future of businesses. In particular, as environmental and social issues become more pressing, the way companies are governed to balance economic, social, and environmental concerns is a growing focus for stakeholders worldwide. This study investigates the influence of corporate governance on firm value, with a specific emphasis on how CSR and organizational identification mediate this relationship. Using covariance-based structural equation modeling (CB-SEM), a method well-suited to organizational and management research, the study examines small and medium-sized enterprises (SMEs) in emerging economies. The contribution of this study lies in providing empirical evidence on the pivotal role of corporate governance in enhancing firm value, as well as highlighting the mediating effects of CSR and organizational identification. The study's focus on SMEs in emerging economies adds to its novelty and practical significance. Based on the findings, the study also offers theoretical and managerial insights, which could be valuable to entrepreneurs, managers, academics, and researchers.

Isaac (2022) assessed the contribution of corporate governance to the performance of publicly listed companies in Kenya. Leadership, defined as the process of influencing others to achieve a common goal, has been a dominant theme in corporate governance policies, especially in developed markets. The adoption of corporate governance practices in African countries, including Kenya, has been increasing. This study focuses on companies listed on the Nairobi Securities Exchange (NSE), the principal stock exchange

in Kenya. The aim was to evaluate how corporate governance influences leadership performance in these companies. The target population consisted of 62 companies listed on the NSE in 2015. Data was gathered through questionnaires and analyzed using the Statistical Package for Social Sciences (SPSS). Both descriptive and inferential statistical techniques were employed in the analysis. The study concluded that effective corporate governance is crucial for improving leadership performance. It emphasized that company leadership should actively create systems to ensure sound governance practices. Recommendations include that boards of directors should focus on long-term performance, control business operations effectively, and enhance financial performance, market outcomes, shareholder returns, and customer satisfaction. The study also highlighted the importance of countering challenges such as political interference, nepotism, and ethnicity, which negatively affect leadership structures, composition, independence, stakeholder ownership, and ultimately, organizational performance.

David, Chi, Ling, and Fong (2021) examined on evaluation of corporate governance characteristics and corporate performance between government-linked companies: a panel data analysis. This research aimed to examine the influence of corporate governance on the performance of Government-linked public listed companies (GLCs) in both Malaysia and Singapore. The study selected a sample of 20 public listed GLCs from each country, covering the period from 2012 to 2017. The results revealed that, apart from board meetings and independent directors, four other corporate governance variables had a significant impact on the performance of GLCs in both countries. For instance, directors' ownership had a negative effect on return on assets (ROA) and return on equity (ROE) in Malaysia, but this was not observed in Singapore. Moreover, the frequency of board meetings and the proportion of independent directors did not have a significant influence on firm performance in either country. However, board size had a positive and significant impact on ROE in Singapore. The presence of women directors was negatively associated with performance metrics such as Tobin's Q, ROA, and ROE. Additionally, leverage was significantly and negatively related to all performance measures in Malaysia, but only showed a significant relationship with Tobin's Q in Singapore.

Guluma (2021) investigated the impact of corporate governance measures on firm performance, focusing on the role of managerial overconfidence. The study explored how corporate governance (CG) mechanisms influence firm performance and how managerial behavior affects this relationship. The research focused on Chinese listed firms and included both internal and external corporate governance measures. Internal measures considered were independent boards, dual leadership structures, and ownership concentration, while external measures involved debt financing and product market competition. Managerial overconfidence was assessed based on corporate earnings forecasts. Firm performance was measured using return on assets (ROA) and Tobin's Q. The study used panel data from 11,634 Chinese firms over the period from 2010 to 2018, applying the Generalized Method of Moments (GMM) estimation technique for analysis. The findings indicated that ownership concentration and product market competition had a positive relationship with firm performance, as measured by ROA and Tobin's Q. In contrast, dual leadership and debt financing were found to have a negative effect on both performance measures. Furthermore, the study revealed that managerial overconfidence negatively moderated the relationship between board independence, dual leadership, and ownership concentration with firm performance. Interestingly, managerial overconfidence positively moderated the relationship between debt financing and Tobin's Q, but had a negative effect on the relationship between debt financing and operational performance. This study contributes to the literature by exploring how managerial behavior interacts with corporate governance mechanisms, influencing firm performance in emerging market economies. The findings provide valuable managerial insights and offer policy implications for improving corporate governance practices in these economies.

Subedi (2021) examined the influence of corporate governance on the performance of insurance companies in Nepal. The aim of the study was to analyze the role of corporate governance in determining the financial performance of insurance companies in the country. The research employed a descriptive and causal-relational research design, and data were analyzed using multiple linear regression models. The results indicated that corporate governance significantly impacts the performance of insurance companies in Nepal. Specifically, board size was found to negatively affect return on assets (ROA),

while both firm size and ownership had a positive impact on ROA and return on equity (ROE). Additionally, the debt-to-equity ratio had a negative and significant influence on ROE, suggesting that higher leverage is associated with lower financial performance.

Lungul, Mititean, Caraiana, and Constantinescu (2020) conducted a structured literature review on corporate governance and performance research within the context of emerging countries. The objective was to explore the particular focus of researchers, the visibility of their work, and the trends in the literature related to corporate governance and corporate performance in emerging economies. While the relationship between corporate governance and company performance has been widely discussed in the literature, few studies have undertaken a structured review within emerging countries. This study specifically addressed the attention Romanian researchers have paid to corporate governance and its impact on company performance. The study reviewed 114 papers published in the Web of Science database and employed a Structured Literature Review (SLR) methodology. The results revealed that most studies used quantitative approaches and focused on the corporate governance policies of national companies. The research also highlighted that the majority of studies came from three main universities in Romania. This paper provides valuable insights for researchers exploring under-researched topics and methodologies in the area of corporate governance, offering a starting point for further academic investigations, particularly in European emerging economies.

Oktari, Surya, and Zarefar (2020) analyzed the impact of implementing good corporate governance on company performance. The purpose of their study was to assess the effect of various corporate governance mechanisms, including the board of commissioners, managerial ownership, foreign ownership, and audit quality, on company performance. The study used secondary data from 103 companies listed on the Indonesia Stock Exchange between 2015 and 2018. The analysis was conducted using SPSS Version 25. The findings showed that the board of commissioners, managerial ownership, foreign ownership, and audit quality all positively affected company performance. However, the size of the company did not have a significant impact on performance, and was not considered a useful control variable in the analysis.

Koji, Adhikary, and Tram (2020) investigated the relationship between corporate governance and financial performance, focusing on publicly listed family and non-family firms in Japan. The study analyzed data from Bloomberg covering the period from 2014 to 2018, with a sample size of 1,412 firms, including 861 non-family and 551 family firms. The results revealed that family firms outperformed their non-family counterparts in terms of return on assets (ROA) and Tobin's Q in univariate analysis. However, in multivariate analysis, family firms exhibited superior performance compared to non-family firms based on Tobin's Q, while family ownership negatively impacted ROA. The study also found that institutional shareholding positively affected the performance of both family and non-family firms. Furthermore, board size improved the performance of non-family firms, but this effect was not observed in family firms. The study highlighted that foreign ownership had a positive influence on ROA for both family and non-family firms, while government ownership enhanced the performance of family firms. Board independence, however, had a negative impact on family firm performance. Additionally, family firms led by descendants of the founder outperformed those led by the founder themselves. These findings offer significant policy insights for family-run businesses in Japan.

Mustafa, Berisha, and Llaci (2018) examined the influence of corporate governance on the performance of medium and large enterprises in Kosovo. The study aimed to assess the effectiveness of corporate governance in balancing the interests of various stakeholders, including owners, employees, and management, and its subsequent impact on company performance. A questionnaire survey was conducted among 87 managers from medium and large enterprises. The results indicated that the effects of corporate governance on performance were more pronounced in larger companies. The study confirmed that company size, investment level, export activities, and company life expectancy were significant determinants of the adoption of corporate governance practices. Larger firms with greater investment and longer market experience were more likely to implement robust corporate governance practices. The research concluded that corporate governance positively impacts company performance and suggested the need for further exploration in this field.

Berardino (2016) explored the relationship between corporate governance and firm performance in new technology ventures, specifically academic spin-offs in Italy. These small to medium-sized firms focus on high-tech research and innovation, involving both private and public actors in their ownership structures. Despite their importance for economic growth, many academic spin-offs in Italy do not survive for long. The study investigated how managerial competencies, corporate governance attributes, and financial structure influence firm performance. Data were gathered from Italian academic spin-offs established in the last five years, using information from the National Register of Firms, universities, and company websites. The study found that corporate governance attributes, such as board structure, were related to firm performance. It also highlighted the inefficiency of boards with overlapping academic and managerial roles, suggesting that these firms could benefit from greater external expertise.

Sysink and Paape (2016) explored the connection between good governance practices and corporate performance. This white paper examined governance variables that are scientifically proven to contribute to corporate performance, offering insight into how these factors can address key challenges faced by organizations. The research, which analyzed over 59 academic articles from top-tier journals, showed a positive correlation between various governance factors and corporate performance. However, the study also identified gaps between academic research on corporate governance and the current public debate. For example, aspects such as organizational culture and risk management, although increasingly significant in corporate governance discussions, were rarely studied as governance variables. This paper provides valuable input for the ongoing dialogue on improving corporate governance practices.

Inessa (2010) reviewed the global literature on corporate governance and its impact on firm performance. The study surveyed the relationship between corporate governance and different performance metrics, including company valuation, operational performance, and stock returns. While most studies found a positive association between corporate governance and performance, the research identified challenges such as endogeneity problems. The paper proposed a methodology to address these issues and concluded that corporate governance tends to evolve in response to the specific characteristics of a firm and its external environment.

Table 1

Empirical Review

Authors and Date	Topic	Objectives	Methodology	Findings	Variable
Isaac (2022)	Contribution of corporate governance on performance of listed companies in Kenya	Leadership is a process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task.	The study used primary data which was collected using questionnaires. Data was analyzed and presented using the Statistical Package for Social Sciences (SPSS)	major cancerous effect to leadership styles and structures, leadership composition, leadership independency	The study used primary data which was collected using questionnaires . Data was analyzed and presented using the Statistical Package for Social Sciences (SPSS). Descriptive and inferential statistics were used to present the results of this study.
Thanh, & Van (2022)	The impact of corporate governance on firms' value in an emerging country:	The mediating role of corporate social responsibility and organizational identification .	This study aims to understand intensively the impact of corporate governance on firm value by exploring the mediation mechanism of corporate social responsibility and organizational identification in the relationship between corporate governance and	The findings of this study may be of interest to entrepreneurs, top management, academics and researchers.	corporate governance and firm value deserves This study uses the covariance-based structural equation modeling (CB-SEM) analysis

			firm value		
Vera Oktari, Raja Adri Satriawan Surya, Arumega Zarefar (2021)	Implementing Good Corporate Governance to Improve Company Performance	to determine the effect of the implementation of corporate governance mechanisms,	The population in this study are manufacturing companies listed on the Indonesia Stock Exchange from 2015 to 2018. The data analysis method used in this study is a quantitative data analysis method that is Processed by the Statistical Package For Social Science (SPSS) computer program 25. Hypothesis testing in this study uses multiple linear regression analysis.	The data used in this study are normally distributed, there is no multicollinearity. The test results show of all seven variables namely board of directors, managerial ownership, foreign ownership, and quality audit quality audit only variables that affect the performance of company early while the variable size of the company can't be a variable control of the performance of the company.	Performance the Company(ROA) Board of Commissioners, Managerial Ownership, Foreign Ownership Audit Quality and Company Size
Tolossa Fufa Guluma (2021)	The impact of corporate governance measures on firm performance: the influences of managerial overconfidence	To investigate the impact of corporate governance (CG) measures on firm performance and the role of managerial behavior on the	Therefore, to test the endogeneity issue in the model, the Durbin–Wu–Hausman test was applied. The result of the Hausman test indicated that the null hypothesis was rejected ($p = 000$), so there	The result of the study provides important managerial implications for the practice and is important for policy-makers seeking to improve corporate governance in the emerging market	Firm performance Board independent (BIND), CEO Duality, Ownership concentration (OWCON) Product market competition (PMC), Debt Financing

		relationship of corporate governance mechanisms and firm performance using a Chinese listed firm.	was an endogeneity problem among the study variables. Therefore, OLS and fixed effects approaches could not provide unbiased estimations, and the GMM model was utilized.	economy.	(DF)
Ng Ching Yat David, Lau Teck Chai , Tee Peck Ling, and Lai Siew Fong (2021)	An Evaluation of Corporate Governance Characteristics and Corporate Performance between Government-Linked Companies (GLCs) in Malaysia and Singapore: A Panel Data Analysis	To investigate the corporate governance contributes to the Government-link public listed companies' performance in Malaysia and Singapore.	This research focuses on quantitative data - cross-sectional and longitudinal analysis. Data was acquired from Bursa Malaysia and Singapore Exchange Limited from 2012 to 2017. Two alternative panel data regression models were adopted in the EViews statistical software, which were the Fixed Effect model and the Random Effect model, to test the dataset collected.	Findings revealed that except for board meetings and independent directors, 4 other independent variables were statistically significant in affecting the Malaysian and Singaporean government-link public listed companies' performance. Directors' ownership had a significant negative impact on ROA and ROE in Malaysia but had no impact in Singapore. Board meetings and independent directors had no impact towards firm	ROA and ROE Government link, Directors ownership, board meeting, board size, number of directors, leverage level

Thanh Tiep Le & Van Kha Nguyen	The impact of corporate governance on firms' value in an emerging country: The mediating role of corporate social responsibility and organizational identification	To understand intensively the impact of corporate governance on firm value by exploring the mediation mechanism of corporate social responsibility and organizational identification in the relationship between corporate governance and firm value.	This study uses the covariance-based structural equation modelling (CB-SEM) analysis technique because of its suitability for organizational and management research such as the present study	performance in both countries. Board size had positive and significant impact on ROE in Singapore. This study focuses on the small and medium-sized enterprises (SMEs) in emerging economies due to its importance as outlined in the introduction below. The findings of this study may be of interest to entrepreneurs, top management, academics and researchers.	Performance Firm's Value Organizational Identification, Corporate Social Responsibility, Corporate Governance
Subedi, (2021)	Role of Corporate Governance on the Performance of Insurance Companies of Nepal.	To analyze the role of corporate governance on the financial performance of insurance companies	The study used descriptive cum causal relational research design. Variables. Data were analyzed using a multiple linear regression model.	Result shows that the corporate governance affects the firm performance in Nepalese insurance sector. Board size has a negative impact on ROA while firm size and firm ownership has a positive	Return on Assets and Return on Equity Debt to equity ratio, firm size, firm age and firm growth

David, Chi, Ling & Fong (2021)	An Evaluation of Corporate Governance Characteristics and Corporate Performance	A Panel Data Analysis. This research seeks to investigate whether corporate governance contributes to the Government-link public listed companies' performance in Malaysia and Singapore	A Panel Data Analysis. This research seeks to investigate whether corporate governance contributes to the Government-link public listed companies' performance in Malaysia and Singapore.	impact on ROA and ROE. The variable debt to equity has the negative and significant impact on ROE respectively. Findings revealed that except for board meetings and independent directors, 4 other independent variables were statistically significant in affecting the Malaysian and Singaporea	Directors' ownership had a significant negative impact on ROA and ROE in Board size had positive and significant impact on ROE in Singapore. Number of women directors was significantly negatively related to Tobin's Q, ROA and ROE
Guluma, (2021)	The impact of corporate governance measures on firm performance: the influences of managerial overconfidence	The paper aims to investigate the impact of corporate governance (CG) measures on firm performance and the role of managerial behavior on	The study findings showed that ownership concentration and product market competition have a positive significant relationship with firm performance measured by ROA and TQ	These findings have several contributions: first, the study extends the literature on the relationship between CG and a firm's performance by using the Chinese CG structure	Managerial overconfidence was measured by the corporate earnings forecasts. Firm performance is measured by ROA and TQ ROA and TQ. Dual leadership has

		the relationship of corporate governance			negative relationship with TQ, and debt financing also has a negative significant association's with both measures of firm performance ROA and TQ.
Camelia Iuliana Lungu, Mititean Pompei, Chirata Caraiani (2020)	A structured literature review of corporate governance and performance research within an emerging country setting	The objective of this study is to debate on the relevance that the Romanian researcher has given to the study of the corporate governance and performance relationship.	The database selected for the research is Web of Science, counting a total number of 114 papers included in the study. A Structured Literature Review (SLR) is conducted, analyzing the research published by the Romanian academics, referring to corporate governance and the performance of the companies.	The results illustrate multiple waves both in the interest of the researchers, as well as in the validation of their research. Most of the studies engage a quantitative methodology, focusing on the national companies' policies of corporate governance. Furthermore, the authors concentrate within three main universities in the country.	Return on Assets and Return on Equity Board Independence, CG index, Board size, board gender diversity, ECO-chair duality, ownership structure, audit committee.
Nur Fatin Nabilah Ahmad Khushiri (2019)	Performance, Liquidity risk, Operational risk, credit risk, Corporate Governance, and Market risk	In order to determine the selected bank's risk and performance, the	The method used is to examine the data in terms of performance ratio, liquidity risk, operational risk, credit risk,	The performance associated with Abu Dhabi Islamic Bank. For the year 2014 to 2018	Company Performance Bank Specific Factor Macroeconomic Factor Bank Specific

	this study analyses	information and data variables are obtained from the bank's annual report and financial statement over the five-year periods	corporate governance and market risk indicator	will be determined by the ratio result. This study employs IBM Social Science Statistical Package (SPSS) version 25.	And Macroeconomic Factor
Saxhide Mustafa, Hajdin Berisha, Shyqyri Llaci (2018)	Impact of Corporate Governance on Company Performance: A Study among Medium and Large Enterprises in Kosovo	To analyze effects of corporate governance on company performance based on a sample of 87 medium and large enterprises in Kosovo context	A questionnaire survey was employed for data Collection purposes. The study included a sample of 87 managers from 87 medium and large Enterprises.	Effects of corporate governance on the performance tend to be greater in larger companies. Regarding the determinants, the theoretical expectations are confirmed. Results confirm that the size of the company, the level of investment, export activities and company life Expectancy is statistically significant determinants of the adoption of corporate governance practices.	Performance Board Independence, diversity, ownership structure,
Mustafa, Berisha & Llaci (2018)	The impact of corporate governance on company performance: a	An effective corporate governance system is established to	A questionnaire survey was employed for data collection purposes. The	Results confirm that the size of the company, the level of investment,	Results confirm that the size of the company, the level of

	study among medium and large enterprises in Kosovo	ensure proper balance of long-term interests of different stakeholders	study included a sample of 87 managers from 87 medium and large enterprises.	export activities and company life expectancy are statistically significant determinants of the adoption of corporate governance practices	investment, export activities and company life expectancy are statistically significant determinants of the adoption of corporate governance practices
Inessa Love (2010)	Corporate Governance and Performance around the World: What We Know and What We Don't	To evaluating the relationship between corporate governance and performance as measured	In contrast there is no single source of data on corporate governance and there is a large variation in the Measures of corporate governance that are used. Therefore the aggregate index of corporate governance remains a useful tool for continuing this line of research.	Evaluating the relationship between corporate governance and performance, measured by valuation, operating performance, or stock returns. Despite the large number of papers, there is no consensus yet. Most of the research to date suggests a positive correlation between Corporate governance and various measures of performance. However, there are a number of studies that have questioned such a relationship.	Firm Performance Firm Governance is either one aspect affecting corporate governance, or an index of several aspects combined into one measure

2.3 Research Gap

Previous researchers have extensively delved into corporate governance, highlighting its crucial role in decision-making, control mechanisms, and board structure, while also emphasizing its impact on organizational performance. Factors like ownership structure, board cohesion, and organizational culture have been identified as significant contributors to positive outcomes within organizations. Furthermore, researchers have underscored the essential tasks of the board, particularly in terms of shaping business strategy and appointing CEOs, as pivotal elements of effective corporate governance.

Moreover, studies have showcased the importance of shareholder rights through governance indices, revealing that stronger shareholder rights correlate with increased firm profitability, sales growth, and reduced capital expenditure, underscoring the criticality of sound governance practices. However, despite the considerable body of research in this area, there remains a noticeable gap in systematic studies concerning corporate governance practices in the Nepalese banking sector, especially among Class A banks. To address this gap, the current study focuses on five selected banks: Machhapuchre Bank Limited, Laxmi Sunrise Bank Limited, Everest Bank Limited, Global IME Bank Limited, and Nabil Bank Limited. The study employs a combination of primary data collected through research questionnaires and secondary data sourced from various outlets such as financial reports, research journals, and both published and unpublished reports. Key variables under examination include board independence and size, audit quality, accounting systems, disclosure practices regarding financial reports, organizational performance metrics, and the role of shareholders in board selection, voting rights, and the legal framework. Furthermore, the study aims to glean insights into the perspectives of top-level personnel to understand how they perceive and implement good corporate governance practices within their respective organizations.

CHAPTER-III

RESEARCH METHODOLOGY

The research methodology serves as a structured framework adopted by scholars to investigate specific issues with well-defined objectives. It encompasses a set of principles and protocols that steer the research process. This chapter outlines the approach used in the study, detailing the chosen research design, methods for data collection, sampling strategies, and the statistical techniques applied for analysis.

Initially, the study area and sample population are outlined to provide context for the research endeavor. Following this, the instruments employed for data collection are elaborated upon, along with the steps taken to ensure the validity and reliability of these instruments.

Ultimately, this chapter elucidates the operationalization of the research methodology, which aims to gather data for analysis and contribute to the findings of the study.

3.1 Research Design

Research design encompasses the strategies employed to gather, organize, analyze, interpret, and present data in a research study. It encompasses various frameworks for conducting research, each with its distinct methods and procedures. Choosing an appropriate research design is critical as it guides researchers in making methodological decisions and interpreting the study's findings.

In this study, a mixed methods approach was selected, and the research design was determined based on its suitability for addressing, there is used descriptive and causal comparative research design.

Questionnaire sets were distributed among a conveniently selected sample of 50 respondents. The study employs both descriptive and analytical research approaches. The study adopts a descriptive approach to explain the concept of corporate governance, while analytical methods are used to examine the practices of corporate governance within organizations.

3.2 Population Sample and Sampling Design

Research endeavors to unveil novel insights by examining a group of individuals or entities referred to as the population. As per "Polit and Hungler," a population comprises all individuals or objects sharing similar attributes. While a census survey involves collecting data from every member of the population, survey researchers often opt for sampling, gathering data from a representative subset known as the sample. In this study, the population comprises 20 (2081-11-25) commercial banks, representing the entities under scrutiny.

A sample represents a segment of the population chosen for inclusion in the study, serving as a subset of measurements derived from the population of interest. According to de Vos et al. (2002), a sample represents a subset of the broader population of objects, events, or individuals that are the focus of the study. In survey research, researchers frequently employ purposive sampling methods. The researcher selected these five banks using purposive sampling due to their diverse ownership structures, significant market influence, and strategic importance in Nepal's banking sector. This method ensures the inclusion of relevant banks for meaningful comparisons, aligning with the study's objectives while enhancing efficiency and relevance.

In this study, the researcher has chosen five commercial banks to be included in the sample, because joint venture banks and local public banks with compare these banks are:

- Machhapuchre Bank Limited.
- Laxmi Sunrise Bank Limited
- Everest Bank Limited
- Global IME Bank Limited.
- Nabil Bank Limited

3.3 Nature and Sources of Data

The study primarily uses primary data to investigate the relationship between corporate governance and the performance of private organizations. Data is collected from the Securities Board of Nepal and financial statements of selected banks listed on the stock exchange. Additionally, a structured questionnaire is employed to gather first-hand data

from participants. Semi-structured questionnaires are distributed to various selected banks to obtain relevant information.

Primary Data

The primary data for this research is gathered from senior managers of commercial banks listed on the stock exchange. Given the practical limitations of surveying the entire population, a sample of 50 respondents is conveniently selected from five banks: Everest Bank Limited, Machhapuchre Bank Limited, Global IME Bank Limited, Laxmi Sunrise Bank Limited, and NABIL Bank Limited. The sampling method employed is judgmental, encompassing directors, managers, assistant managers, officers, Chartered Accountants (CAs), Associate Chartered Certified Accountants (ACCAs), as well as other stakeholders such as investors and experts. Informal interviews are conducted with the Board of Directors, top management, and staff, while surveys are administered among shareholders and customers.

3.4 Method of Data Collection

A well-designed questionnaire was created and distributed to the selected sample using a judgmental sampling technique. The collected data were then organized and analyzed using Microsoft Excel to facilitate a structured and systematic evaluation. Each variable was clearly defined, and data entry was thoroughly checked to ensure precision. The questionnaire design benefitted from input from field experts, incorporating diverse scales to effectively capture responses.

Questions 1, 2, 3, 6, and 8 were constructed using a nominal scale, while questions 4, 5, and 7 utilized an ordinal scale, prompting respondents to rank items based on perceived importance. Question 9 adopted a binary yes-no format, while question 10 was open-ended, enabling respondents to provide varied perspectives on corporate governance issues in the Nepalese banking sector. Question 11 employed a 5-point Likert scale, allowing responses to range from strongly disagree to strongly agree. Additionally, demographic variables such as gender, profession, position, formal education, professional education, and age were incorporated into the questionnaire. The questionnaire also included demographic variables such as gender, profession, job

position, formal education, professional qualifications, and age to gather relevant background information from the respondents.

The structured questionnaires were distributed to 50 respondents across different organizations and collected within a timeframe of 15 to 20 minutes. The researcher personally visited each respondent in various organizations, providing clarification on item meanings and instructions for completing the questionnaire when necessary.

3.5 Data Analysis Tools

3.5.1 Descriptive Analysis

This study utilizes fundamental statistical methods, including percentages and means, to analyze the primary data. The findings of the analysis are methodically tabulated, compared, examined, and interpreted. Descriptive statistical approaches are employed to succinctly summarize and investigate the data.

Mean

The mean or arithmetic average, of a set of values is calculated by dividing the sum of all the values by the number of items in the set. Mathematically, for a series of observations X_1, X_2, \dots, X_n , the mean, often represented as \bar{X} is given by:

$$\bar{X} = \frac{\sum X}{n}$$

Standard Deviation

Dispersion refers to the extent to which individual data points differ from a central value. Standard deviation is a measure of absolute dispersion, with larger standard deviations indicating greater variation. A smaller standard deviation suggests that the data points are more consistent, reflecting a higher degree of uniformity and homogeneity in the dataset, and vice versa. In this study, the standard deviation has been calculated for variables such as earnings per share, dividend per share, dividend payout ratio, retained earnings, market value per share, dividend yield ratio, and price-to-earnings ratio.

$$\text{Standard Deviation} = \sqrt{\frac{\sum (X - \bar{X})^2}{n}}$$

Correlation Analysis

Correlation analysis is a statistical method used to determine the strength and direction of a relationship between two continuous variables that are measured numerically. It is useful for exploring potential associations between variables. However, it is crucial to recognize that correlation does not imply causation other factors not considered in the analysis may affect the relationship. A correlation indicates that changes in one variable are consistently linked to changes in another over time. The correlation coefficient, ranging from -1 to +1, reflects the strength and direction of the relationship, with positive values indicating a direct relationship and negative values indicating an inverse relationship.

$$\text{Correlation Coefficient (r)} = \frac{n \sum XY - \sum X \sum Y}{\sqrt{n \sum X^2 - (\sum X)^2} \sqrt{n \sum Y^2 - (\sum Y)^2}}$$

Regression Analysis

In this study, the dependent variables are Return on Assets (ROA) and Return on Equity (ROE), while the independent variables include board size, ownership type, firm growth, debt-to-equity ratio, and firm age. The researcher employed a two-tailed t-test, given that the sample size was fewer than 30, with a 5% significance level. The study also computed the correlation coefficient (r), coefficient of determination (r^2), and performed an analysis of variance (ANOVA) using the regression model.

Regression Model

The empirical model is defined as shown below:

$$(Y_1) = \beta_0 + \beta_1 * X_1 + \beta_2 * X_2 + \beta_3 * X_3 + \beta_4 * X_4 + \dots e$$

Assume that,

β_0 = Regression Coefficient

Y_1 = Return on Equity (ROE): Dependent Variable

Y_2 = Return on Assets (ROA): Dependent Variable

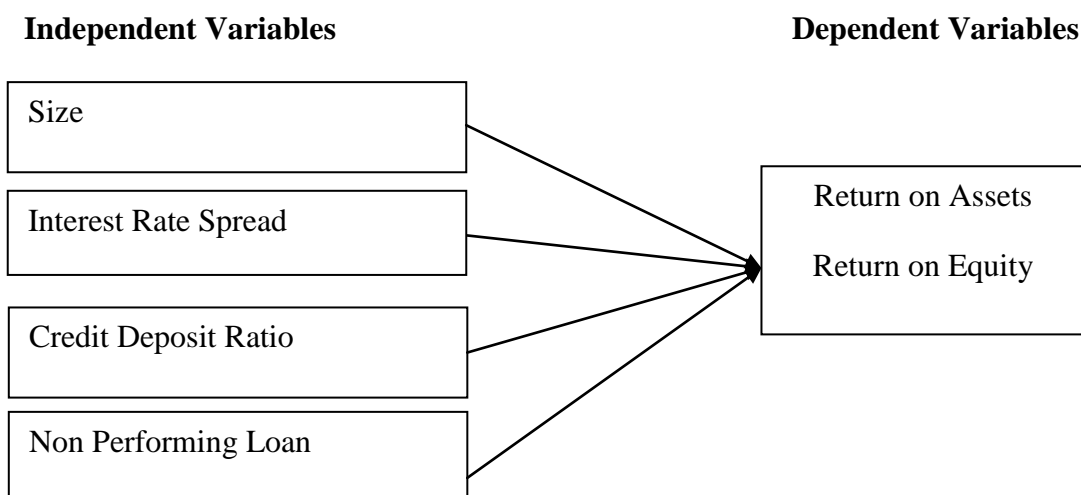
X_1 = Size: Independent Variable

X_2 = Interest Rate Spreads: Independent Variable

X_3 = Credit Deposit Ratio: Independent Variable

X_4 = Non Performing Loan: Independent Variable

3.6 Research Framework and Definition of the Variables



(Source: Koji et al, 2020)

Figure 3: Research Framework

Dependent Variables

In this study, Return on Equity (ROE) serves as the dependent variable, reflecting a company's profitability by assessing how efficiently equity is employed to generate earnings.

Return on Assets (ROA), also known as the profit-to-assets ratio, is an indicator of a company's profitability in relation to its total assets. This ratio evaluates how effectively a company utilizes its assets to generate profit. A company that operates efficiently will produce a higher profit with a given amount of assets. Generally, a higher ROA signifies better profitability, whereas a lower ROA indicates less effective use of assets in generating profits.

Independent Variables

Size: It refers to the overall count of directors on a company's board, which can influence decision-making processes and the effectiveness of governance.

Interest Rate Spreads: Interest rate spread is the difference between the lending rate (the rate a bank charges borrowers) and the deposit rate (the rate a bank pays depositors). It's a key indicator of a bank's profitability and a tool used in various financial analysis contexts.

Credit Deposit Ratio: The Credit-to-Deposit (CD) ratio in banking measures the proportion of a bank's deposits that have been lent out as loans. It essentially reflects the proportion of a bank's deposited funds that are allocated towards lending activities. In Nepal, for instance, the CD ratio is set at a limit of 80% by the Nepal Rastra Bank (NRB), with the remaining 20% held by banks for liquidity management.

Non Performing Loan: A nonperforming loan (NPL) refers to a loan where the borrower has defaulted and failed to make the required principal or interest payments for a specified period. In the context of banking, loans are typically classified as nonperforming when the borrower is 90 days or more overdue on payments.

CHAPTER-IV

RESULTS AND DISCUSSION

It involves the presentation and analysis of the data collected from the respondents, in accordance with the responses they provided. The distribution and collection of questionnaires were conducted directly by the researcher. Following this, the gathered data underwent analysis utilizing various tools and methodologies. The outcomes of this analysis were systematically presented and elaborated upon in subsequent sections.

4.1 Data Presentations

Nature of the Respondents

The respondents participating in this study are drawn from a selection of commercial banks, specifically MBL, EBL, NABIL, GBIME, and LSBL. Their characteristics, including their length of service, gender, age, educational background, job titles, and professional experiences, are detailed as follows:

Table 2

Gender of the respondents

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Male	40	80.0	80.0	80.0
Female	10	20.0	20.0	100.0
Total	50	100.0	100.0	

Source: Field survey 2024 by using SPSS

Table 2 reveals that 80% of the respondents are male, while 20% are female, indicating a significant gender disparity in the sample, with males being considerably more represented. The following table offers an overview of the respondents' age distribution.

Table 3

Age of the respondents

Age	Frequency	Percent	Valid Percent	Cumulative Percent
Below 30 years	14	28.0	28.0	28.0
30 to 40 years	24	48.0	48.0	76.0
Above 40 years	12	24.0	24.0	100.0
Total	50	100.0	100.0	

Source: Field survey 2024 by using SPSS

Table 3 categorizes the respondents' ages into three distinct groups: under 30 years, 30 to 40 years, and over 40 years. Of the total respondents, 28% are under 30 years old, 48% fall within the 30 to 40 years age bracket, and 12% are over 40 years old. Notably, the majority of respondents fall within the 30 to 40 years age range. The next table offers further information regarding the educational qualifications of the respondents.

Table 4

Academic qualification of the respondents

Formal education	Frequency	Percent	Valid Percent	Cumulative Percent
Under graduate	10	20.0	20.0	20.0
Graduate	25	50.0	50.0	70.0
Master	15	30.0	30.0	100.0
Total	50	100.0	100.0	

Source: Field survey 2024 by using SPSS

Table 4 illustrates the educational qualifications of the respondents. The majority, comprising 50%, hold a graduate degree. Furthermore, 30% of the total respondents have attained a master's degree, while 20% possess an undergraduate degree. Hence, the percentage of respondents with graduate-level education surpasses those with other educational backgrounds.

Table 5

Position or Designation of the respondents

Position	Frequency	Percent	Valid Percent	Cumulative Percent
Directors	8	16.0	16.0	16.0
Manager	17	34.0	34.0	50.0
Assistant Manager	9	18.0	18.0	68.0
Officer	8	16.0	16.0	84.0
Charter Accountant	6	12.0	12.0	96.0
Others	2	4.0	4.0	100.0
Total	50	100.0	100.0	

Source: Field survey 2024 by using SPSS

Table 5 categorizes respondents into various positions within their organizations, including chairman, managing directors, directors, deputy directors, assistant directors, and others. Among these categories, there are 8 respondents classified as directors, representing 16% of the total respondents from different organizations. Furthermore, 17 respondents hold managerial positions, constituting 34% of the total. Assistant managers account for 9 respondents, making up 18%, while 8 respondents are officers, representing 16% of the total. Additionally, there are 6 respondents classified as chartered accountants, comprising 12%, and 2 respondents categorized as others (professors from universities), and accounting for 4%. Thus, it can be observed that approximately half of the respondents hold managerial positions. Further details regarding the gender of the respondents will be provided in the subsequent sections.

Table 6

The work experience of respondents in their professions

Work experience	Frequency	Percent	Cumulative Percent
Below 5 years	12	24.0	24.0
5 to10 years	23	46.0	70.0
Above 10 years	15	30.0	100.0
Total	50	100.0	

Source: Field survey 2024 by using SPSS

Table 6 illustrates the distribution of respondents according to their years of professional experience. Approximately 24% of respondents reported having fewer than 5 years of experience, while 46% indicated having between 5 and 10 years of experience. Additionally, 30% of respondents stated they had more than 10 years of work experience. The largest group, representing 46% of the total respondents, falls into the 5 to 10 years of experience category. Further information about the respondents' job positions is detailed in the following table.

Awareness on Corporate Governance

Table 7

Awareness on Corporate Governance

Familiar	Frequency	Percent	Cumulative Percent
Very little	12	24.	24.
I am familiar	28	56	80
I can understand	8	16	96
I am expert	2	4.	100
Total	50	100.0	

Source: Field survey 2024 by using SPSS

Table 7 presents the respondents' levels of awareness regarding Corporate Governance. Among the total respondents, 56% expressed familiarity with corporate governance, while 16% indicated a moderate understanding. Furthermore, 4% identified themselves as experts in the field, and 24% acknowledged having limited understanding of corporate governance. The findings highlight a significant proportion of respondents with some level of familiarity with corporate governance, indicating a notable level of awareness among the participants.

Opinion of Respondents on Corporate Governance

The respondents were surveyed about their views on corporate governance, and their responses were examined and grouped into categories, leading to a compilation of responses. The following table illustrates these categorized responses.

Table 8

Meaning of Corporate Governance by Respondents

Responses	Number of respondent	Percentage
Professional Management	1	2
Following rules and regulations	1	2
Shareholder's protection	1	2
All of the above	47	94
Total	50	100

Source: Field survey 2024 by using SPSS

Table 8 shows that 94% of respondents recognize corporate governance as encompassing aspects such as professional management, timely financial disclosure, ethical business practices, protection of shareholders, and adherence to government regulations. Only 2% of respondents mentioned professional management, regulatory compliance, and shareholder protection as key components. This suggests that corporate governance is broadly understood and acknowledged by senior and mid-level managers in Nepalese banks.

Corporate governance and issuing in Nepalese banking sector

Table 9

Most important issues of corporate governance

Important issue	Frequency	Percent	Cumulative Percent
Professional management	12	24	24
Following rules and regulations	6	12	36
Shareholders protection	22	44	80
Accounting disclosure	10	20	100
Total	50	100	

Source: Field survey 2024 by using SPSS

According to Table 9, 44% of respondents regard professional management as the top priority in corporate governance. Additionally, 24% prioritize the protection of shareholders' rights, while 20% emphasize timely disclosure, and 12% highlight

adherence to regulations. This indicates that a substantial portion of respondents perceives professional management as the primary concern in corporate governance.

Corporate Governance Status and its important in Nepalese banking sector

In terms of enhancing corporate governance, most respondents prioritize professional management as the primary concern. Subsequently, timely financial disclosure ranks second, followed by ethical business practices in third place. Equitable treatment of shareholders comes fourth, and adherence to government regulations ranks fifth. This ranking highlights the significance of efficient management practices and transparent financial reporting in bolstering corporate governance.

Table 10

Importance aspects to make better Corporate Governance Status

Important issue	Mean rank
Shareholder's protection	2.52
Following NRB directives	3.04
Timely financial disclosure	4.78
Professional management	4.92
Timely held AGM	4.96
Ethical business	5.1
Relationship of Management with minority shareholder	5.3

Source: Field survey 2024 by using SPSS

Table 10 displays the mean ranks assigned to seven key aspects of corporate governance. Shareholder protection received the lowest mean rank of 2.52, signifying its greater importance according to respondents. Adherence to the directives of Nepal Rastra Bank (NRB) followed closely with a mean rank of 3.04, while timely financial disclosure was ranked at 4.78. Professional management earned a mean rank of 4.92, with the timely holding of Annual General Meetings (AGMs) and ethical business practices both being rated at 5.1. Lastly, the relationship between management and minority shareholders was given the highest mean rank of 5.3, suggesting that it was considered the most important factor by those surveyed.

Nepalese banking sector's Situations

The viewpoints of respondents regarding the separation of roles between the chairman and CEO in the Nepalese banking sector are outlined below:

Table 11

Separation of roles of chairman and CEO

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	30	60	60	60
No	20	40	40	100.0
Total	50	100	100.0	

Source: Field survey 2024 by using SPSS

Table 11 depicts that 60 percent of all respondents supported the separation of roles between the chairman and CEO, while 40 percent expressed disagreement. The percentage of those in agreement is notably higher.

Table 12

Majority of directors are non- executive

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	26	52.0	52.0	52.0
No	24	48.0	48.0	100.0
Total	40	100.0	100.0	

Source: Field survey 2024 by using SPSS

Table 12 reveals that 52 percent of all respondents acknowledged that the majority of directors are non-executive, while 48 percent expressed disagreement. The percentage of disagreement is notably high.

Table 13

Significant number of institutional investors is there

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	18	36.0	36.0	36.0
No	32	64.0	64.0	100.0
Total	40	100.0	100.0	

Source: Field survey 2024 by using SPSS

Table 13 shows that 36 percent of all respondents recognized the importance of addressing investors' concerns, while 64 percent expressed disagreement. The percentage of disagreement is notably high.

Table 14

The shareholder selects significant number of directors in AGM

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	21	42	42	42
No	29	58	58	100.0
Total	50	100.0	100.0	

Source: Field survey 2024 by using SPSS

Table 14 illustrates that 42 percent of all respondents acknowledged the significance of appointing a substantial number of directors from outside the organization, while 58 percent expressed disagreement. The percentage of disagreement is notably high.

Table 15

Good shareholder's right of voting

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	24	78	48	48
No	26	22	52	100.0
Total	50	100.0	100.0	

Source: Field survey 2024 by using SPSS

Table 15 demonstrates that a substantial majority, 78 percent, of all respondents recognized the importance of maintaining robust shareholders' voting rights, while 22 percent expressed disagreement. The percentage of disagreement is notably high.

Table 16

Good reporting and information system

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	22	44	44	44
No	28	56	56	100.0
Total	50	100.0	100.0	

Source: Field survey 2024 by using SPSS

Table 16 illustrates that merely 44 percent of all respondents acknowledged the significance of adhering to good reporting practices, while 56 percent expressed disagreement. The percentage of disagreement is notably high.

Table 17

Timely performance report reviewed

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	20	40	40	40
No	30	60	60	100
Total	50	100	100	

Source: Field survey 2024 by using SPSS

Table 17 demonstrates that just 40 percent of the total respondents recognized the importance of reviewing timely performance reports, while 60 percent expressed disagreement. The percentage of disagreement is notably high.

Table 18

Satisfied in internal auditing and control system

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	22	44	44	44
No	28	56	56	100
Total	50	100	100	

Source: Field survey 2024 by using SPSS

Table 18 illustrates that 44% of respondents acknowledge the significance of having an effective internal auditing and control system, whereas 56% disagree. The level of disagreement is notably high, indicating differing opinions on the importance of internal auditing and control systems.

Table 19

Professional management system

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	22	44	44	44
No	28	56	56	100
Total	50	100	100	

Source: Field survey 2024 by using SPSS

Table 19 demonstrates that 44% of all respondents agreed with the significance of a professional management system, while 56% disagreed. The proportion of disagreement is notably high.

Table 20

Ethical businesses

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	27	54	54	54
No	23	46	46	100
Total	50	100	100	

Source: Field survey 2024 by using SPSS

Table 20 shows that 54% of all respondents agreed with the importance of ethical business practices, while 46% disagreed. The proportion of agreement is notably high.

Table 21

Timely financial audits

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	22	44	44	44
No	28	56	56	100
Total	50	100	100	

Source: Field survey 2024 by using SPSS

Table 21 indicates that 44% of all respondents agreed with the necessity of timely financial audits, while 56% disagreed. The predominance of disagreement is notably high.

Table 22

Adequate financial disclosures

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	20	40	40	40
No	30	60	60	100
Total	50	100	100	

Source: Field survey 2024 by using SPSS

Table 22 demonstrates that 40% of all respondents agreed with the importance of sufficient financial disclosure, while 60% disagreed. The prevailing disagreement is notably substantial.

Table 23

Good legal audit system

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	24	48	48	48
No	26	52	52	100
Total	50	100	100	

Source: Field survey 2024 by using SPSS

Table 23 demonstrates that 48% of all respondents agreed with the importance of having a robust legal audit system, while 52% disagreed. The prevailing disagreement is notably substantial.

Table 24

Good organization culture

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	18	36	36	36
No	32	64	64	100
Total	50	100	100	

Source: Field survey 2024 by using SPSS

Table 24 shows that 36% of all respondents agreed on the importance of maintaining a positive organizational culture, while 64% disagreed. The notable predominance of disagreement is evident.

Table 25

Good relationship of management with shareholders

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	19	38	38	38
No	31	62	62	100
Total	50	100	100	

Source: Field survey 2024 by using SPSS

Table 25 illustrates that only 38% of all respondents agreed on the significance of fostering a positive relationship between management and shareholders, while 62% expressed disagreement. The notably high predominance of disagreement is noteworthy.

Table 26

Good working environments

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	26	52	52	52
No	24	48	48	100.0
Total	50	100	100	

Source: Field survey 2024 by using SPSS

Table 26 indicates that 52% of all respondents affirmed the importance of having a robust working environment system, while 48% expressed disagreement. The notably high percentage of agreement is noteworthy.

Table 27

Good enhancement opportunities to employees

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	24	48.0	48.0	48.0
No	26	52.0	52.0	100.0
Total	50	100.0	100.0	

Source: Field survey 2024 by using SPSS

Table 27 depicts that 48% of all respondents acknowledged the significance of offering substantial growth opportunities to employees, while 52% expressed disagreement. The notably high percentage of disagreement is noteworthy.

Information about banking sector and Corporate Governance system

The questionnaire comprised statements concerning the Corporate Governance framework within the Nepalese banking sector. Respondents were tasked with indicating their opinions using a five-point Likert scale.

Table 28

Information of Nepalese banking sector related to corporate governance

Variables	Mean rank
Managers should be from professionals; not from the investors team	4.6
Nepalese banking sector should cope with the changing legal environment	3.96
Nepalese banking sector should maintain fair accounting system and disclose financial reports timely	4.56
Nepalese banking sector have realization of obligation towards shareholders and other stakeholders	3.38
Good corporate governance positively affect the company 's performance	4.36
AGM should be held within stipulated time after finishing fiscal year	4.4

Source: Field survey 2024 by using SPSS

Table 28 presents the mean ranks assigned to various statements concerning corporate governance within the Nepalese banking sector. The statement "Managers should be professionals, not from the investors' team" received a mean rank of 4.6. Similarly, "The Nepalese banking sector should adapt to the evolving legal landscape" garnered a mean rank of 3.96, while "The Nepalese banking sector should uphold fair accounting practices and ensure timely financial disclosures" achieved a mean rank of 4.56. On the other hand, the statement "The Nepalese banking sector recognizes its obligations towards shareholders and other stakeholders" obtained a mean rank of 3.38. "Positive corporate governance practices enhance company performance" was rated with a mean rank of 4.36, and lastly, "Annual General Meetings (AGMs) should be conducted promptly after the fiscal year" received a mean rank of 4.4.

Corporate governance and Profitability of banks

The viewpoints of respondents regarding Board of Directors (BOD) size, BOD independence, the frequency of BOD meetings, and their impact on bank profitability are outlined. Furthermore, the correlation between Return on Equity (ROE) and Return on Assets (ROA) with corporate governance factors is depicted in the following sections.

Size of Board of Director's is negatively related with Profitability

The following table presents respondents' views on whether there is a negative correlation between the size of the Board of Directors (BOD) and profitability.

Table 29

Size of Board of Director

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	3	6	6	6
	Disagree	15	30	30	36
	Neither Agree nor Disagree	7	14	14	50
	Agree	20	40	40	90
	Strongly Agree	5	10	10	100
	Total	50	100	100	

Source: Field survey 2024 by using SPSS

Table 29 suggests that 40% of respondents perceive a negative correlation between the size of the Board of Directors (BOD) and bank profitability. This indicates that a smaller BOD size might lead to increased profitability for the bank, while a larger BOD size could result in lower profits. Conversely, 10% of respondents strongly agree with this perspective, while 6% strongly disagree with it.

Relations of Board of Independence bank's profitability

The relationship between Board independence and profitability is investigated in the following table:

Table 30

Board of Independence

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	2	2	2
	Disagree	10	20	20	22
	Neither Agree nor Disagree	8	16	16	38
	Agree	24	48	48	86
	Strongly Agree	7	14	14	100
	Total	50	100	100	

Source: Field survey 2024 by using SPSS

Table 30 shows that 48% of respondents believe in a positive correlation between Board of Directors (BOD) independence and bank profitability. This implies that a greater degree of BOD independence corresponds to higher profitability for banks, while lower independence may lead to decreased profitability. Furthermore, 14% of respondents strongly support this view, while 2% strongly oppose it.

Relation between the Number of Board of meeting and bank's profitability

The association between the number of board meetings and bank profitability is investigated in the following table:

Table 31

Number of Board meeting

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly	2	4	4	4
	Disagree				
	Disagree	15	30	30	34
	Neither Agree	5	10	10	44
	nor Disagree				
	Agree	22	44	44	88
	Strongly Agree	6	12	12	100
	Total	50	100	100	

Source: Field survey 2024 by using SPSS

In Table 31, 44% of respondents indicate a positive association between the frequency of board meetings and bank profitability. This suggests that as the number of board meetings increases, bank profits tend to rise, while a reduction in the frequency of meetings may lead to decreased profitability. Moreover, 12% of respondents strongly support this perspective, while 4% express strong disagreement.

Better corporate governance, higher ROE (Return on Equity) of banks

The correlation between improved corporate governance and increased Return on Equity (ROE) is analyzed in the following table:

Table 32

Better corporate governance yield higher ROE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	2	2	2
	Disagree	12	24	24	26
	Neither Agree nor Disagree	5	10	10	36
	Agree	22	44	44	80
	Strongly Agree	10	20	20	100
	Agree				
	Total	50	100	100	

Source: Field survey 2024 by using SPSS

According to Table 32, 44% of the surveyed participants suggest that enhanced corporate governance contributes to greater return on equity (ROE) for banks. Among them, 20% express strong agreement with this notion, while merely 2% strongly oppose it.

Better corporate governance, higher ROA (Return on Assets) of banks

The correlation between improved corporate governance and increased Return on Assets (ROA) is depicted in the subsequent table:

Table 33

Better corporate governance yield higher ROA

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	4	4	4
	Disagree				
	Disagree	14	28	28	32
	Neither Agree nor Disagree	6	12	12	44
	Agree	20	40	40	84
	Strongly Agree	8	16	16	100
	Total	50	100	100	

Source: Field survey 2024 by using SPSS

Within Table 33, it's evident that 40% of respondents perceive a positive relationship between enhanced corporate governance and increased Return on Assets (ROA) for

banks. This perspective is further broken down, with 16% strongly agreeing with this notion; while a mere 2% strongly disagree with it.

Non-Performing loan is negatively related with bank's Profitability

This study is the correlation table representing the relationship between non-performing loans (NPLs) and bank profitability:

Table 34

Non-performing loan is negatively related with bank's Profitability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	3	6	6	6
	Disagree	16	32	32	38
	Neither	3	6	6	44
	Agree nor Disagree				
	Agree	25	50	50	94
	Strongly Agree	3	6	6	100
	Agree				
	Total	50	100	100	

Source: Field survey 2024 by using SPSS

In Table 34, half of the participants, constituting 50%, acknowledge that reduced levels of non-performing loans (NPL) correlate positively with increased profitability in banks. This suggests that a decrease in NPL is associated with higher profitability, while an increase in NPL leads to reduced profitability. Additionally, an equal proportion of respondents, accounting for 6%, express strong agreement and strong disagreement with this viewpoint.

Problems of Corporate Governance in Nepalese banking sectors

Respondents were surveyed to evaluate the prevailing issues in corporate governance within the Nepalese banking sector. Their opinions were gathered and organized into categories, which are outlined in the following table:

Table 35

Problems of corporate governance in Nepalese banking sectors

	Frequency	Percent	Valid Percent	Cumulative Percent
AGM held in time	6	12.0	12.0	12.0
Treat as family business	7	14.0	14.0	26.0
Minority of shareholder issue	12	24.0	24	50.0
Running organization without policy and procedure	5	10.0	10.0	60.0
Poor transparency disclosure	6	12.0	12.0	72.0
Lack of professional management	5	10.0	10.0	82.0
Not appropriate rules and regulations	9	18.0	18.0	100.0
Total	50	100.0	100.0	

Source: Field survey 2024 by using SPSS

In Table 35, respondents identified several key issues regarding corporate governance in the Nepalese banking sector. The primary concern highlighted is the treatment of minority shareholders, indicating perceived inequitable treatment and inadequate regulatory frameworks. Another significant issue identified is the prevalence of family business dynamics, where non-competent family members are often recruited as bank staff. Additionally, delays in holding Annual General Meetings (AGMs) following the fiscal year are noted as problematic. Other issues include operating without clear policies and procedures, insufficient transparency and disclosure practices, a lack of professional management, and inadequate regulatory frameworks.

Descriptive Analysis of Corporate governance variables and profitability

The following table presents the average values and standard deviations for corporate governance variables, comprising Board of Directors (BOD) size, board independence, the frequency of BOD meetings, as well as metrics for profitability such as Return on Equity (ROE), Return on Assets (ROA), and non-performing loans.

Table 36
Descriptive Analysis

	Range	Minimum	Maximum	Mean	Std. Deviation
ROA	.59	1.36	1.95	1.7216	.23282
ROE	5.71	11.86	17.57	15.1580	2.06174
Size	63.40	95.64	159.04	124.949	25.49464
				6	
Interest Rate Spread	.74	3.85	4.59	4.1780	.29150
CD Ratio	8.51	73.78	82.30	79.0928	3.66759
NPL	.57	.82	1.39	1.1456	.20779
Valid N (listwise)					

Source: Field survey 2024 by using SPSS

Table 36 presents the financial performance metrics for the selected banks. The Return on Assets (ROA) indicates the profitability of these banks, with an average value of 1.73, suggesting optimal utilization of assets. The highest ROA recorded is 1.95, while the lowest is 1.36, resulting in a range of 0.59. The standard deviation of 23.28% reflects the degree of risk in the return on assets.

The Return on Equity (ROE), which measures the profitability relative to shareholders' equity, has an average of 15.18%. The highest recorded ROE is 17.57%, and the lowest is 11.86%, with a range of 5.71%. The standard deviation of 2.07% indicates the variability in the return on equity.

The Size of the Banks, as represented by their total assets, has an average value of 124.95%. The maximum size recorded is 159.04%, and the minimum is 95.65%, with a range of 63.40%. The standard deviation is 25.495%, highlighting the variability in bank sizes.

The Weighted Average Interest Rate Spread stands at 4.18%, with the maximum spread at 4.59% and the minimum at 3.85%, resulting in a range of 0.74%. The standard deviation for the interest rate spread is 0.29%, indicating the variability in the interest rate

gap. The Credit-to-Deposit (C-D) Ratio has an average value of 79.09%, with the highest recorded value at 82.30% and the lowest at 73.78%, resulting in a range of 8.51%. The standard deviation is 3.67%, reflecting the variability in the C-D ratio across the banks.

Finally, the Non-Performing Loan (NPL) to Total Loan Ratio is measured as the percentage of non-performing loans relative to total loans. The average NPL ratio is 1.15%, with the highest ratio at 1.39% and the lowest at 0.82%, giving a range of 0.57%. The standard deviation is 0.21%, indicating the variability in the NPL ratio across the selected banks.

4.2 Correlation Analysis

In the correlation analysis, the Pearson correlation coefficient (r) is calculated to measure the strength and direction of the linear relationship between two variables. This coefficient ranges from -1 to +1, where the sign of the coefficient indicates the direction of the relationship (positive or negative), and its absolute value reflects the strength of the association. A perfect positive correlation ($r = +1$) implies that as one variable increases or decreases, the other variable moves in the same direction. A perfect negative correlation ($r = -1$) indicates that as one variable changes, the other moves in the opposite direction. A coefficient of zero ($r = 0$) suggests no linear relationship between the variables. In this study, the correlation coefficients are computed using data collected on a five-point Likert scale for each factor or variable.

Table 37

Correlation matrix to ROA constant with other variables

Variables		ROA	Size	Interest Rate Spread	CD Ratio	NPL
ROA	Pearson Correlation	1				
	Sig. (2-tailed)					
Size	Pearson Correlation	-.441	1			
	Sig. (2-tailed)	.457				
Interest rate Spread	Pearson Correlation	0.521	.111	1		
	Sig. (2-tailed)	.368	.858			
CD Ratio	Pearson Correlation	-.266	.829	.573	1	
	Sig. (2-tailed)	.000	.083	.313		.261
NPL	Pearson Correlation	-.367	-.205	-.954*	-.624	1
	Sig. (2-tailed)	.543	.741	.012	.261	

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

Source: annual report of sampled banks calculation by using SPSS

The table 37 illustrates the correlation between the Return on Assets (ROA) ratio and various financial indicators for the selected banks. The correlation between the ROA ratio and bank size is -0.441, indicating a negative relationship between the two variables. However, with a corresponding p-value of 0.457, which exceeds the significance level of 0.05, the relationship is not statistically significant, suggesting no meaningful association between the ROA ratio and bank size.

Similarly, the correlation between the ROA ratio and the weighted average interest rate spread is 0.521, reflecting a positive relationship between the two variables. However, the p-value of 0.368, which is higher than the significance threshold of 0.05, suggests that this relationship is not statistically significant, and no significant connection exists between ROA and interest rate spread.

The correlation between the ROA ratio and the Credit-to-Deposit (C-D) ratio stands at -0.266, revealing a negative association between ROA and the C-D ratio of the selected banks. The p-value for this correlation is 0.000, which is below the 0.05 significance level, indicating a statistically significant relationship between ROA and the C-D ratio.

Finally, the correlation between the ROA ratio and the Non-Performing Loans (NPL) to Total Loan ratio is -0.367, which shows a negative correlation. However, the p-value of 0.543, which exceeds the significance level of 0.05, suggests that the relationship between ROA and the NPL to Total Loan ratio is not statistically significant.

In conclusion, the results suggest that while the ROA ratio has significant correlations with the C-D ratio, no statistically significant relationships were found between ROA and bank size, interest rate spread, or the NPL to Total Loan ratio.

Table 38

Correlation matrix to ROE constant with other variables

Variables		ROE	Size	Interest Rate Spread	CD Ratio	NPL
ROE	Pearson Correlation	1				
	Sig. (2-tailed)					
Size	Pearson Correlation	-.855				
	Sig. (2-tailed)	0.065				
Interest Rate Spread	Pearson Correlation	.217	.000	1		
	Sig. (2-tailed)	.726	.858			
CD Ratio	Pearson Correlation	-.378	.829	.573	1	
	Sig. (2-tailed)	.000	.083	.313		
NPL	Pearson Correlation	-.984	-.000	-.954*	-.624	1
	Sig. (2-tailed)	.000	.741	.012	.261	

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

Source: annual report of sampled banks calculation by using SPSS

Table 38 presents the correlation matrix, which investigates the relationship between Return on Equity (ROE) and various financial indicators. The Pearson correlation between ROE and bank size is -0.0855, suggesting a negative association. However, with a p-value of 0.065, which is slightly above the 0.05 significance threshold, the relationship does not reach statistical significance, although it remains noteworthy for potential further exploration.

ROE also shows a weak positive correlation of 0.217 with the interest rate spread, but with a p-value of 0.726, this relationship is not statistically meaningful. The correlation between ROE and the Credit-to-Deposit (CD) ratio is -0.378, indicating a negative association, yet the p-value of 0.000 confirms that this result is statistically significant.

Interestingly, a strong negative correlation of -0.984 exists between ROE and Non-Performing Loans (NPL), with a p-value of 0.000, which indicates statistical significance. Among all the variables analyzed, the only statistically significant relationship found is between the interest rate spread and NPL, which shows a strong negative correlation of -0.954 and a p-value of 0.012. This consistent result across both ROA and ROE suggests that as the interest rate spread increases, the level of non-performing loans decreases.

In summary, while some noteworthy correlations were observed between ROE and other financial indicators, none were statistically significant except for the negative relationship between interest rate spread and NPL.

4.3 Regression Analysis

This section presents the regression analysis results from various model specifications used to assess the effect of corporate governance on the financial performance of the selected banks. It also includes tests of model validity through statistical significance tests such as the t-test, F-test, and coefficient of determination (R^2). The regression outcomes illustrate the impact of independent variables (corporate governance) and control variables (such as the CD ratio, interest rates, bank size, and NPL to TL ratio) on the dependent variables (financial performance indicators, namely ROA and ROE) of the selected commercial banks.

Table 39

ANOVA Summary of ROA

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	0.882 ^a	0.779	0.734	.	0.08	.	4	0	.

a. Predictors: (Constant), NPL, Size, CD ratio, Interest

Table 39 presents the model summary, including the R-squared value (coefficient of determination), which indicates the proportion of variance in the dependent variable explained by the independent variables. The R-squared value is 0.779, meaning that 77% of the variation in Perceived Performance is explained by the independent variables. However, this leaves 23% of the variation unexplained, suggesting that other influential factors related to the role of corporate governance in IPO performance have not been accounted for in the analysis.

Additionally, the adjusted R-squared value is 0.08, which implies that, after adjusting for degrees of freedom, 80% of the variation in Perceived Performance is explained by the independent variables. This further confirms a positive relationship between the dependent and independent variables.

Table 40

Model Analysis of ROA

Model		Unstandardized Coefficients		Standardized Coefficients	Sig.	Collinearity Statistics	
		B	Std. Error			Tolerance	VIF
1	(Constant)	1.560	.000		0.00		
	Interest rate Spread	2.070	.000	2.592	.037	.066	5.070
	Size	.012	.000	1.330	.012	.115	8.732
	CD ratio	-.142	.000	-2.243	0.04	.079	1.683
	NPL	1.097	.000	.979	0.01	.080	2.566

The table above shows the regression results, including the Variance Inflation Factor (VIF) test and the F-test for model validity. According to the Fisher's ratio (F-statistic), which serves as evidence for the validity of the estimated model, the F-value is approximately 0.00, and the corresponding p-value is also 0.00, which is less than or equal to 0.05. This confirms the validity of the model.

The VIF statistic for each independent variable is below 10, suggesting that multicollinearity is not an issue among the independent variables. As a result, the regression model, using Ordinary Least Squares (OLS), is appropriate for analysis.

Additionally, the R-squared value, which indicates the proportion of the variance in the dependent variable explained by the independent variables, is 100%. Specifically, the model accounts for 0.08% of the variability in the Return on Assets (ROA) of the sample commercial banks. This means that the model explains 0.226% of the systematic variation in ROA, while the remaining 100% of the variation is attributed to other factors not included in the model. The regression coefficient for the Interest Rate Spread is 2.070, meaning that for every 1% increase in the Interest Rate Spread, the Return on Assets (ROA) is expected to increase by 2.070%. Given that the p-value is 0.00, which is below the 0.05 significance level, it indicates a statistically significant relationship between ROA and the Interest Rate Spread of the sample banks. Moreover, The regression coefficient of Size of banks in the regression coefficient analysis is 2.070, it indicates that if we increased Interest rate spread by 1%, the average influence on the Return on Assets (ROA) will increase by 2.070 percent. Similarly, The regression coefficient of C-D ratios of banks in the regression coefficient analysis is -.142, it indicates that if we increased C-D ratios by 1% , the average influence on the Return on Assets (ROA) will decrease by 1.42 percent.

Finally, the regression coefficient of NPL to TL of sample banks in the regression coefficient analysis is 1.097, it indicates that if we increased NPL to TL of sample banks by 1%, the average influence on the Return on Assets (ROA) will increase by 1.097 percent.

Table 41

ANOVA Summary of ROE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	0.815 ^a	0.664	0.597	.	0.0185	.	4	0	.

a. Predictors: (Constant), NPL, Size, CD ratio, Interest

Table 41 presents the model summary, which includes the R-squared value, also referred to as the coefficient of determination, which provides insight into the variance explained in the dependent variable. The R-squared value is 0.597, suggesting that 59% of the variation in the dependent variable is explained by the independent variables. However, 41% of the variation remains unexplained, indicating that other significant factors related to the role of corporate governance in IPO performance have not been captured in this study.

Table 42

Regression Model of ROE

Model		Unstandardized Coefficients		Standardized	Sig.	Collinearity Statistics	
		B	Std. Error	Coefficients Beta		Tolerance	VIF
1	(Constant)	-52.370	.000		0.255		
	Interest rate Spread	9.165	.000	1.296	0.356	.066	15.070
	Size	-.098	.000	-1.214	0.40	.115	8.732
	CD ratio	.332	.000	.590	0.00	.079	12.683
	NPL	13.329	.000	1.343	0.01	.080	12.566

On the basis of above findings following regression model has been developed. The regression coefficient of Interest rate spread in the regression coefficient analysis is 9.165, it indicates that if we increased Interest rate spread by 1%, the average influence on the Return on Equity (ROE) will increase by 9.165 percent. More ever, The regression coefficient of Size of banks in the regression coefficient analysis is -.098, it indicates that if we increased Size of bank by 1%, the average influence on the Return on Assets (ROE) will decrease by.098 percent. Similarly, the regression coefficient of C-D ratios of banks in the regression coefficient analysis is .332; it indicates that if we increased C-D ratios by 1%, the average influence on the Return on Equity (ROE) will decrease by .332 percent.

4.4 Discussion

This study demonstrates that corporate governance has a substantial impact on the financial performance of banks, particularly through variables such as board size, frequency of board meetings, interest rate spread, credit-to-deposit ratio, and non-performing loans (NPL). The findings suggest that while board independence and regular

board meetings positively contribute to profitability, bank size shows a negative correlation with Return on Equity (ROE). The regression analysis further supports these results, indicating that an increase in interest rate spread positively impacts ROE, whereas a rise in non-performing loans significantly reduces profitability. Interestingly, the study finds that a higher credit-to-deposit ratio has a weak negative impact on profitability, while bank size does not exhibit a statistically significant effect on ROE. These insights highlight the critical role of governance mechanisms in financial institutions, suggesting that optimal governance structures can enhance financial stability and performance.

The results of this study are consistent with previous research on corporate governance and its effect on financial performance. Isaac (2022) underscored the importance of leadership styles and governance structures, highlighting that element such as board independence and governance practices are key drivers of financial success. Likewise, Thanh and Van (2022) explored the mediating role of corporate social responsibility and organizational identification in enhancing the connection between corporate governance and firm value, further supporting the idea that effective governance frameworks contribute to improved firm performance.

Vera Oktari et al. (2021) also found that corporate governance variables, including board size and ownership structures, significantly impact company profitability, resonating with this study's findings on board independence and its positive influence on ROE. Moreover, Subedi (2021) discovered that board size negatively affects ROE, a finding echoed in this study's correlation analysis, where a larger bank size was associated with lower profitability.

Finally, Guluma (2021) emphasized the role of managerial overconfidence in influencing governance effectiveness, reinforcing the notion that corporate governance mechanisms must be strategically implemented to maximize firm performance.

Despite these consistencies, some findings contrast with previous research. For instance, the study by Ng Ching Yat David et al. (2021) concluded that board size positively impacts ROE in Singapore, whereas this study found a negative correlation between bank size and profitability. This discrepancy may arise due to differences in economic environments and banking structures across regions.

Moreover, while this research identified a significant negative relationship between non-performing loans and return on equity (ROE), Mustafa et al. (2018) suggested that in larger firms, the influence of non-performing loans on performance may be less pronounced, owing to risk diversification practices. Similarly, Lungu et al. (2020) highlighted that factors such as board gender diversity and executive-chair duality can affect financial performance, but these were not explored in the current study. Additionally, Love (2010) emphasized the complex and context-specific nature of the relationship between corporate governance and firm performance, with some studies casting doubt on the strength of this link. In contrast, this study found a clear and significant impact of corporate governance variables on the financial performance of banks.

Overall, this research contributes to the expanding literature on corporate governance by providing valuable empirical insights into its effects on financial performance within the banking sector. The findings highlight that board independence, board meetings, and non-performing loans play significant roles in determining ROE, reinforcing the importance of sound governance mechanisms. While some results align with previous studies, others present contrasting viewpoints, suggesting that the impact of corporate governance on financial performance may be context-specific. These findings offer valuable insights for policymakers, bank executives, and regulators, emphasizing the need for governance structures that enhance financial stability and profitability. Future research could explore additional governance variables, such as board diversity and executive compensation, to provide a more comprehensive understanding of corporate governance's role in financial performance.

CHAPTER-V

SUMMARY AND CONCLUSION

5.1 Summary

Corporate governance pertains to the framework outlining the roles and obligations of different stakeholders within a company, which includes boards, executives, shareholders, and other relevant parties. It encompasses a spectrum of processes, traditions, regulations, policies, and institutions dictating the direction, management, and oversight of a corporation. At its core, corporate governance emphasizes principles of responsibility and fiduciary duty, aiming to promote ethical behavior and protect the interests of shareholders. Effective corporate governance practices are vital for cultivating investor trust, encouraging competitiveness, and fostering economic advancement. Boards of directors typically assume a pivotal role in corporate governance, overseeing strategic planning, policy development, executive selections, and ensuring organizational transparency.

The importance of good corporate governance cannot be overstated in achieving corporate success and sustainable economic development. Effective governance practices bolster investor trust, reduce capital costs, support the efficient functioning of financial markets, and attract stable financing sources. They also contribute to better decision-making processes within companies, facilitating growth and investor attraction. Robust governance frameworks enhance internal controls, fostering accountability and enhancing profitability. Ultimately, good corporate governance entails transparent, efficient, and equitable decision-making systems anchored in strong management-staff relationships, robust human resource practices, and clear legal frameworks.

Profitability in banking reflects a bank's ability to utilize its resources effectively to maximize net profits, serving as a gauge of asset deployment efficiency and managerial prowess. This thesis seeks to assess the financial standing of selected banks, focusing on primary data collection. Surveys were conducted with 50 respondents from sampled banks, including MBL, EBL, NABIL, GBIME, and LSBL. Their findings provide valuable perspectives on different dimensions of corporate governance and its influence on performance within the private banking sector in Nepal.

5.2 Conclusion

The study on corporate governance and performance of commercial private banks in Nepal examined key variables such as profitability (ROE) and ROA in relation to independent variables like interest rate spread, C-D ratio, and NPL to TL. Findings suggested that while there is no significant relationship between certain variables such as ROA and interest rate spread or C-D ratio, others like board size, board independence, and number of board meetings showed significant correlations with bank profitability. These results underscore the importance of robust corporate governance practices in driving financial performance.

Additionally, insights from respondents highlighted priorities in corporate governance, with shareholders' protection being the top concern, followed by professional management and timely disclosure. The study found that respondents largely agreed on the negative relationship between board size and bank profitability, while board independence was positively correlated with profitability. Additionally, the analysis indicated that banks with fewer non-performing loans tended to exhibit higher levels of profitability.

The regression analysis further revealed important findings regarding the factors affecting ROE. It was observed that the interest rate spread had a significant positive impact, whereas the size of banks had a negative effect on ROE. In contrast, the C-D ratio was found to negatively influence ROE, while the ratio of NPL to TL showed a positive effect on ROE.

This study explores the relationship between corporate governance practices and the financial performance of private commercial banks in Nepal. By scrutinizing pivotal variables including board size, board independence, number of board meetings, interest rate spread, C-D ratio, and NPL to TL, it underscores the pivotal role of robust corporate governance frameworks in bolstering bank profitability. Results indicate that parameters such as board size and non-performing loans exert a detrimental influence on bank profitability, whereas board independence and the frequency of board meetings exhibit a positive association. Furthermore, the research highlights the imperative of prioritizing

shareholders' protection, professional management, and transparent disclosure practices within corporate governance paradigms to optimize bank performance.

It can be concluded that corporate governance plays a pivotal role in determining the financial performance of private commercial banks in Nepal. By emphasizing factors such as board structure, independence, and effective risk management practices, banks can enhance their profitability and contribute to the overall stability and growth of the banking sector.

5.3 Implication

Based on the conclusions of the study, several implications have been identified. It has been observed that Nepalese banks often exhibit weaknesses in professional management and transparent disclosure practices. Hence, it is advised that banks focus on enhancing their professional management structures and transparency in disclosures. This can be achieved through measures such as improving the timeliness of financial reporting, establishing robust internal audit and control systems, fostering a culture of professionalism, and cultivating conducive working environment. Additionally, it is imperative for banks to prioritize the equitable treatment of minority shareholders, thereby fostering better relations and addressing their concerns during annual general meetings. Furthermore, it is recommended for the banking sector to maintain a balanced ratio of executive and non-executive directors, while also providing opportunities for growth and development to employees across all hierarchical levels, from lower-level to middle-level managers.

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APPENDIX
QUESTIONNAIRE

ROLE OF CORPORATE GOVERNANCE IN IPO PERFORMANCE

1. What is your Gender?
 - a. Male
 - b. Female
2. In which age group do you lie?
 - a. Below 30 Years
 - b. 30-40 years
 - c. Above 40 Years
3. What is your academic qualification?
 - a. Undergraduate
 - b. Graduate
 - c. Master
4. Please mention your Positions or Responsibility:
 - a. Directors
 - b. Manager
 - c. Assistant Manager
 - d. Officer
 - e. Charter Accountant
 - f. Others
5. How long is your Professional experience? (in year)
 - a. Below 5 years
 - b. 5 to10 years
 - c. Above 10 years
6. Are you familiar with the concept of corporate governance? How far?
 - a. Very little
 - b. I am familiar
 - c. I can understand
 - d. I am expert in this area
 - e. Nothing
7. What is corporate governance in your opinion?
 - Professional management
 - Timely financial disclosure

- Ethical business Shareholders protection
- Following government rules All of the above
8. What is the most important among following issues of corporate governance in Nepalese banking sector?
- Following rules and regulations of
- Government -NRB directives -Professional bodies
- Professional management
- BoD -Employee -Ethical business
- Protection of shareholders right
- Shareholder' protection -Minority shareholder's issues
- Accounting disclosure
- Timely AGM -Accounting transparency
9. Which of the following aspects are important to make better corporate governance status in Nepalese banking sector?
- Assign 1 for most important, 2 for second ...and 7 to the least important.
- Professional management Timely financial disclosure
- Ethical business Shareholder's protection
- Following government rules Timely held AGM
- Relationship of Management with minority shareholder
10. Do you agree Nepalese banking sector has relatively clear mission statements?
- a) Strongly disagree b) Disagree c) Neutral d) Agree e) Strongly agree
11. What is average situation in Nepalese banking sector in the following issues?
- Do you generally agree in the following statements? Select YES or NO
- Separation of roles of chairman and CEO YES NO
- Majority of directors are non-executives. YES NO
- Significant numbers of institutional investors are there YES NO
- Significant number of directors are selected by outsiders YES NO
- I experienced good shareholders' right for voting YES NO
- I observed good reporting and information system YES NO
- Timely performance reports reviewed YES NO
- I am satisfied in internal auditing and control systems YES NO

- Professional management systems [] YES [] NO
- Ethical business [] YES [] NO
- Timely financial audit [] YES [] NO
- Adequate financial disclosures [] YES [] NO
- Good Legal Audit system [] YES [] NO
- Good organizational culture [] YES [] NO
- Good relationship of Management with shareholders [] YES [] NO
- Good working environment [] YES [] NO
- Growth enhancement opportunities to employees [] YES [] NO

12. To what some extent do you agree in the following statements?

		Strongly Disagree	Disagree	Neutral (Neither Agree Nor Disagree)	Agree	Strongly Agree
a.	Board size is negatively related to Profitability of bank	1	2	3	4	5
b.	BoD Independent is positively related to bank's Profitability.	1	2	3	4	5
c.	Number of Board meeting is positively related to bank's Profitability.	1	2	3	4	5
d.	Return on equity better if better the corporate governance	1	2	3	4	5
f.	Non- performing loan is decreases because of the better corporate governance.	1	2	3	4	5

13. Which is the most important tool for corporate governance in order to increase bank's profitability?

- a) ROE (Return on equity) b) Return on Assets (ROA)
- c) Non-Performing Loan (NPL)

14. What are the problems in Corporate Governance in Nepalese banking sector which leads to decrease bank's performance/.profitability?

15 Following issues are related to corporate governance system in Nepalese banking sector. Please read each of the following statement and circle at the appropriate given alternative number that comes very close to your opinion.		Strongly Disagree	Disagree	Neutral (Neither Agree Nor Disagree)	Agree	Strongly Agree
a.	Managers should be from professionals; not from the investors team	1	2	3	4	5
b.	Nepalese banking should cope with the changing legal environment	1	2	3	4	5
c.	Commercial banks should maintain fair accounting system and disclose financial reports timely	1	2	3	4	5
d.	Nepalese banking sector have realization of obligation towards shareholders and other stakeholders	1	2	3	4	5
e.	Good corporate governance positively affect the company 's performance	1	2	3	4	5
f.	AGM should be held within stipulated time after completing fiscal year	1	2	3	4	5

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IPO PERFORMANCE**

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Sita Kandel

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