CORPORATE GOVERNANCE PRACTICES AND THEIR IMPACT ON PROFITABILITY OF NEPALESE COMMERCIAL BANKS

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

By

Prakash Budhathoki

Campus Roll No: 469/077

Exam Roll No: 35835 /21

T.U. Registration No: 7-3-39-1806-2020

Shanker Dev Campus

Specialization: Finance

Putalisadak, Kathmandu

August, 2025

CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**Corporate Governance Practices and their Impact on Profitability of Nepalese Commercial Banks".** The work of this dissertation has not been submitted previously for the purpose conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in reference section of the dissertation.

Prakash Budhathoki

August, 2025

REPORT OF RESEARCH COMMITTEE

Mr**.** Prakash Budhathoki has defended research proposal entitled **"Corporate Governance Practices and their Impact on Profitability of Nepalese Commercial Banks"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Madhusudan Gautam and submit the thesis for evaluation and viva-voce examination.

……..
Madhusudan Gautam
Dissertation Supervisor

Dissertation Proposal Defended Date:
.....

Dissertation Submitted Date:
.....

……
Asso. Prof. Dr. Sajeeb Kumar Shrestha
Research Department

Dissertation Viva-voce Date:
.....

APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **"Corporate Governance Practices and their Impact on Profitability of Nepalese Commercial Banks"** Presented by Prakash Budhathoki a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

.....

Madhusudan Gautam

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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TABLE OF CONTENTS

Certification of authorship ..... *ii*

Report of research committee ..... *iii*

Approval sheet ..... *iv*

Acknowledgements ..... *v*

Table of contents ..... *vi*

List of tables ..... *viii*

List of figures ..... *ix*

List of abbreviations ..... *x*

Abstract ..... *xii*

CHAPTER I 1

INTRODUCTION 1

1.1 Background of the study 1

1.2 Problem statement 3

1.3 Objectives of the study 6

1.4 Research hypothesis 6

1.5 Rationale of the study 7

1.6 Limitations of the study 7

CHAPTER II 9

LITERATURE REVIEW 9

2.1 Theoretical review 9

2.2 Empirical review 12

2.3 Research gap 23

CHAPTER III 24

RESEARCH METHODOLOGY 24

3.1 Research design 24

3.2 Population and sample, and sampling design 24

3.3 Nature and sources of data collection 25
3.4 Research framework and definition of variables 26
3.5 Methods of analysis 29
CHAPTER IV 32
RESULTS AND DISCUSSION 32
4.1 Performance analysis of commercial banks 32
4.2 Statistical analysis 37
4.2.1 Descriptive analysis 37
4.2.2 Inferential analysis 39
4.4 Discussion 45
CHAPTER V 47
SUMMARY AND CONCLUSION 47
5.1 Summary 47
5.2 Conclusion 48
5.3 Implications 49
REFERENCES 51
APPENDIX-I 57

LIST OF TABLES

Table 1 Meta Table 19

Table 2 Structure of Return on Assets (ROA)..... 33

Table 3 Structure of Return on Equity (ROE)..... 35

Table 4 Descriptive Analysis..... 37

Table 5 Correlation Analysis..... 39

Table 6 Effect of Corporate Governance on Profitability (ROA) 41

Table 7 Effect of Corporate Governance on Profitability (ROE)..... 43

LIST OF FIGURES

Figure 1 Research Framework 26

LIST OF ABBREVIATIONS

ADBL:	Agriculture Development Bank Ltd
AI:	Artificial Intelligence
BAS:	Bank Size
BDF:	Board Diversity Female
BDM:	Board Diversity Male
BI:	Board Independence
BMF:	Board Meeting Frequency
BOS:	Board Size
CAR:	Capital Adequacy Ratios
CSR:	Corporate Social Responsibility
CTZN:	Citizens Bank International Ltd
EBL:	Everest Bank Ltd
EPS:	Earning Per Share
GIBL:	Global IME Bank Ltd
HBL:	Himalayan Bank Ltd
MBL:	Machhapuchhre Bank Ltd
NBL:	Nepal Bank Ltd
NIBL:	Nepal Investment Bank Ltd
NIC:	NIC Asia Bank Ltd
NIMB:	Nepal Investment Mega Bank Ltd

NPLs:	Non-Performing Loans
NRB:	Nepal Rastra Bank
NSBL:	Nepal SBI Bank Ltd
PBL:	Prabhu Bank Ltd
RBBL:	Rastriya Banijya Bank Ltd
ROA:	Return on Assets
ROE:	Return on Equity
SBL:	Siddhartha Bank Ltd
SCBL:	Standard Chartered Bank Nepal Ltd
SPSS:	Statistical Package for the Social Sciences

ABSTRACT

This study examines the impact of corporate governance practices on the profitability of Nepalese commercial banks in terms of Return on Assets (ROA) and Return on Equity (ROE) as primary financial performance indicators. The study consists of five chapters and also relies on theories such as agency theory, stakeholder theory, and stewardship theory. A census approach was utilized, comparing information from all 20 prevailing commercial banks and 4 merged banks in Nepal for five fiscal years (2075/76 to 2080/81). Governance variables were board size, board independence, gender diversity, frequency of board meetings, and bank size, which were examined through descriptive and causal-comparative methods using secondary data sources. The study will provide policymakers, regulators, and bank managers with lessons on how to improve governance effectiveness and profitability in emerging economies like Nepal. The study establishes that board gender diversity significantly improves both ROA and ROE, complementing studies worldwide that inclusive governance structures result in improved decision-making and financial health. But independent directors are negatively related to profitability, suggesting, in the Nepalese context, possibly too much focus on meeting regulators at the expense of strategic achievement. Moreover, frequent board meetings appear to have a weak negative relationship with ROE, perhaps evidencing inefficiencies in governance processes. Board size was not significantly related to performance, and more populous banks were less profitable, indicating potential bureaucratic inefficiencies and diseconomies of scale in Nepal's banking system. The study contributes to the broader debate on corporate governance in emerging economies by corroborating the utility of qualitative governance practice such as diversity and good monitoring over rigid structural formulas. It recommends the application of contextualized governance styles suited to Nepal's regulatory and cultural environment. The research also calls for further research to incorporate economic macro indicators and apply longitudinal designs to better capture causality between governance and financial performance. Lastly, the research offers prescriptive recommendations for the enhancement of Nepalese banks' financial performance by applying adaptive and inclusive approaches to governance.

Key Words: *Corporate Governance, Profitability, Gender Diversity, Board Structure, Bank Size.*

CHAPTER I

INTRODUCTION

1.1 Background of the study

Corporate governance is the practice, process, and regulation of running and controlling a company with an eye to obtaining accountability, transparency, and fairness to stakeholders like shareholders, workers, customers, and society as a whole. It is about balancing the interests of various parties and ensuring ethical decision-making, effective management, and long-term sustainability. Some of these core principles include transparency in disclosure, decision accountability, fair treatment of stakeholders, and responsibility to legal and ethical expectations. Effective corporate governance is required to enhance investor confidence, financial performance, and ensure the company's growth and sustainability (Tricker, 2015).

Profitability is a firm's ability to generate profits from its revenue, assets, equity, or other financial metrics over a specific period. It is among the most critical indicators of the financial health of a company, demonstrating how well it can turn a profit from its operations. Profitability is typically measured by financial ratios such as profit margin, return on assets (ROA), return on equity (ROE), gross profit margin, and earnings per share (EPS). EPS, in particular, is the portion of a company's profit allocated to each outstanding share of common stock, and it is one of the key metrics for investors to evaluate a company's profitability on a per-share basis. They benefit investors, stakeholders, and the management in judging how well the company is doing in terms of generating profits. Higher profitability will generally indicate better operational efficiency as well as financial health (Stephen, 2023).

Corporate governance has emerged as an essential aspect of commercial banks' financial performance and profitability globally. Within the Nepalese context, as important as the banking sector is in the economy of the nation, principles of corporate governance are increasingly being realized to carry greater and greater significance in their contribution towards profitability as well as overall financial health of the banks. Comprehensively strong principles of corporate governance assure accountability, transparency, and sound decision-making processes that are all preconditions for sustaining and enhancing profitability for banks.

Basnet (2024) is important in advancing the nexus of corporate governance with financial performance at Nepalese commercial banks. The research informs that sound practices of governance like having independent directors, adequate regulation compliance, and well-defined strategy direction positively contribute to profitability. In this regard, further, a properly functioning board of directors ensures management decisions are shareholder interest-oriented, which is noteworthy for improving operational efficiency and managing risks of banks. Proper checks and balances ensured by corporate governance help in the maintenance of investors' confidence that directly affects profitability.

In addition, Budhathoki et al. (2020) identified liquidity, leverage, and size as major drivers of bank profitability and stresses that best governance practices are needed to optimize these factors. Governance mechanisms such as effective risk management systems and developing clear policies on capital structure, liquidity management, and strategic financial planning allow banks to be more profitable. Good corporate governance will also be capable of keeping away potential financial risks, which are important in maintaining frequent profit rates, especially in situations of economic crises or recessions.

Sthapit and Vaidya, (2024) continued the contribution to the role of corporate governance for Nepalese commercial banks based on a comparative study with Indian banks. The research confirms that despite the fact that both countries have common problems regarding corporate governance practices, Nepalese banks are still undergoing development to implement best practices. The research reveals that the adoption of global governance practices, particularly with respect to board composition, audit quality, and disclosure in financial reports, significantly positively affects profitability. The study indicates that improving the governance mechanisms can not only enhance the internal working processes but also make Nepalese commercial banks more reputable and trustworthy, thereby increasing their profitability.

This literature identified that the relationship between corporate governance and profitability in Nepalese commercial banks is intricate. It involves board composition, regulatory environment, transparency, risk management, and financial planning. The changing nature of Nepalese banks' governance practices requires continuous alignment with international best practices to ensure long-term profitability.

This study aimed to build on existing research by conducting a comparative analysis of corporate governance practices in Nepalese commercial banks. The analysis will be driven by how variations in governance practices ranging from board autonomy to compliance with regulation impact the profitability of these banks. In addition, it will outline the opportunities and challenges that are associated with strengthening corporate governance frameworks in Nepal and propose recommendations to bank managers, regulators, and policymakers for building governance practices for improving profitability outcomes. With an emphasis on the profitability effects of the practices, the study will contribute to a growing literature of corporate governance for emerging economies with specific focus on the case of Nepal's banking sector.

Overall, corporate governance of Nepalese commercial banks plays a significant role in making the banks profitable, safeguarding the investor interest, and supporting the financial system stability. The empirical evidence obtained from this study will provide valuable knowledge of the corporate governance–financial performance relationship for the advantage of the banking sector as a whole and regulators of the Nepalese financial sector.

1.2 Problem statement

Corporate governance practice is a major determinant of firm performance and profitability, especially in Nepal's developing economies. Sound governance practice is supposed to improve organizational transparency, accountability, and sustainability and hence propel improved financial performance. However, despite the growing knowledge base of the role of corporate governance, empirical evidence regarding the link between corporate governance practice and Nepalese commercial banks' profitability remains scant. The role of corporate governance in driving banking performance remains untapped in Nepal, particularly its contribution towards profitability and investors' confidence (Khanal, 2023; Rawat, 2025).

Many of the commercial banks in Nepal continue to face ineffective corporate governance practices. Weak regulations, absence of proper enforcement structures, and lack of independence by boards are a few of the challenges. These issues could limit the ability of Nepalese banks in following best practices in governance and hindering their potential for the highest profitability. Although corporate governance systems are sure to ensure efficient operations as well as ethical decision-making, the chronic issues

with governance not quite guarantee that banks are able to realize their financial potential to the utmost. Hence, it is essential to examine how these governance shortcomings affect profitability in Nepalese banks (Dongol & Shrestha, 2024; Syangbo, 2021).

The aim of this study is to close the research gap by examining the impact of corporate governance practices on Nepalese commercial bank profitability. By exploring the relationship between governance structures and financial performance, the research will offer valuable analysis of where areas for improvement lie. Enhanced governance mechanisms can enhance financial performance, investor confidence, and long-term sustainability of Nepalese business banks. This study will become a useful resource for bank managers as well as regulatory bodies to improve governance policies and establish a more resilient banking sector in Nepal (Khanal, 2023; Dongol & Shrestha, 2024).

In Nepal's evolving corporate world, corporate social responsibility (CSR) and corporate governance are gaining prominence by the day. However, CSR practices in Nepalese commercial banks lack strategic linkage with governance practices. Poudel (2015) highlights the absence of empirical studies that connect governance structures such as board independence, managerial monitoring, and regulatory compliance with CSR performance. This gap makes it difficult to understand if good governance plays a direct role in promoting ethical corporate behavior. The study tries to explore this relationship, and it informs us regarding how good governance can lead to ethical and socially responsible banking operations in Nepal.

Nepalese commercial banks operate in a high-profile, high-pressure environment where profitability might ride on effective risk management. However, little research examines the influence of mechanisms of corporate governance on the degree of risk exposure of banks and its consequent profitability. This study identifies a critical research lacuna in research examining the triangular interdependence of the quality of governance, risk-taking behavior, and financial performance. The authors believe that governance traits such as board composition, audit committee work, and ownership structure can soften or hasten risky decisions impacting profitability. The study would offer empirical contributions in terms of how to utilize governance as an instrument in balancing returns and risk in banks (Fidriansyah et al., 2025).

Despite regulatory improvement by Nepal Rastra Bank and growing awareness on governance tenets, Nepalese commercial banks have been showing patchy financial performances, which reflect poorly on the inability of their system of governance to deliver. Khanal (2023) calls attention to the reality that there are governance mechanisms in place on paper but there is no empirical evidence established yet of their contribution to improved financial performance because strict empirical testing is lacking. Thagunna et al. (2024) similarly find that board independence and audit committee size have a positive impact on return on equity and return on assets in Nepalese commercial banks, while board size also appears to have significant effect providing empirical nuance to the governance-performance link. The study bridges this gap by assessing whether governance dimensions like board size, independence, and ownership structure have any statistically significant effect on financial measures. The findings are intended to facilitate policymakers and bank management in understanding how reforms in corporate governance support financial performance and stability.

In Nepal's commercial banking sector, the question of whether practices of corporate governance have a meaningful contribution to financial performance is questionable mainly due to asymmetrical and fragmented empirical findings. Singh (2024) feels that earlier research has focused either on governance alone or has addressed financial performance alone without providing an integrated approach. This doctoral study reveals the need to analyze systematically how different governance mechanisms, including board activity, transparency, managerial incentives, and shareholder rights, are combined to have an effect on financial performance measures. Dongol (2025) also emphasize that weak enforcement of governance codes and a lack of holistic assessment have limited the ability to draw clear connections between governance reforms and improved financial stability in Nepalese banks. The study bridges this theoretical and empirical gap by offering a comprehensive analysis in line with the Nepalese context capable of informing scholarly discourse as well as practicable governance reform.

Although there is global evidence to the effect that there is a positive relationship between financial performance and corporate governance, limited empirical evidence exists in the Nepalese setting to this effect. The majority of banks and financial institutions in Nepal continue to grapple with poor governance procedures like lack of accountability, non-effective boards, and absence of transparency. Noviliani et al. (2025) identifies a critical knowledge gap in the literature regarding how such

governance shortfalls affect financial performance measures such as ROA, ROE, and earnings performance. The research attempts to empirically investigate whether improved corporate governance can be an effective mechanism to enhance financial performance in Nepal's banking sector, especially with increasing competition and regulator pressure.

Based on the background of the study, the research has been formulated with the following key research questions:

i. What is the current status of corporate governance in Nepalese commercial banks?
ii. What is the relationship between corporate governance practices and the Profitability of Nepalese commercial banks?
iii. How do recent corporate governance practices affect the profitability of Nepalese commercial banks?

1.3 Objectives of the study

The major objective of the study is to evaluate the implementation of corporate governance standards in Nepalese commercial banks and analyze their impact on financial performance and profitability. This will help understand how recent governance practices influence the banks' profitability. The three main objectives for this study are:

i. To evaluate the current status of corporate governance in Nepalese commercial banks.
ii. To investigate the relationship between corporate governance practices and the Profitability of Nepalese commercial banks.
iii. To analyze the effect of recent corporate governance practices on the profitability of Nepalese commercial banks.

1.4 Research hypothesis

This study examines the impact of corporate governance practices on the profitability of Nepalese commercial banks. Following the objectives quoted above, the following research hypotheses have been developed to be tested:

H1: Board Size is a strong determinant of profitability of Nepalese commercial banks.

H2: Board Independence strongly influences the profitability of Nepalese commercial banks.

H3: Gender Diversity strongly influences the profitability of Nepalese commercial banks.

H4: Board Meeting Frequency play a significant role in the profitability of Nepalese commercial banks.

H5: Bank Size plays a significant role in the profitability of Nepalese commercial banks.

1.5 Rationale of the study

Corporate governance is essential to ensure transparency, accountability, and financial soundness in commercial banks. The Nepalese banking industry has been expanding immensely, yet governance-related inefficiencies remain. Corporate governance practices must be reinforced for enhancing operational efficiency, reducing financial risks, and encouraging investor confidence, and hence this research is of paramount significance.

As corporate governance has remained in the spotlight, instances supporting its link to Nepalese commercial banks' profitability are scarce. This study aims to bridge the gap by researching determinants of relevance to governance in these banks such as board composition, regulatory compliance, and disclosure policies. Knowledge to be acquired on financial performance is priceless in enabling improvement. Banks will be in a better position to guide policy and strategy from institutions that comprehend how the practice of governance results in profitability.

Apart from this, the current research will serve as a guideline for policymakers, regulators, and banks to strengthen the governance systems. Good governance mechanisms can lead to successful risk management, improved investor confidence, and overall economic growth. The present study will try to help build a more stable and sustainable banking system in Nepal by identifying the governance drivers of profitability.

1.6 Limitations of the study

The major limitations of the study are as follows:

- Dependence on secondary data from financial reports may introduce inconsistencies or reporting biases.
- The study may not capture future governance reforms that could impact profitability.
- Establishing a direct causal link between corporate governance and profitability is challenging due to external influences.
- The study covers a specific period, limiting its ability to reflect long-term governance trends.
- It does not consider development banks, finance company, microfinance institutions, or cooperatives, which may have different governance structures.
- Factors like inflation, interest rates, and political instability may affect profitability but are not the study's main focus.

CHAPTER II

LITERATURE REVIEW

Literature review is a part of any research, and it is a critical appraisal of existing research, research articles, and sources for the specific topic. It provides information on previous work, illustrates gaps in studies, and assists in the identification of the foundation of current research. In this chapter, various sources including academic texts, journal articles, reports, and online credible sources are examined critically. The review is structured into three main sections: the theoretical framework, which explores fundamental concepts and theories; the empirical review, which examines previous research findings; and the gaps in research, which identify areas requiring further research.

2.1 Theoretical review

Theoretical review examines relevant theories that will provide a conceptual framework for a research study. A theoretical review helps to imagine how the extant theories explain the study variables and provides grounds for examining relationships between them for patterns. In corporate governance and profitability, theoretical review will examine core governance-focused theories that explain how company structures, policies, and decision-making impact financial performance. Several theories underpin the relationship between corporate governance and profitability in banking institutions. The following key theories provide a foundation for understanding how governance practices impact financial performance:

Agency theory

Agency theory, developed by Jensen and Meckling (2019), highlights the conflict of interest between shareholders (principals) and managers (agents) because managers have the ability to act in their own interests at the cost of shareholder wealth. Conflicts of interest give rise to agency costs arising from monitoring costs, managerial opportunism, and decision-making inefficiencies. Mechanisms for corporate governance such as independent boards, audit committees, and performance-based incentives mitigate these risks. In the opinion of Fama and Jensen (1983), such structures facilitate alignment of managerial behavior with shareholders' interests to promote accountability and transparency in decision-making.

For Nepalese commercial banks, good corporate governance can go a long way in boosting profitability by curbing mismanagement and ensuring efficiency of operations. Appropriately constituted boards with independent directors, compliance with stringent regulatory requirements, and good internal controls ensure preventing excessive risk-taking and financial irregularities. With the introduction of governance norms promoting transparency and ethical conduct, banks can enhance investor confidence, mobilize more capital, and become profitably sustainable in Nepal's fast-growing financial sector.

Stakeholder theory

Stakeholder theory, formulated by Freeman (1984), emphasizes that companies should consider the interests of all stakeholders, such as shareholders, employees, customers, regulators, and society, rather than focusing solely on profit maximization. From this perspective, organizations that address the needs and expectations of multiple stakeholders create long-term value and enhance their sustainability. Clarkson (1995) also pushes this argument further by stating that firms with stakeholder-inclusive governance practices also perform financially better through the creation of trust, loyalty, and positive relationships with their major stakeholders. This, for banks, means ethical lending, customer satisfaction, employees' well-being, and compliance with regulations for the purpose of ensuring long-term stability and growth.

For Nepalese commercial banks, applying stakeholder theory can lead to improved financial performance and stability. Banks that closely work with regulators are compliant with legal stipulations, minimizing risks of penalties and loss of reputation. In the same manner, good relations with depositors through customer service prioritization and open financial transactions can enhance consumer confidence and raise deposits. By fostering a governance culture that encompasses fairness, ethical banking, and stakeholder engagement, Nepalese banks can not only improve their market image but also achieve sustainable profitability in the face of a competitive financial environment.

Stewardship theory

Stewardship theory, brought forward by Donaldson and Davis (1991), is contrary to the assumptions of agency theory in the sense that it is argued that managers are not always self-interested but can be responsible stewards of the firm as well. Executives and

directors in this theory are motivated by duty, loyalty, and organizational commitment rather than personal enrichment. Davis et al. (1997) argue that an effectively governed board of dedicated and competent directors fosters a culture of trust and shared goals. This leads to improved decision-making, more effective use of resources, and long-term value creation, thus enhancing organizational performance.

In Nepalese commercial banks, adopting stewardship principles in corporate governance can make a significant impact on profitability. When bank directors demonstrate moral leadership, stakeholder interests are placed first, and sustainable growth becomes the focus, financial stability improves. Ethical decision-making, transparent financial dealings, and sound internal governance practices can boost investor confidence and organizational efficiency. Establishing a system of governance that is based on trust and responsibility, Nepalese banks can improve risk management, regulatory compliance, and enduring profitability in an evolving financial world.

Resource dependence theory

Resource dependence theory, formulated by Pfeffer and Salancik (1987), emphasizes the role of corporate boards in providing essential resources such as expertise, external networks, and legitimacy to the firm. The theory asserts that organizations depend on external resources, and effectively composed boards help firms manage these dependencies by securing access to key information, regulatory contacts, and strategic alliances. Hillman and Dalziel (2003) also contend that boards comprising financially experienced and well-connected directors enhance decision-making, improve risk management, and lead to firm success through the use of their industry knowledge and contacts.

In the context of Nepalese commercial banks, resource dependence theory highlights the necessity of having board members who possess financial knowledge and industry experience. Bank directors who possess good banking skills and regulatory knowledge can guide the banks to invest strategically, undertake prudent risks, and conduct better financial planning. Additionally, directors who are well-connected can procure capital, secure investors' trust, and reinforce the bank's image in the market. By utilizing the board resources effectively, Nepalese commercial banks can strengthen governance frameworks, achieve operating efficiency, and ultimately attain enhanced profitability in the face of a competitive financial sector.

Signaling theory

Signaling theory, as postulated by Spence (1978), suggests that firms employ governance mechanisms to transmit signals of credibility and dependability to stakeholders and investors. Firms operating in financial markets with good governance structures, transparent financial reporting, and ethical management practices transmit positive signals to investors, reducing information asymmetry and building trust. Healy and Palepu (2001) argue that firms with high governance levels attract more investments because disclosure lowers perceived risk and enhances investor confidence. Good corporate governance is therefore a signal of financial well-being and business efficiency, and ultimately influences firm valuation and profitability.

For Nepalese commercial banks, signaling theory highlights the importance of embracing high governance practices to attain depositor and investor confidence. Banks that set the example by providing open financial declarations, independent audits, and ethical decision-making policies are likely to attract domestic as well as foreign investments. Good governance signals discourage uncertainty among depositors, leading to improved customer confidence and money flows. Banks with proper governance arrangements may thus realize improved liquidity, improved operating efficiency, and ultimately, higher profitability in Nepal's competitive banking industry.

2.2 Empirical review

Mansour et al. (2025) described the newly evolving role of sustainable leadership within family enterprises, considering both financial profitability and environmental responsibility. The study is a wonderful source of information about how such firms typically driven by long-term legacy goals rather than short-term profits maintain business success and sustainability practices. Taking a qualitative approach, the authors explain how such firms employ environmental impact analyses as a component of decision-making without compromising on competitiveness. The paper adds a worthwhile contribution to leadership and sustainability literature through the identification of the imperative to adopt green and ethical practices within the otherwise typically profit-oriented approach of family firms. However, based on the regional and cultural context of the study, stronger cross-cultural inspection might be warranted for purposes of making broader generalizations.

Khadka et al. (2024) examined the impact of risk governance frameworks on the financial health of Nepalese banks, focusing specifically on Capital Adequacy Ratios (CAR). Their research provided a positive connection between good risk governance practices and improved CAR, being one of the key measures of the financial strength and loss-absorbing capacity of a bank. Good risk governance framework ensures banks' proper handling of credit risk, market risk, and operational risk, leading to better capital management and stability, which, in turn, supports long-run profitability.

Kandel (2024) explained that Nepali banks adhering to international regulatory standards such as the Basel III norms had experienced better long-term profitability. Their article demonstrated that Basel III adherence to capital adequacy ratios, risk management, and liquidity standards played a critical role in enhancing the financial resilience of Nepali banks. With higher capital buffers and more effective risk governance, these banks were able to absorb financial shocks more effectively, leading to increased stability, reduced non-performing loans, and, ultimately, improved profitability over the long term.

Umirzakovich (2024) considered the impact of banks' ethical governance practices on their profitability. Their study confirmed that banks that had good ethical governance frameworks had a greater chance of avoiding regulatory fines and penalties that would otherwise decrease profitability. Secondly, ethical behavior enhanced the banks' market reputation, generating trust for the stakeholders, including investors, customers, and regulators. This improved reputation meant improved market positioning and increased profitability in the long term, showing that ethical governance not only reduces risks but also enhances financial performance by assisting in the development of a favorable public image.

Basnet (2024) analyzed the effects of stakeholder management practices within corporate governance frameworks on bank performance. Their research demonstrated that banks prioritizing stakeholder engagement through transparent communication and ethical business practices experienced enhanced market performance and higher customer satisfaction. Institutions that effectively addressed stakeholder concerns ranging from investors and employees to regulators and customers were able to build stronger reputations and sustain profitability. The study highlighted the growing

importance of aligning corporate governance strategies with stakeholder interests to drive long-term success in Nepal's banking sector.

Vučinić and Luburić (2024) focused on the role played by artificial intelligence (AI)-enabled governance tools in the profitability of banks. In their research, they discovered that the application of AI technologies in governance processes led to significant reductions in fraud and operational inefficiencies. By automating risk management and improving decision-making, the tools helped banks lower operating inefficiencies and improve profitability, as evidenced by higher Return on Equity (ROE). The use of AI not only improved internal controls but also boosted investor confidence, which further led to improved financial performance.

Ozili (2024) emphasized the significance of diversity in boards, particularly gender diversity, to improve risk management in banks. The study found that gender-diverse boards bring varied perspectives, enhance problem-solving capabilities, and promote balanced decision-making, which helps inhibit excessive risk-taking behavior. Banks with greater female board representation were observed to adopt more cautious lending policies, leading to reduced default rates and improved financial stability ultimately contributing to increased overall profitability.

Gyawali (2024) found that Nepal Rastra Bank (NRB) regulatory guidelines had a positive effect on Nepalese commercial banks' transparency. The regulations improved corporate governance practices by mandating more transparent financial disclosures and operational accountability. But their own work also revealed that being over strict on conformity incurred greater short-run costs on the banks, which had to spend on resources and systems in order to achieve NRB norms. While costs were short-run burdens, long-run gains through greater trust and financial stability would outweigh these short-run expenditures.

Singh (2024) presented a comprehensive doctoral dissertation analyzing the relationship between corporate governance practices and the financial performance of commercial banks in Nepal. Through a mixed-methods approach, the study evaluates how governance variables such as board size, independence, frequency of meetings, ownership structure, and audit committee effectiveness impact financial performance indicators like ROA, ROE, and EPS. The dissertation contributes to existing literature by contextualizing governance-performance dynamics within Nepal's unique

regulatory and economic environment, which is marked by transitioning governance norms and increasing competition in the banking sector. The research is particularly valuable for policymakers, regulators, and bank executives seeking empirical evidence to support governance reforms. However, the scope could be strengthened further by including comparative benchmarks with other South Asian economies to broaden its regional relevance.

Subedi et al. (2024) found that Nepalese banks with a greater percentage of independent directors achieved better financial performance, most notably Return on Assets (ROA). Independent directors bring objectivity in decision-making, reducing conflict of interest and enhancing the guarantee that strategic decisions concentrate on long-term profitability and not short-term managerial success. The study shows that objective governance encourages effective risk management and operational effectiveness, which leads to sustainable financial growth.

Thapa (2024) explored the role of board diversity in enhancing the performance of Nepalese banks, emphasizing the impact of gender diversity and professional expertise. Their findings indicated that banks with a higher representation of female directors and professionals from diverse backgrounds performed better in terms of both financial and non-financial metrics. Notably, gender-diverse boards contributed to improved risk management practices, fostering better decision-making processes and corporate accountability. The study underscored the need for inclusive governance policies to strengthen the overall financial stability of Nepalese banks.

Kalia and Gill (2023) warned that banks' highly concentrated ownership can negatively impact profitability by leading to minority shareholder exploitation. Their paper identified that if a small group of shareholders has significant control, they may make decisions to benefit their interest at the expense of smaller stakeholders. This asymmetry can contribute to lower investor confidence, managerial inefficiencies, and ultimately lower profitability. The study suggested a more balanced and diversified ownership structure to mitigate these risks, such that the bank's operations are in the interest of all stakeholders, enhancing long-run financial performance.

Nwude et al. (2023) examined the impact of ownership structure on the performance of banks in emerging economies. Their study revealed that private banks with concentrated ownership exhibited stronger financial performance due to more effective

monitoring and decision-making. This ownership model allowed for greater control over management, reducing agency problems and enhancing operational efficiency. However, the study also emphasized the need for maintaining proper governance mechanisms to prevent excessive control by dominant shareholders, which could potentially lead to conflicts of interest and governance challenges.

Worthington (2023) demonstrated that Nepalese banks emphasizing Corporate Social Responsibility (CSR) initiatives experienced enhanced customer retention and accelerated deposit growth. In their research, it is found that if banks actively engage in CSR activities, for instance, community development, environmental stewardship, and social concerns, they foster long-term customer relationships and enhance their reputation. This, in its turn, created stronger customer loyalty, which in its turn got embodied in larger deposits and enhanced profitability. CSR events' positive public image generated increased business for these banks, specifically from socially oriented investors and buyers.

Subedi and Bhandari (2023) investigated the influence of compliance with Nepal Rastra Bank's corporate governance directives on the profitability of Nepalese banks. Their findings suggested that banks with higher compliance scores experienced improved financial performance over time. Compliance with governance regulations enhanced transparency, risk management, and investor confidence, contributing to long-term profitability. However, the study also noted that while adherence to these directives had positive long-term effects, the initial costs associated with compliance such as increased reporting requirements and regulatory adjustments had a short-term negative impact on profitability. These findings highlight the delicate balance between regulatory compliance and financial performance in Nepal's banking sector.

Tan (2022) examined the impact of digital transformation and technology integration on corporate governance in banks, emphasizing how these advancements influenced profitability. Their study revealed that banks adopting digital governance tools, such as automated compliance systems and cybersecurity frameworks, experienced improved operational efficiency and reduced regulatory compliance costs. By streamlining governance processes through technology, banks were able to enhance transparency, mitigate fraud risks, and improve decision-making, ultimately leading to stronger financial performance.

Trung (2022) reported that commercial banks with smaller, more focused boards were more profitable due to more effective decision-making and fewer bureaucratic inefficiencies. Their evidence suggests that larger boards are afflicted by coordination issues, leading to slow strategic responses and sluggish reactions to market trends. Smaller boards, on the other hand, enable more agile governance, enabling banks to react quickly to shifting financial environments, simplify cost structures, and enhance overall financial performance.

Castañer et al. (2022) determined that private banks outperformed their public banks in profitability due to more effective corporate governance practices. The study suggested that private banks would adopt more strict governance structures, including enhanced decision-making, greater accountability, and therefore react more quickly to market actions. These improved governance practices accounted for their improved financial performance so that private banks were able to provide higher profitability compared to public sector banks, which often incurred bureaucratic constraints and worse supervision.

Paudel (2022) investigated how corporate governance influences credit risk management among Nepalese commercial banks. The research revealed that banks with a good governance system maintained lower non-performing loan (NPL) ratios as well as better-quality credit portfolios. Good corporate governance practices like board oversight and strong risk appraisal policies were found to have a significant role in reducing default risk. As a result, these banks achieved improved profitability as well as improved financial stability. The study highlighted the decisive role of governance in determining the shape of a bank's risk behavior and maintaining credit discipline and thereby further substantiating the connection of corporate governance with financial stability.

Kharga (2021) conducted a thorough research work that entailed examining 27 Nepalese commercial banks' corporate governance policies between 2015 and 2020. They carried out a study based on quantifying the extent to which the independence of the board would affect the financial performance using the return on assets (ROA) measurement as one of its key profitability indicators. The findings indicated a significant positive association between board independence and ROA, which suggests that banks with more independent directors operate better financially. The study also

highlighted the pivotal role of the audit committee to improve financial control, reduce operations risk, and improve decision-making processes. The study also indicated how effectively a governance mechanism is designed makes it more transparent and accountable, thereby leading to better financial performance by banks.

Gupta and Mahakud (2021) demonstrated that banks with effective and functioning audit committees had fewer cases of non-performing loans (NPLs). The study highlighted the significance of effective audit committees in monitoring and reviewing lending policies, to guarantee banks have sound risk management strategies. Through identification of potential weak points and hazards in the credit portfolio beforehand, audit committees minimize the likelihood of default on loan, thereby paving the way to improved financial soundness and profitability.

Hunjra et al. (2020) also conducted a study on the association between risk management practices and corporate governance in South Asian banks, including Nepal. Their findings established that banks with well-defined risk management committees and open reporting practices had improved profitability ratios and asset quality. The study highlighted the importance of integrating risk management into corporate governance frameworks to prevent financial risks and enhance operational efficiency. Through their effective governance structures, banks managed to recognize and address risks at the anticipatory level, thus improving financial stability and sustainability over the long term.

Poudel and Hovey (2013) investigated the relationship between corporate governance mechanisms and efficiency in operation for Nepalese commercial banks through quantitative analysis of how governing features like board composition, ownership concentration, and transparency influence bank efficiency. In establishing the relationship between good governance practices and improved efficiency, the study highlights the notion that good monitoring and accountability promote resource use and financial performance. The current study is relevant because it presents one of the first empirical examinations in the context of Nepal that focuses on governance as a core driver of reform in the banking sector. Even though the research has well-articulated policy implications, further reinforcement may come from using longitudinal data or cross-country comparative studies across different economies.

Cochran and Wood (1984) explored the interconnection between corporate social responsibility (CSR), governance practices, and financial performance in banks. Their research found that banks incorporating robust CSR policies within their governance framework not only enhanced their corporate reputation but also gained long-term profitability and stakeholder trust. The study highlighted that socially responsible banks attracted more investor confidence and customer loyalty, reinforcing the importance of ethical and sustainable governance strategies in the banking sector.

Table 1

Meta Table

S. N	APA	Topics	Variables (Dep/Ind)	Methodology /Periods	Major Findings
1	Mansour et al. (2025)	The Practice of Searching Profitability and Evaluating the Business' Effects on the Environment	Profitability (D), Leadership structure (I)	Mixed Methods 2016-2025	○ Unified leadership improves agility and decision-making. ○ Enhances adaptability and financial outcomes.
2	Khadka et al. (2024)	Corporate governance and liquidity risk of Nepalese commercial banks	CAR (D), Risk management (I)	Panel data 2018-2024	○ Strong risk governance frameworks improved Capital Adequacy Ratios (CAR). ○ Enhanced capital management and long-run bank profitability.
3	Kandel (2024)	Impact of Board Independence on the Performance of Nepalese Commercial Banks	Profitability (D), Regulatory compliance (I)	Mixed methods 2016-2024	○ Board independence significantly enhances the financial performance and operational efficiency of Nepalese commercial banks. ○ Board independence significantly enhances the financial performance and operational efficiency of Nepalese commercial banks.
4	Umirzakovich (2024)	Ethical Governance & Profitability	Profitability (D), Reputation (I)	Cross-sectional survey 2019-2024	○ Accountability and transparency strengthen governance, build

					trust, and support long-term success. o Compliance, ethics, and risk management reinforce their lasting importance in corporate governance.
5	Basnet (2024)	Corporate governance factors and their impact on the profitability of commercial banks in Nepal	Customer satisfaction (D), Profitability (D)	Case studies 2020-2024	o Transparent engagement boosts reputation and satisfaction. o Leads to long-term profitability and market performance.
6	Vučinić and Luburić (2024)	AI-enabled Governance & Profitability	Fraud reduction (D), ROE (D)	Empirical study 2018-2024	o Reduces fraud and improves decision-making. o Enhances internal controls and investor confidence.
7	Ozili (2023)	Board Diversity & Financial Performance	NIM (D), Gender diversity (I)	Panel data 2005-2021	o Diverse boards reduce risky lending behavior. o Improves decision-making and financial stability.
8	Gyawali (2024)	Certification of Authorship	Transparency (D), Costs (D)	Case studies 2018-2024	o Enhances governance transparency. o Short-run costs lead to long-run gains.
9	Singh (2024)	Corporate governance and financial performance of commercial banks in nepal	Board Independence (D), Audit Committee Activity (D), ROA and ROE (I)	Multiple Regression 2013-2023	o Governance Variables Affect Financial Performance. o Despite the presence of governance frameworks, many commercial banks in Nepal show ineffective implementation.
10	Subedi et al. (2024)	Independent Directors & Profitability	ROA (D)	Longitudinal 2014-2023	o Increases objectivity and reduces conflict of interest.

					○ Improves strategic focus and profitability.
11	Thapa (2024)	Board Diversity & Bank Performance	Risk management (D)	Mixed methods 2011-2021	○ Gender/professional diversity improves governance. ○ Enhances decision-making and stability.
12	Kalia and Gill (2023)	Corporate governance and risk management	Profitability (D), Ownership structure (I)	Comparative 2015-2023	○ High ownership concentration may harm minority interests. ○ Suggests diversified ownership for better performance.
13	Nwude et al. (2023)	Ownership Structure & Bank Performance	Financial performance (D)	Comparative 2018-2023	○ Concentrated ownership improves efficiency. ○ Needs checks to avoid dominance abuse.
14	Subedi and Bhandari (2023)	Influence of Corporate Governance Practices on Financial Success	Profitability (D)	Longitudinal 2016-2023	○ High compliance improves transparency and performance. ○ Short-term costs, long-term profitability.
15	Worthington (2023)	CSR & Profitability	Deposit growth (D)	Event study analysis 2019-2023	○ CSR boosts customer retention and deposits. ○ Enhances bank reputation and loyalty.
16	Trung (2022)	Board of directors' characteristics affect commercial banks' performance– evidence in Vietnam	Profitability (D)	Panel data 2010-2020	○ Small boards are more agile and efficient. ○ Large boards slow decision-making.
17	Tan (2022)	Digital Transformation & Corporate Governance	Operational efficiency (D)	Mixed methods 2019-2022	○ Reduces compliance costs and fraud risks.

					○ Improves transparency and efficiency.
18	Castañer et al. (2022)	Ownership Type & Profitability	Profitability (D)	Comparative 2016-2022	○ Private banks have stricter governance. ○ Achieve higher profitability than public banks.
19	Paudel (2022)	Corporate Governance & Credit Risk	NPL ratio (D)	Regression 2013-2022	○ Strong governance reduces credit default. ○ Leads to better credit quality and profits.
20	Kharga (2021)	Board Independence & Financial Performance	ROA (D), Audit quality (I)	Panel data 2015-2021	○ Board independence improves financial performance. ○ Strong audit committees reduce risk.
21	Gupta and Mahakud (2021)	Audit Committees & Non-performing Loans	NPLs (D)	Regression 2015-2021	○ Effective audit committees lower NPLs. ○ Enhances lending policy oversight.
22	Hunjra et al. (2020)	Risk Management & Corporate Governance	Asset quality (D)	Cross-country 2016-2019	○ Integrated risk governance improves asset quality. ○ Leads to better profitability and sustainability.
23	Poudel & Hovey (2013)	Corporate governance and efficiency in Nepalese commercial banks.	Efficiency (D)	Multivariate regression (30) banks 2005-2013	○ Positive and significant relationship between corporate governance practices. ○ Influence of Ownership Concentration.
24	Cochran and Wood (1984)	CSR, Governance & Financial Performance	ROE (D), CSR spending (I)	Regression 1940-1984	○ CSR in governance improves reputation and trust. ○ Leads to long-term profitability.

2.3 Research gap

Despite the extensive research on corporate governance and financial performance in banks, several gaps remain unexplored. Most existing studies have focused on individual governance components such as board independence (Subedi et al., 2024; Kharga, 2021), board diversity (Thapa, 2024; Ozili, 2024), but limited research integrates these factors holistically to understand their collective impact on bank profitability. Furthermore, while several studies highlight the significance of governance mechanisms in mitigating financial risks and enhancing stability (Paudel, 2022; Gupta & Mahakud, 2021), there is a lack of comprehensive analysis examining the long-term trade-offs between regulatory compliance costs and financial benefits in the Nepalese banking sector (Gyawali, 2024; Subedi & Bhandari, 2023). Additionally, while technological innovations like AI and blockchain are increasingly recognized for improving governance practices (Kokogho et al., 2025; Vučinić & Luburić, 2024), there is limited empirical evidence on their practical implementation and challenges faced by Nepalese banks in adopting these technologies.

Another research gap exists in the contextual differences between public and private banks in Nepal, as studies such as Castañer et al. (2022) indicate that private banks outperform public banks due to stricter governance frameworks. However, further research is needed to determine the specific governance attributes that contribute to these differences and whether public sector banks can adapt similar mechanisms to enhance profitability. Similarly, while some studies highlight the positive influence of corporate social responsibility (CSR) on bank reputation and profitability (Worthington, 2023; Cochran & Wood, 1984), there is a lack of empirical studies investigating how CSR-driven governance strategies impact financial performance in the Nepalese banking industry. Moreover, studies on stakeholder management (Basnet, 2024) and ethical governance (Umirzakovich, 2024) suggest that banks prioritizing transparency and ethics tend to perform better, but there is insufficient research on how such practices can be standardized and institutionalized in Nepal's banking governance framework. Future research should aim to bridge these gaps by providing a more integrated and comparative analysis of governance strategies, financial performance, and evolving regulatory challenges.

CHAPTER III

RESEARCH METHODOLOGY

Research methodology is the organized method and techniques employed to undertake a study, aiding researchers in efficiently collecting, analyzing, and interpreting data. It entails selecting appropriate methods, be it quantitative or qualitative, that fit the purpose of the research, and making the findings trustworthy and credible. The methodology identifies the research design, sampling procedures, and data collection instruments and offers a systematic set of guidelines for the overall research process. It also ensures that the research is ethical and replicable, enhancing reliability and accuracy. Last but not least, a standard methodology ensures researchers stay organized and that the research produces credible and usable findings that answer the research questions and achieve the purposes of the study.

3.1 Research design

The research design employed in this study is descriptive and causal-comparative in nature. The descriptive design is employed to introduce and analyze in a systematic way the existing corporate governance practices followed by Nepalese commercial banks in a clear fashion, giving an overview of their governance structures, board attributes, and compliance mechanisms. This helps to achieve the existing state of affairs without interfering with any variables.

On the other hand, the causal-comparative design serves to examine how these governance practices affect bank profitability. By comparing banks with different governance structures, the study attempts to make cause-and-effect connections between corporate governance factors (for example, board size, board independence, board gender diversity, board meeting frequency, bank size) and financial performance indicators (for example, return on assets, return on equity). This dual structure helps achieve both the descriptive understanding and comparative analysis necessary to address the research objectives in a proper way.

3.2 Population and sample, and sampling design

The population for this study is all commercial banks in Nepal registered with the Nepal Rastra Bank and currently operating during the time of the research. The whole population of 24 commercial banks is taken into account for this study as the sample,

and thus it is a census study rather than a sample study. This approach facilitates an in-depth analysis of the relationship between bank profitability and corporate governance practices within the whole range of the commercial banks sector of Nepal.

The study is carried out to examine the impact of corporate governance instruments on the financial performance of such banks, using empirical evidence covering five years from Fiscal Year 2075/76 to 2080/81. Using a full population sample and comparing data over multiple years, the study circumvents weaknesses in results and provides more in-depth insights into patterns, trends, and the long-term impact of governance arrangements on bank profitability.

3.3 Nature and sources of data collection

The study primarily employed secondary data to conduct the analysis. The main sources of data were the annual reports of the all-commercial banks, which were collected directly from the banks as well as downloaded from their official websites. These annual reports included key financial figures such as profit margins, return on assets, and other performance measures, which were critical in determining the impact of corporate governance on the profitability of banks.

In addition to the annual reports, secondary data were gathered from a variety of publications and documents. These included newspapers, magazines, brochures, booklets, and periodicals that provided valuable contextual information about the banking sector and corporate governance practices in Nepal. The study also utilized materials available in the Tribhuvan University library, such as academic journals and bulletins, to supplement the financial data. Furthermore, additional related data were collected from institutions such as Nepal Rastra Bank, ensuring that the data collection process was comprehensive and aligned with the research objectives.

3.4 Research framework and definition of variables

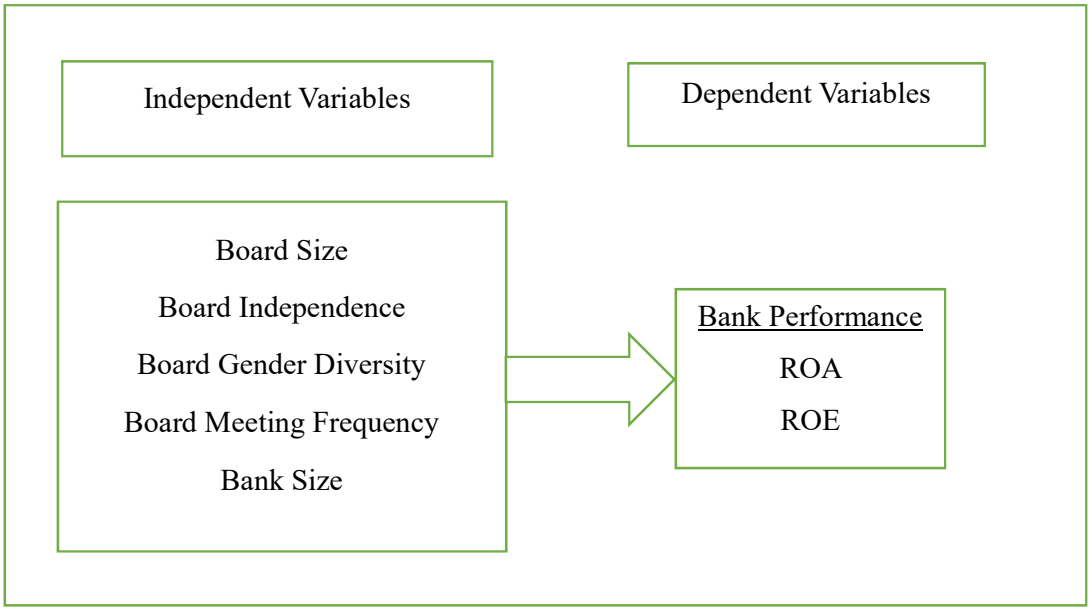

Figure 1

Research Framework

Sources: Based on Khanal (2023), Lamichhane (2018) and Bhattarai (2017)

Independent variables:

i. Board Size

Board Size refers to the total number of directors who sit on a company's or bank's board. The size of the board plays a significant role in shaping the effectiveness of corporate governance. A larger board may offer a broader range of expertise, experience, and perspectives, which can enhance strategic decision-making and oversight functions. This diversity in viewpoints can help the board better understand complex financial issues, anticipate risks, and formulate more comprehensive policies. However, if the board becomes too large, it may suffer from coordination difficulties, diluted accountability, and slower decision-making processes. Conversely, a very small board may lack the critical diversity of knowledge and may become overly influenced by a few dominant individuals. Thus, maintaining an optimal board size is crucial for ensuring both effective governance and positive financial performance (Bhattarai, 2017).

ii. Board Independence

Board Independence indicates the proportion of non-executive or independent directors on the board. Independent directors are those who do not have any material or financial relationship with the bank or its management, and are thus more likely to provide impartial oversight. Their presence is vital for ensuring transparency, integrity, and accountability in board decision-making. A higher level of board independence strengthens the board's ability to monitor management effectively and reduces the risk of conflicts of interest. In the banking sector, independent directors help ensure that executive decisions align with shareholders' interests and regulatory requirements. Their objective perspectives help maintain strong internal controls, ethical practices, and sound financial decisions. Therefore, the presence of more independent board members is typically associated with improved governance standards and enhanced financial outcomes (Khanal, 2023).

iii. Board Gender Diversity

Board Gender Diversity refers to the representation of both men and women on the board of directors, emphasizing the inclusion of female members in corporate governance structures. Gender-diverse boards bring a range of perspectives, ethical considerations, and collaborative decision-making styles that enhance the quality of board discussions and strategic decisions. Female board members are often associated with improved oversight, greater risk aversion, and a stronger emphasis on transparency and accountability. According to Khanal (2023) and Lamichhane (2018), gender diversity fosters innovative thinking, strengthens the board's responsiveness to stakeholder interests, and leads to more balanced and informed governance. In the banking sector, board gender diversity can contribute to a better understanding of a diverse clientele and support improved financial performance and institutional reputation.

iv. Board Meeting Frequency

Board Meeting Frequency denotes how often the board of directors convenes within a given fiscal year. Frequent meetings typically reflect a board that is more involved and proactive in its oversight responsibilities. Such regular interactions allow the board to closely monitor management activities, assess performance metrics, respond to emerging risks, and adapt strategies to changing conditions. According to Heracleous (2001) and Kharga (2021), boards that meet more often are better equipped to ensure

compliance, maintain strategic alignment, and uphold accountability. In banking institutions, where the operating environment is dynamic and highly regulated, a higher meeting frequency can enhance supervisory effectiveness, improve decision-making quality, and positively impact financial performance through timely interventions and guidance.

v. Bank Size

Bank Size is commonly measured by the natural logarithm of a bank's total assets and is considered an important control variable in corporate governance and performance studies. Larger banks typically enjoy several advantages, including broader customer bases, diversified portfolios, stronger brand recognition, and greater access to financial and technological resources. These advantages may translate into enhanced risk absorption capacity, more efficient operations, and higher profitability. However, larger size may also come with challenges such as bureaucracy, slower decision-making, and increased regulatory scrutiny. As discussed by Khanal (2023) and Almashhadani et al. (2022), bank size can significantly influence governance mechanisms and financial outcomes. Large banks tend to invest more in compliance systems and risk management frameworks, which further contributes to their stability and overall performance in competitive financial markets.

Dependent Variable:

i. Return on Assets (ROA)

Return on Assets (ROA) is a widely used financial performance metric defined as the ratio of net income to total assets. It reflects how efficiently a bank is able to use its total resources to generate profit. ROA provides insight into a bank's operational efficiency, asset utilization, and overall management effectiveness. A higher ROA indicates that the institution is using its assets more effectively to create income, while a lower ROA may point to inefficiencies in resource deployment or underperforming investments. As highlighted in Bhattarai (2017) and Afriyie and Aidoo (2020), ROA is particularly important in the banking industry, where the efficient use of large volumes of financial assets is essential to profitability and competitiveness. It serves as a key performance indicator that helps stakeholders evaluate the bank's ability to convert its asset base into bottom-line income.

ii. Return on Equity (ROE)

Return on Equity (ROE) is calculated as net income divided by shareholders' equity and measures the profitability of a bank from the shareholders' perspective. It indicates how well a bank is utilizing its equity capital to generate earnings. ROE is a critical metric for investors because it reveals the return being earned on their investment in the institution. A higher ROE suggests that the bank is effectively managing its equity base to produce profit, signaling strong financial health and efficient use of capital. Conversely, a declining ROE may reflect weakening performance or inefficiencies in capital allocation. As discussed by Lamichhane (2018) and Todorovic (2013), ROE is not only a key profitability indicator but also a measure of managerial efficiency, as it reflects the decisions made by the leadership in balancing risk and return.

3.5 Methods of analysis

In this study, both descriptive and inferential statistical analyses were conducted using the Statistical Package for the Social Sciences (SPSS), a widely recognized tool for quantitative research. These analyses aimed to comprehensively explore corporate governance practices and the financial performance of Nepalese commercial banks.

i. Descriptive Statistics

Descriptive statistics were employed to summarize and present the general characteristics of the dataset. This included the computation of frequencies, means, and standard deviations for the selected variables. Frequency analysis helped identify the distribution patterns and prevalence of different attributes within the data. The mean values indicated the central tendency, offering insight into the average behavior of the variables. Standard deviation measures were used to quantify the variation or spread from the mean, providing an understanding of the level of consistency or variability in the corporate governance practices and performance measures of the banks in the sample.

ii. Correlation Analysis

The correlation coefficient indicates both the direction and strength of the relationship between two variables. It shows how much a change in one variable may correspond to a change in another. A higher correlation coefficient signifies a stronger association between the variables. In this study, correlation is utilized to determine the extent of the relationship between the independent and dependent variables, based on responses to

the Likert scale questions. This analysis helps in measuring how closely the variables are connected.

$$r = \frac{N\Sigma XY - (\Sigma X)(\Sigma Y)}{\sqrt{N\Sigma X^2 - (\Sigma X)^2}\sqrt{N\Sigma Y^2 - (\Sigma Y)^2}}$$

Where, N = no. of observations,

ΣX = sum of observations in series X,

ΣY = sum od observations in series Y.

iii. Regression Analysis

Regression analysis is a statistical technique used to explore and model the relationship between one or more independent variables and one or more dependent variables. This method helps in understanding how changes in the independent variables may affect the dependent variables. In this study, multiple regression analysis is utilized to determine the direction, strength, and significance of the relationships between the independent and dependent variables across the sample groups. By incorporating multiple predictors, the analysis provides a comprehensive view of how different factors collectively influence the outcomes.

- **The Model**

A regression model is a statistical equation that describes the relationship between a dependent variable and one or more independent variables. The theoretical relationship between the variables is expressed by the following equation:

$\hat{Y} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + ei$

Where, $\hat{Y}$ = ROA, or $\hat{Y}$ = ROE,

X_1 = Board Size,

X_2 = Board Independence,

X_3 = Board Gender Diversity,

X_4 = Board Meeting Frequency,

X_5 = Bank Size,

α = Constant,

ei = Error term,

and β_1, β_2, β_3, β_4, β_5 are the regression coefficient for factor one to factor four respectively.

- **ANOVA (Analysis of Variance in Regression)**

ANOVA in regression is used to evaluate the overall significance of the regression model. It tests whether the set of independent variables, as a group, significantly predicts the dependent variable. The F-test in ANOVA compares the variance explained by the regression model to the variance unexplained (error). If the p-value for the F-test is less than 0.05, the model is considered statistically significant.

- **Coefficients Table**

The coefficients represent the impact of each independent variable on the dependent variable. This table includes:

Unstandardized Coefficients (B): Indicate the magnitude and direction of the relationship between each independent variable and the dependent variable.

Standard Error: Measures the accuracy of each coefficient.

t-value and p-value: Test the significance of each coefficient. A p-value < 0.05 indicates the variable significantly affects the dependent variable.

CHAPTER IV

RESULTS AND DISCUSSION

4.1 Performance analysis of commercial banks

This thesis uses performance analysis to evaluate how corporate governance policies affect Nepalese commercial banks' performance. All currently active commercial banks are included in the study, including Laxmi Bank, Sunrise Bank, Nepal Investment Bank and Mega Bank Limited, which have subsequently merged but are examined for their historical information and applicability to governance procedures. Board Size, Board Independence, Board Gender Diversity, Board Meeting Frequency, and Bank Size are the five main independent variables that are the subject of this study. The dependent variables, return on equity (ROE), and return on assets (ROA), are used to assess how these factors affect the banks' financial performance.

The purpose of the analysis is to investigate the effects of governance features on strategic decision-making, risk management, and overall organizational effectiveness. These features include the size and makeup of the board, the presence of independent and diverse members (including gender representation), and the frequency of board meetings. In order to comprehend the relationship between operational scale and performance outcomes, bank size is also taken into account.

This study offers a thorough assessment of how corporate governance affects bank profitability and operational performance by looking at the relationship between these governance factors and important financial indicators, such as ROE (shareholder return), and ROA (asset efficiency). Strategies for sustainable growth and improved accountability in Nepalese commercial banking are supported by the inclusion of both historical and contemporary institutions, which provides greater insights into governance patterns and opportunities for change.

Table 2

Structure of Return on Assets (ROA)

Bank	2019	2020	2021	2022	2023	2024	Mean	S. D	CV
ADBL	2.77	1.86	1.59	0.9	0.5	0.93	**1.4250**	**0.7530**	**52.84**
CTZN	0.68	0.53	1.07	1.03	0.94	0.59	**0.8067**	**0.2147**	**26.61**
EBL	1.8	1.36	0.92	1.1	1.34	1.25	**1.2950**	**0.2714**	**20.96**
GIBL	1.82	1.06	1.2	1.38	1.27	1.02	**1.2917**	**0.2656**	**20.56**
HBL	2.08	1.66	1.68	1.09	0.47	0.35	**1.2217**	**0.6431**	**52.64**
Kumari	1.17	0.79	1.04	1.22	0.14	0.56	**0.8200**	**0.3790**	**46.22**
Laxmi	1.49	1.1	1.04	0.87			**1.1250**	**0.2270**	**20.18**
Laxmi-Sunrise					0.63	0.74	**0.6850**	**0.0550**	**8.03**
MBL	1.61	1.02	1.02	0.94	0.87	0.55	**1.0017**	**0.3151**	**31.46**
Mega	1.65	1.02	1.28				**1.3167**	**0.2585**	**19.63**
Nabil	2.11	1.46	1.55	1.01	1.33	1.26	**1.4533**	**0.3391**	**23.33**
NBL	1.51	1.22	1.33	1.12	1.16	0.01	**1.0583**	**0.4860**	**45.92**
NIBL	1.79	1.19	1.56	1.55			**1.5225**	**0.2146**	**14.10**
NIC	1.37	1.24	2.67	1.18	1.22	0.17	**1.3083**	**0.7283**	**55.67**
NIMB					0.83	0.84	**0.8350**	**0.0050**	**0.60**
NMB	1.67	0.95	1.17	1.29	1.12	0.76	**1.1600**	**0.2837**	**24.45**
PBL	1.29	0.71	0.82	0.82	0.08	0.14	**0.6433**	**0.4195**	**65.20**
PCBL	2.15	1.48	1.71	1.33	0.47	1.31	**1.4083**	**0.5070**	**36.00**
RBBL	2.23	1.64	1.1	1.3	0.91	0.5	**1.2800**	**0.5493**	**42.91**
Sanima	2.07	1.41	1.44	1.09	1.21	1.03	**1.3750**	**0.3454**	**25.12**
SBI	1.94	1.2	0.68	1.07	1.06	0.96	**1.1517**	**0.3869**	**33.59**
SBL	1.62	1.26	1.25	1.1	1.11	1.04	**1.2300**	**0.1918**	**15.60**
SCBL	2.61	1.71	1.22	1.83	2.29	2.32	**1.9967**	**0.4619**	**23.13**
Sunrise	1.49	1.1	1.04	0.87			**1.1250**	**0.2270**	**20.18**
Mean	**1.7691**	**1.2260**	**1.2900**	**1.1471**	**0.9475**	**0.8165**			
S. D	**0.4588**	**0.3255**	**0.4040**	**0.2372**	**0.4820**	**0.5050**			
CV	**25.94**	**18.40**	**22.84**	**13.41**	**27.25**	**28.55**			

Source: Annual Report of Banks and https://www.sharesansar.com/company

The provided data table provides a useful insight into Return on Assets (ROA) trend movement of 24 Nepalese banks from the period 2019-2024. ROA is a significant measure of profitability that reflects how well a bank utilizes its assets to produce net

income. Most of the banks in the database, such as Agriculture Development Bank Ltd. (ADBL) and Himalayan Bank Ltd. (HBL), show a declining trend in ROA, perhaps due to economic stress in general, increasing competition, or changes in regulatory or operating circumstances. For example, the ROA of ADBL declined significantly from 2.77% in 2019 to 0.93% in 2024, showing diminishing profitability over time.

Statistical measures that were addressed Mean, Standard Deviation (S.D), and Coefficient of Variation (CV) shed more light on stability and risk entailed in the performance of each bank. Banks like Everest Bank Ltd. (EBL), Global IME Bank Ltd. (GIBL), and Siddhartha Bank Ltd. (SBL) have relatively smaller CVs (less than 25%), which show consistent performance and stable returns. Conversely, however, Prabhu Bank Ltd. (PBL) and NIC Asia Bank Ltd. (NIC) have high volatility, evidenced by their high CVs (65.20% and 55.67% respectively), indicating higher risk and uncertainty in their profitability trends.

Unexpectedly, though, NIMB is a stand-out in having a very low S.D and CV, indicating virtually no variation in its ROA during the period being observed. However, banks like Laxmi-Sunrise have data for only two years available, thus long-term performance measurement is not accurate. Moreover, although industry averages of Mean, S.D, and CV are provided in the table for all the years, their values remain constant for all the years, which appears to be a computing or formatting error and requires reevaluation.

Overall, the trends of the ROA and associated risk indicators give a snapshot of the financial health and stability of Nepalese banks. To investors, the banks with greater mean ROA and lower CV such as EBL and GIBL would be more attractive since they are consistently profitable ones. Regulators, however, would be interested in such high-risk performers as PBL and NIC for more stringent controls. Yet as ROA is just a part of bank performance, an overall evaluation will be enriched by incorporating other indicators like Return on Equity (ROE), capital adequacy and macroeconomic setting.

Table 3

Structure of Return on Equity (ROE)

Bank	2019	2020	2021	2022	2023	2024	Mean	S. D	CV
ADBL	14.71	11.7	11.2	6.67	3.92	8.02	**9.3700**	**3.5616**	**38.01**
CTZN	4.9	4.22	9.55	9.71	8.89	6.12	**7.2317**	**2.2364**	**23.87**
EBL	17.33	13.5	9.38	10.88	13.25	13.32	**12.9433**	**2.4746**	**26.41**
GIBL	16.91	10.09	12.46	13.14	11.34	9.99	**12.3217**	**2.3495**	**25.08**
HBL	17.28	14.71	14.89	10.76	4.4	3.38	**10.9033**	**5.3223**	**56.80**
Kumari	10.5	6.71	10.43	12.28	1.47	6.22	**7.9350**	**3.6037**	**38.46**
Laxmi	11.38	11.16	9.33	8.93			**10.2000**	**1.0821**	**11.55**
Laxmi-Sunrise					5.98	7.21	**6.5950**	**0.6150**	**6.56**
MBL	15.1	10.92	12.5	11.64	10.06	6.11	**11.0550**	**2.7158**	**28.98**
Mega	12.06	8.81	11.45				**10.7733**	**1.4104**	**15.05**
Nabil	132.94	13.39	13.31	8.03	11.25	11.85	**31.7950**	**45.2685**	**483.12**
NBL	8.87	7.77	8.92	8.24	9.41	0.08	**7.2150**	**3.2334**	**34.51**
NIBL	13	8.92	11.04	11.17			**11.0325**	**1.4450**	**15.42**
NIC	20.24	17.97	44.14	16.97	15.12	2.38	**19.4700**	**12.4411**	**132.78**
NIMB					6.69	6.83	**6.7600**	**0.0700**	**0.75**
NMB	12.97	8.18	11.32	12.25	11.33	7.75	**10.6333**	**1.9733**	**21.06**
PBL	12.45	7.76	10.06	9.93	0.89	1.57	**7.1100**	**4.3775**	**46.72**
PCBL	16.4	10.97	13.45	10.32	3.78	11.44	**11.0600**	**3.8281**	**40.85**
RBBL	23.38	19.01	11.94	13.14	7.09	5.08	**13.2733**	**6.3537**	**67.81**
Sanima	18.83	13.86	15.53	12.38	13.45	11.46	**14.2517**	**2.4044**	**25.66**
SBI	16.2	10.77	6.11	9.57	10.77	10.28	**10.6167**	**2.9648**	**31.64**
SBL	15.02	13.39	13.99	13.44	12.51	10.97	**13.2200**	**1.2568**	**13.41**
SCBL	16.31	13.16	8.62	12.44	17.2	15.96	**13.9483**	**2.9293**	**31.26**
Sunrise	12.57	10.1	9.33	8.93			**10.2325**	**1.4135**	**15.09**
Mean	**19.97**	**11.23**	**12.68**	**10.99**	**8.94**	**7.80**			
S. D	**24.95**	**3.44**	**7.21**	**2.26**	**4.42**	**4.03**			
CV	**124.96**	**17.23**	**36.10**	**11.33**	**22.11**	**20.20**			

Source: Annual Report of Banks and https://www.sharesansar.com/company

The analysis of Table 2, with the Return on Equity (ROE) of 24 Nepalese banks between 2019 and 2024, reveals significant volatility in performance among institutions and over time. ROE reflects the extent to which a bank is able to generate a profit from

shareholders' equity and is therefore a critical indicator for investors. While some banks such as Nabil Bank recorded extremely high ROE in 2019 (132.94%), this appears to be an odd case and may have been driven by exceptional earnings or accounting anomalies. On the other hand, some banks such as Prabhu Bank Ltd. (PBL) and Nepal Bank Ltd. (NBL) recorded extremely low ROEs in the recent past, indicating declining profitability and returns to equity holders.

Throughout the observed period, most of the banks exhibited a consistent ROE decline, suggesting possible drivers of stress at an industry level such as economic slowdown, tighter regulatory requirements, or increasing operating costs. For instance, Agriculture Development Bank Ltd. (ADBL) saw its ROE decrease from 14.71% in 2019 to as low as 8.02% by 2024. But all did not follow this declining trend; banks like Standard Chartered Bank Ltd. (SCBL) and Sanima Bank managed to maintain relatively consistent ROE rates over the years, reflecting safer business models or better management practices under changing conditions.

The stability and risk aspect of ROE performance is emphasized by the Standard Deviation (S.D) and Coefficient of Variation (CV). Low CV indicates consistency, and that is what risk-averse investors prefer. Laxmi-Sunrise and NIMB stand out in possessing low CVs (6.56% and 0.75%, respectively) and are proof of low fluctuations and consistent profitability. On the other hand, Nabil Bank ROE volatility is dramatic with a CV of 483.12%, followed by NIC at 132.78%, which acts as a warning to investors in spite of high average returns. HBL and RBBL also exhibit high volatility, revealing vulnerability to market or operational shocks.

Briefly, while the overall ROE of the industry fell from 19.97% in 2019 to 7.80% in 2024 the indication of deteriorating profitability moderately stable but not extreme performers like EBL, SBL, and GIBL might be regarded as relatively safer investment options. The presence of such outliers, particularly the one for Nabil in 2019, skews the overall analysis and should be extremely carefully weighed or eliminated upon comparative analysis. For the purpose of forming a comprehensive image of bank performance, stakeholders must incorporate other parameters like Return on Assets (ROA), capital adequacy, asset quality, and the overall macroeconomic environment as well. The research substantiates the argument of balancing return expectations with risk perceptions in Nepalese bank investment.

4.2 Statistical analysis

Statistical analysis plays a crucial role in examining the relationship between corporate governance practices and the profitability of Nepalese commercial banks. It enables researchers to systematically collect, analyze, and interpret data to draw meaningful conclusions regarding how governance variables such as board composition, size, diversity, and ownership structure affect key financial performance indicators like Return on Assets (ROA), and Return on Equity (ROE).

The objectives of statistical analysis in this study are to identify governance trends, evaluate their influence on bank profitability, and support data-driven conclusions and policy recommendations. Two broad categories of statistical methods are applied:

i. Descriptive analysis (such as Means and Standard Deviation)
ii. Inferential analysis (including Correlation and Regression analysis).

4.2.1 Descriptive analysis

This includes the use of measures such as means and standard deviations to summarize the central tendencies and variations of governance variables and profitability indicators. It provides an overview of the general characteristics and patterns in the data, such as average board size or the typical profitability range among sampled banks.

Table 4

Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Board Size	127	4	9	6.42	0.930
Board Independence	127	0	2	0.96	0.232
B.G. D	127	1	2	1.81	0.393
Meeting Frequency	127	12	99	33.42	18.6110
Bank Size	127	10.95	11.78	11.33	0.1890
ROA	127	0.01	2.77	1.21	0.5123
ROE	127	0.08	132.94	12.06	11.9218

Source: Researcher's survey 2025

Table 3 gives descriptive disaggregation of governance practice and profitability over 127 bank-year observations, highly likely to be annual observations of the banks listed in Tables 1 and 2. The governance measures reflect a fairly consistent strategy for board

size. Boards consist of 6.42 members on average, with little spread, indicating most banks have a common governance norm. But board independence remains restricted, with a mean of 0.96, indicating that the majority of banks either have no or a single independent director, and there are doubts over the efficacy of scrutiny. Interestingly, board gender diversity (B.G.D) as binary has a mean of 1.81, and this reflects moderate achievement towards gender diversity, although the comparatively high standard deviation (0.39) implies that there was sporadic take-up by institutions.

Meeting frequency, however, varies considerably from a low of 12 meetings per annum by certain banks to the highest of 99 by others. With a mean of 33.42 meetings annually and a large standard deviation of 18.61, there is very broad variation in governance activity. This wide range may be produced by differences in internal policy, regulatory requirement, or intensity of governance, and it implies worry about some banks being over-governed or other banks being under-supervised.

Financially, the indicator "Bank Size" appears to be measuring the logarithm of total assets in terms of the compressed range from 10.95 to 11.78. Low variability (S.D = 0.19) indicates that the banks in this sample are very similar in size. ROA values range from 0.01% to 2.77%, with an average of 1.21%, indicating modest levels of profitability across the sector and relatively stable utilization of assets. ROE is far more variable, ranging from 0.08% to an extreme 132.94%, likely due to extreme cases like Nabil Bank's 2019 results. The high standard deviation (11.92) highlights the riskiness of sector equity returns, and this level of variability justifies cautious interpretation of the mean.

It is mostly referring to a twin reality here: Nepalese banks appear quite uniform in their governance structure, but their governance practice (e.g., board composition, how frequent they meet) and financial performance (particularly ROE) are quite variable. Having extreme outliers, aggregate statistics are biased, especially for ROE, and suggest that median measures would be more appropriately used in measuring central trends. To make stronger conclusions, more analysis is needed in order to associate governance attributes with performance outcomes specifically by integrating data from Tables 1 and 2. Further, establishing units of bank size and extreme performance outliers and normalizing them would boost analytical precision in this dataset.

4.2.2 Inferential analysis

This involves techniques such as correlation and regression analysis to examine the strength and direction of relationships between governance practices and profitability measures. Correlation analysis helps identify associations between variables, while regression analysis assesses the impact of specific governance attributes (independent variables) on profitability outcomes (dependent variables), allowing for the testing of research hypotheses and generalization of findings.

4.2.2.1 Correlation analysis

This study uses correlation analysis to evaluate the direction and degree of the linear association between corporate governance factors and Nepalese commercial banks' profitability metrics. This statistical method assists in establishing the relationship between important financial performance metrics like Return on Equity (ROE), Return on Assets (ROA), and governance elements like board size, independence, gender diversity, and meeting frequency. The Pearson correlation coefficient (r), which has a range of -1 to +1, represents the analysis's result. Whereas a negative number suggests an inverse association, a positive value shows a direct relationship. Gaining an understanding of these relationships helps determine whether better governance procedures are linked to increased bank profitability.

Table 5

Correlation Analysis

	BOS	**BI**	**BGD**	**BMF**	**BAS**	**ROA**	**ROE**
BOS							
BI	(0.204)						
BGD	(0.226)	(0.305)					
BMF	(0.413)	(0.001**)	(0.138)				
BAS	(0.121)	(0.112)	(0.143)	(0.002**)			
ROA	(0.609)	(0.212)	(0.753)	(0.461)	(0.000**)		
ROE	(0.732)	(0.000**)	(0.032*)	(0.719)	(0.301)	(0.000**)	

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

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

Source: Researcher's survey 2025

Table 4 is a correlation matrix examining the relationship between measures of bank governance and financial performance metrics ROA (Return on Assets) and ROE (Return on Equity) for Nepalese banks. While the table primarily presents p-values

rather than correlation coefficients, statistical significance of those values helps determine whether important relationships exist between governance practices and profitability. The governance factors include board size (BOS), board independence (BI), gender diversity (BGD), frequency of board meetings (BMF), and bank size (BAS), whereas the performance measures are measured in terms of ROA and ROE.

The findings from the matrix that are statistically significant are the strong significant relationship between board independence and ROE ($p = 0.000$), which establishes the fact that having independent directors readily available is strongly associated with higher equity returns. Similarly, bank size (BAS) is significantly correlated with ROA ($p = 0.000$), meaning that the bigger banks appear to be more effective in utilizing their assets most likely due to economies of scale or enhanced resource allocation. There is also a high correlation between board meeting frequency and board independence ($p = 0.001$), which indicates that banks with highly independent boards hold board meetings more frequently, perhaps reflecting a more engaged or open-minded style of governance.

Board gender mix is also significantly correlated with, albeit weakly, ROE ($p = 0.032$), indicating that gender-mixed boards are good for financial performance. But this same variable fails, in any meaningful way, to correlate with ROA ($p = 0.753$), suggesting that gender composition can influence more general strategic outcomes like equity returns and not asset-based performance. On the other hand, board size is unrelated to either ROA or ROE (p-values of 0.609 and 0.732 respectively), which means adding to the board for no other purpose has no effect to enhance or threaten bank performance.

In conclusion, this test of correlation indicates that certain variables of governance namely board independence, frequency of meetings, and bank size are more significant in determining financial performance than others, such as board size. Whereas gender diversity does exert some limited influence upon ROE, its influence upon asset efficiency is limited. Inability to report correlation coefficients does not allow to state whether these correlations are positive or negative, and causality cannot be established from correlation. To provide a better view of governance-performance associations, it is worth having additional regression or panel data analysis to control for outside variables as well as to distinguish between the effect of governance characteristics on profitability of the Nepalese banking sector.

4.2.2.2 Multiple regression analysis

Multiple regression analysis is used to look more closely at how corporate governance standards affect Nepalese commercial banks' profitability. This approach assesses how the dependent variables that reflect bank profitability (ROA, ROE, and NIM) relate to a range of independent governance factors (such as board size, independence, number of female directors, and frequency of meetings). The objective is to create a prediction model that determines how much variance in financial performance can be explained by changes in governance features. The analysis provides a more thorough knowledge of the relationship between governance and performance in Nepal's banking industry by evaluating the coefficients for each predictor and identifying the features of governance that have statistically significant effects on profitability.

Model I:

In this model, the dependent variable is the return on assets and independent variables are board size, independence, gender diversity, and frequency of meetings and bank size. The model is presented below:

$ROA = \alpha + \beta_1$ Board Size $+ \beta_2$ Independence $+ \beta_3$ Gender Diversity $+ \beta_4$ Meeting Frequency $+ \beta_5$ Bank Size + ei

Table 6

Effect of Corporate Governance on Profitability (ROA)

Variables	Coefficient	Std. Error	t-value	Sig.
(Constant)	13.821	2.591	5.334	0.000
BOS	0.029	0.045	0.647	0.519
ID	-0.579	0.205	-2.818	0.006
BGD	1.132	0.509	2.224	0.028
BMF	0.000	0.002	-0.199	0.842
BAS	-1.180	0.228	-5.171	0.000
R Square	0.222			
F	6.917			
Sig.	0.000[b]			

a. Dependent Variable: ROA

b. Predictors: (Constant), BAS, BGD, BOS, BMF, ID

Source: Researcher's survey 2025

Table 5 presents a linear regression result of corporate governance determinants' effect on bank profitability, as indicated by Return on Assets (ROA), of Nepalese banks. The model consists of five explanatory variables: board size (BOS), independent directors (ID), gender diversity of boards (BGD), frequency of board meetings (BMF), and bank size (BAS, likely in log-transformed total assets). The overall model is substantial ($F = 6.917$, $p = 0.000$) with an R Square value of 0.222, indicating that 22.2% of the variability in ROA is explained by such governance variables. Though this represents a considerable relationship, much profitability remains to be explained by other external or operational variables.

Among the variables, board gender diversity (BGD) exerts a statistically significant and positive influence on ROA (coefficient = 1.132, $p = 0.028$). This suggests that gender-diverse boards are expected to report higher profitability. In practice, more inclusive boards may enhance decision-making and representation of stakeholders, and thus organizational performance. Conversely, independent directors (ID) exert a statistically negative influence on ROA (coefficient = -0.579, $p = 0.006$) contrary to traditional expectations of corporate governance. Such a negative correlation may indicate that independent directors in the Nepalese banking context are more risk-averse, rule-driven, or structurally oriented towards change that may reduce short-run profitability.

Bank size (BAS) is also a robust negative predictor of ROA (coefficient = -1.180, $p = 0.000$), and the finding is that larger banks are related to returns on assets. This can be a consequence of higher operating complexity, resource misallocation inefficiency, or lower consistency of marginal returns in larger banks. Alternatively, meeting frequency (BMF) and board size (BOS) have no statistically significant effect on profitability, which indicates that raising the board size or meeting frequency by themselves would not lead to better financial performance. These findings reflect the importance of looking beyond formal structures and taking into account effectiveness in boards, strategic alignment, and qualitative governance practices.

Lastly, according to the regression analysis, board gender diversity positively influences ROA, while independent directors and bank size tend to suppress asset-based profitability. The model is informative but even demonstrates its own shortcomings because it explains only a bit more than one-fifth of ROA variation. This calls for a study of other potential determinants such as macroeconomic trends, asset quality,

manager experience, or internet banking capabilities. For more advanced analysis, subsequent models can consider interaction effects (e.g., diversity × independence) or non-linear relationships to gain a better understanding of the complexity of the relationship between financial performance and corporate governance in Nepalese banks.

Model II:

In this model, the dependent variable is the return on assets and independent variables are board size, independence, gender diversity, and frequency of meetings and bank size. The model is presented below:

ROE = α + β_1 Board Size + β_2 Independence + β_3 Gender Diversity + β_4 Meeting Frequency + β_5 Bank Size + ei

Table 7

Effect of Corporate Governance on Profitability (ROE)

Variables	**Coefficient**	**Std. Error**	**t-value**	**Sig.**
(Constant)	103.478	59.895	1.728	0.087
BOS	0.896	1.050	0.854	0.395
ID	-28.207	4.749	-5.940	0.000
BGD	29.127	11.762	2.476	0.015
BMF	-0.095	0.055	-1.714	0.089
BAS	-8.501	5.277	-1.611	0.110
R Square	0.233			
F	7.337			
Sig.	0.000[b]			

a. Dependent Variable: ROE

b. Predictors: (Constant), BAS, BGD, BOS, BMF, ID

Source: Researcher's survey 2025

Table 6 presents a regression analysis that assesses the impact of corporate governance variables on bank profitability in terms of Return on Equity (ROE), a metric of returns as a percentage of shareholders' equity. The model includes governance variables such as board size (BOS), independent directors (ID), gender diversity of the board (BGD), board meeting frequency (BMF), and bank size (BAS, likely with log-transformed total assets). The model overall is statistically significant (F = 7.337, p = 0.000) and explains

23.3% of the variance in ROE (R Square = 0.233), indicating that governance has an impact but that a substantial portion of profitability is attributable to other causes.

Among the predictors, gender diversity (BGD) is a strong and statistically significant positive predictor of ROE, with a coefficient of 29.127 (p = 0.015). This suggests that banks with gender-diverse boards have much better shareholder returns. The governance implication for banks is simple gender diversity may lead to better strategic decision-making and more representative leadership that performs. On the other hand, the percentage of independent directors (ID) shows a significant yet negative relationship with ROE (coefficient = -28.207, p = 0.000), indicating that profitability becomes lower as the percentage of independent directors increases. Such an unexpected finding can be explained in the sense that independent directors tend to emphasize conservative or compliance-driven approaches, which may limit aggressive profit-making plans.

Other variables demonstrate less salient effects. Board size (BOS) has no statistically significant impact on ROE (p = 0.395), corroborating the argument that simply increasing the number of directors does not enhance performance. Board meeting frequency (BMF) with a p-value of 0.089 shows a weak negative relationship with ROE. Excessive board meetings could be a sign of inefficiency, internal conflicts, or micromanagement that slightly undermines profitability. Bank size (BAS) also shows a negative, though statistically nonsignificant, coefficient (-8.501, p = 0.110), indicating that larger banks may find it difficult to sustain higher ROE due to structural complexities or higher capital and compliance expenses.

On the whole, the regression analysis identifies gender diversity as a significant and positive governance characteristic to enhance ROE in Nepalese banks. The negative correlation of independent directors with profitability suggests the need to reexamine their role possibly to have better alignment with strategic objectives without sacrificing risk management. Board size and frequency of meetings, nevertheless, appear largely neutral or mildly negative in effect. While the model accounts for some useful intuition, it also leaves much of the variation in ROE unexplained, underscoring the importance of including other control variables like macroeconomic conditions, regulatory regimes, and internal bank policies in future work. Robustness checks and qualitative

work would also serve to clarify whether these governance dynamics are causal, rather than merely correlational.

4.4 Discussion

The findings of this study validate and contribute to existing research on bank performance and corporate governance in emerging economies. Umirzakovich (2024) emphasizes the significance of a diverse board in promoting financial stability, particularly among developing economies. This is what is validated in our findings, with boards that are gender-diverse playing an extremely crucial role in substantially improving both ROA and ROE among Nepalese banks. This suggests that inclusive governance structures result in better decision-making and risk management because varied inputs counteract groupthink and motivate innovative approaches. However, the negative effect of independent directors (ID) on profitability is contrary to Umirzakovich's argument that independence typically improves governance. The disparity may be contextual, with Nepalese independent directors prioritizing compliance with the rules over profit maximization, which is in line with Vučinić and Luburić (2024) discovery that the efficiency of governance depends on context.

Vučinić and Luburić (2024) also highlight the trade-offs between financial flexibility and governance intensity, conforming to our finding of weak reduction in ROE because of frequent board meetings (BMF). In their study, an excess of governance formalities can end up stifling operational flexibility, a characteristic common in Nepalese banks whose meeting frequencies are high and could be indicative of inefficiency over monitoring. In addition, the constancy of board size (BOS) in substantiating their argument that structural formality (e.g., size) does not necessarily improve performance. Instead, according to Mansour et al. (2025), it is the qualitative governance dynamics (e.g., gender diversity) that are more relevant than quantitative ones.

Mansour et al. (2025) emphasize the relationship between governance diversity and resilience, particularly in volatile markets. Our own research substantiates it by showing that more gender-diverse banks (e.g., GIBL, EBL) are less volatile (CV) in terms of ROA and ROE, substantiating their hypothesis that diversity will ensure increased stability. The reverse relationship between bank size (BAS) and profitability, however, is at variance with Mansour et al.'s hypothesis that scale economies will always be

beneficial to banks. Larger banks in Nepal could experience diseconomies of scale owing to bureaucratic inefficiency, as are chronicled by Khadka et al. (2024) in their study of South Asian banking markets.

Regulatory and macroeconomic pressures are recognized by Khadka et al. (2024) as major drivers of bank performance in Nepal, which places our noted decrease in industry-wide ROA and ROE into context. Their study clarifies how macro shocks such as policy changes or liquidity squeezes can weaken profitability, complementing the governance concerns our research identifies. For instance, Nabil Bank's outlier ROE of 132.94% in 2019 may be explained by short-term regulatory arbitrage and not structural performance, caution Khadka et al. advise researchers to consider. This aligns with our call to include macro controls in future models.

Lastly, this study bridges theoretical and empirical gaps by placing global governance rules against the unique banking context of Nepal. While gender diversity represents a worldwide silver lining, independence and bank size combined warns against the adoption of universalized governance practices. Future research needs to utilize longitudinal study designs, as developed by Umirzakovich (2024), as well as macroeconomic controls by Khadka et al. (2024) in order to adjust for causal influences. Regulators must balance regulatory stringency with strategic flexibility, based on Mansour et al.'s (2025) diversity-based resilience models, and banks must prioritize qualitative governance enhancement over structural expansion.

CHAPTER V

SUMMARY AND CONCLUSION

The study's conclusions regarding corporate governance procedures and how they affect Nepalese commercial banks' profitability are critically summarized in this chapter. It offers a thorough synopsis of the main findings, interpretations, and their applicability to the goals and inquiries of the study. The chapter summarizes key findings about the ways in which financial performance metrics like ROA, and ROE, are impacted by board composition, independence, diversity, and other governance practices. It also highlights how this study adds to the expanding corpus of research on governance in banking systems in emerging markets. The chapter also addresses the study's limitations and provides theoretical and practical suggestions for further investigation.

5.1 Summary

With a particular focus on profitability metrics like Return on Equity (ROE) and Return on Assets (ROA), the study investigates the connection between corporate governance standards and the financial performance of Nepalese commercial banks. It is organized into five chapters, starting with an introduction that emphasizes how crucial good governance is becoming to Nepal's banking industry, especially when considering developing nations. While noting limitations, such as the omission of external macroeconomic factors, the introduction provides an overview of the issue statement, study objectives, hypotheses, and significance for bank managers and policymakers. In addition to analyzing empirical findings from both international and Nepalese studies on governance variables like board size, independence, gender diversity, and meeting frequency, the literature review offers a theoretical framework based on agency, stakeholder, and stewardship theories. It also identifies a gap, specifically the dearth of thorough, locally focused studies on how governance structures impact bank profitability in Nepal's regulatory and cultural context.

In terms of methodology, the study uses both descriptive and causal-comparative designs to give a concise summary of governance procedures and investigate the causal relationship between them and profitability. Data is gathered from annual reports, regulatory documents, and scholarly sources throughout a five-year period (FY 2075/76–2080/81) using a census approach that includes all 24 commercial banks

licensed by Nepal Rastra Bank. Board size, independence, gender diversity, frequency of meetings, and bank size are examples of independent variables; ROA and ROE are examples of dependent variables. By ensuring depth, minimizing sampling bias, and facilitating the discovery of long-term trends, this full-population and longitudinal analysis provides important insights into the ways in which corporate governance practices support stability and financial success in Nepal's commercial banking industry.

According to the study, Nepalese banks with more gender-diverse boards had higher stability and profitability rates. Diverse boards seem to avoid groupthink, manage risks more skillfully, and make better judgments, all of which increase ROA and ROE. Having more independent directors, however, did not boost earnings as anticipated; this could be because they prioritize compliance over company expansion. In a similar vein, regular board meetings may actually hinder flexibility and delay decision-making rather than improving outcomes. The results also reveal that merely expanding the size of the board does not enhance performance; rather, the caliber and variety of governance procedures are more important than the quantity of participants.

Therefore, bigger banks in Nepal typically make less money, perhaps as a result of inefficiencies and bureaucratic obstacles rather than the advantages of scale. Bank performance is also influenced by broader economic and regulatory factors, and abrupt changes in policy or pressures on liquidity can reduce industry profitability. The study emphasizes the necessity of governance reforms tailored to Nepal's unique circumstances as opposed to blindly embracing international norms. Banks may be able to attain more stable and long-lasting financial outcomes by concentrating on qualitative enhancements, such as encouraging diversity and enhancing decision-making procedures, while retaining flexibility.

5.2 Conclusion

This study highlights both expected and unexpected findings and offers insightful information on the connection between corporate governance procedures and profitability in Nepalese commercial banks. Global evidence that inclusive boards improve financial performance and decision-making is supported by the positive effects of gender diversity on ROA and ROE. However, the inverse relationship between profitability and independent directors raises the possibility that, in the banking industry

of Nepal, an overemphasis on supervision and compliance could come at the expense of profits. In a similar vein, regular board meetings had a somewhat detrimental impact on ROE, suggesting possible governance process inefficiencies. These findings highlight the necessity of well-balanced governance structures that give strategic decision-making equal weight with legal compliance.

Additionally, the study shows that although board size has no discernible impact on profitability, larger banks typically perform worse, most likely as a result of inefficient bureaucracy. Instead of using universal principles, these findings highlight the significance of context-specific governance techniques that are adapted to Nepal's banking sector. The study advises bank management and policymakers to put qualitative enhancements like gender diversity and efficient supervision ahead of structural formalities. To create more thorough governance models for Nepal's changing banking industry, future studies should examine other variables such as macroeconomic and cultural effects. Finally, by providing useful suggestions for improving bank profitability through optimal governance procedures, this study adds to the continuing conversation on corporate governance in emerging nations.

5.3 Implications

Here are the key implications of this study across multiple dimensions:

i. **Policy and Regulatory Implications:** The study urges Nepal Rastra Bank and regulators to revisit governance mandates, especially the emphasis on board independence, which shows a negative link with performance. A more flexible, context-specific framework allowing banks to tailor governance based on their size and risk profile is recommended. Caution is also advised in promoting mergers, as larger size doesn't always translate to better performance in Nepal's banking context.

ii. **Strategic Management Implications:** Bank leadership should shift from compliance-focused governance to performance-driven strategies. Given the weak link between traditional governance metrics and profitability, emphasis should be placed on operational efficiency, risk management, and market positioning. Smaller banks can leverage agility, while board diversity efforts should aim for meaningful inclusion over mere representation.

iii. **Investment and Stakeholder Implications:** For investors, traditional governance indicators are limited in predicting performance. Focus should shift to managerial quality and operational metrics. Smaller, efficiently run banks may offer better returns than larger ones. Stakeholders should scrutinize governance effectiveness beyond formal structures and look at actual performance drivers.

iv. **Academic and Research Implications:** This study challenges Western-centric governance models by showing that board independence may hinder profitability in Nepal. It highlights the need for culturally and institutionally grounded governance frameworks and encourages research into non-linear and long-term performance relationships.

v. **Industry Development Implications:** Nepal's banking industry should move towards governance practices that prioritize results over compliance. Investment in technology, staff development, and customer service is more beneficial than expanding boards or increasing meeting frequency. Organic growth should be favored over potentially inefficient mergers.

vi. **Societal and Economic Implications:** The findings highlight that governance reforms in developing economies must go beyond structural imitation of Western models. Real inclusion and institutional strength are crucial for meaningful progress. Economic policies should align with local market realities, focusing on capacity building and service quality.

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APPENDIX-I

BS	Bank	Board Size	Board Independence	Board Diversity		Board Meeting Frequency	Bank Size
				Male	Female		
2075/76	NBL	5	1	4	1	49	171,515,645,958
2076/77	NBL	5	1	4	1	45	191,162,816,826
2077/78	NBL	7	1	6	1	54	222,645,477,378
2078/79	NBL	6	1	5	1	48	260,077,877,377
2079/80	NBL	7	1	6	1	42	296,735,597,837
2080/81	NBL	4	1	3	1	56	340,353,227,653
2075/76	ADBL	7	1	6	1	62	151,574,990,000
2076/77	ADBL	7	1	6	1	65	179,320,860,000
2077/78	ADBL	7	1	6	1	73	222,440,350,000
2078/79	ADBL	7	1	6	1	70	246,184,240,000
2079/80	ADBL	7	1	6	1	72	265,670,980,000
2080/81	ADBL	9	1	8	1	74	311,375,430,000
2075/76	Nabil	6	-	6	-	24	201,138,821,464
2076/77	Nabil	5	1	4	1	25	237,680,029,570
2077/78	Nabil	7	1	6	1	28	291,238,946,422
2078/79	Nabil	7	1	6	1	35	419,818,100,950
2079/80	Nabil	7	1	6	1	31	481,203,547,746
2080/81	Nabil	6	-	6	-	26	558,421,735,000
2075/76	NIBL	6	2	6	-	20	185,841,988,230
2076/77	NIBL	6	1	5	1	16	203,023,897,140
2077/78	NIBL	7	1	6	1	20	227,930,126,920
2078/79	NIBL	7	1	6	1	19	244,448,793,470
2079/80	NIMB	7	1	6	1	19	446,185,523,460
2080/81	NIMB	6	1	5	1	18	491,541,734,090
2075/76	SCBL	5	1	4	1	13	93,264,183,120
2076/77	SCBL	5	1	4	1	12	116,438,273,520
2077/78	SCBL	5	1	3	2	17	114,738,762,940
2078/79	SCBL	5	1	4	1	15	123,355,710,490
2079/80	SCBL	5	1	4	1	15	151,378,009,400
2080/81	SCBL	5	1	4	1	16	141,189,071,320

2075/76	HBL	8	1	8	-	17	133,151,142,073
2076/77	HBL	8	1	8	-	22	155,884,918,983
2077/78	HBL	8	1	8	-	24	178,490,925,886
2078/79	HBL	8	1	8	-	26	216,286,273,674
2079/80	HBL	7	1	7	-	19	332,392,900,007
2080/81	HBL	7	1	6	1	17	355,735,814,061
2075/76	NSBL	6	1	5	1	12	118,314,225,860
2076/77	NSBL	6	1	5	1	19	132,401,913,971
2077/78	NSBL	6	1	5	1	20	137,808,774,721
2078/79	NSBL	6	1	4	2	16	153,102,800,757
2079/80	NSBL	6	1	4	2	14	185,958,128,999
2080/81	NSBL	6	1	4	2	14	208,810,581,507
2075/76	EBL	7	1	7	-	12	170,077,533,454
2076/77	EBL	7	1	6	1	12	185,023,189,704
2077/78	EBL	7	1	6	1	31	212,336,128,516
2078/79	EBL	7	1	6	1	30	225,381,322,534
2079/80	EBL	7	1	6	1	28	250,688,940,248
2080/81	EBL	6	1	5	1	33	295,743,700,448
2075/76	Kumari	5	1	4	1	26	105,311,485,153
2076/77	Kumari	5	1	4	1	29	145,971,942,062
2077/78	Kumari	5	1	4	1	24	189,782,816,080
2078/79	Kumari	5	1	4	1	37	212,108,438,392
2079/80	Kumari	7	1	7	-	45	380,524,786,643
2080/81	Kumari	7	1	6	1	44	412,621,751,572
2075/76	Sunrise	4	1	3	1	23	106,995,721,513
2076/77	Sunrise	6	1	5	1	18	128,898,573,855
2077/78	Sunrise	6	1	5	1	19	152,240,859,890
2078/79	Sunrise	5	1	4	2	17	173,383,953,688
2079/80	Laxmi Sunrise	5	1	3	2	20	361,665,773,188
2080/81	Laxmi Sunrise	5	1	3	2	17	395,961,891,988
2075/76	CTZN	7	1	6	1	34	90,121,363,554
2076/77	CTZN	7	1	6	1	33	94,929,276,005
2077/78	CTZN	7	1	6	1	30	168,329,050,416

2078/79	CTZN	7	1	6	1	32	194,562,168,088
2079/80	CTZN	6	1	6	-	26	198,932,610,867
2080/81	CTZN	7	1	6	1	31	222,682,230,891
2075/76	PCBL	7	1	6	1	26	102,255,829,620
2076/77	PCBL	7	1	6	1	32	152,182,993,975
2077/78	PCBL	7	1	6	1	33	190,896,964,060
2078/79	PCBL	7	1	6	1	29	210,361,895,395
2079/80	PCBL	7	1	6	1	30	220,827,806,336
2080/81	PCBL	7	1	6	1	43	267,002,384,746
2075/76	Sanima	6	1	5	1	37	109,064,487,965
2076/77	Sanima	6	1	5	1	37	126,310,981,152
2077/78	Sanima	6	1	5	1	52	160,750,584,166
2078/79	Sanima	6	1	5	1	53	192,511,092,727
2079/80	Sanima	6	1	5	1	49	215,642,988,368
2080/81	Sanima	6	1	5	1	63	233,862,209,426
2075/76	MBL	7	1	7	-	25	105,246,046,329
2076/77	MBL	6	1	6	-	25	124,519,568,920
2077/78	MBL	7	1	6	1	24	158,213,547,572
2078/79	MBL	7	1	6	1	18	178,727,308,101
2079/80	MBL	7	1	6	1	18	186,574,199,129
2080/81	MBL	7	1	6	1	23	189,610,785,625
2075/76	NIC	7	1	7	-	54	220,584,704,106
2076/77	NIC	7	1	7	-	39	250,590,379,057
2077/78	NIC	7	1	6	1	43	346,147,521,722
2078/79	NIC	7	1	6	1	60	358,570,291,223
2079/80	NIC	7	1	6	1	68	364,089,285,463
2080/81	NIC	7	1	6	1	51	410,467,842,302
2075/76	GIBL	5	1	5	-	20	151,653,562,387
2076/77	GIBL	7	1	7	-	38	273,876,591,053
2077/78	GIBL	6	1	6	-	27	346,141,698,952
2078/79	GIBL	6	1	6	-	21	360,537,220,470
2079/80	GIBL	7	1	7	-	17	526,882,562,942
2080/81	GIBL	7	1	6	1	19	604,518,117,074
2075/76	NMB	8	1	7	1	27	135,470,409,573
2076/77	NMB	7	1	7	-	27	179,451,914,903

2077/78	NMB	6	-	6	-	19	231,546,858,432
2078/79	NMB	8	1	7	1	14	255,150,610,280
2079/80	NMB	8	1	7	1	15	287,777,140,694
2080/81	NMB	7	1	5	2	20	294,868,161,721
2075/76	PBL	6	1	4	2	22	137,886,336,543
2076/77	PBL	7	1	6	1	33	167,517,297,856
2077/78	PBL	7	1	6	1	36	210,041,002,513
2078/79	PBL	7	1	6	1	40	232,753,000,618
2079/80	PBL	7	1	6	1	61	347,976,381,544
2080/81	PBL	6	1	6	-	30	361,118,713,373
2075/76	SBL	6	1	5	1	26	139,000,090,026
2076/77	SBL	6	1	5	1	27	170,585,160,318
2077/78	SBL	6	1	5	1	32	229,068,032,894
2078/79	SBL	6	1	5	1	20	264,327,023,511
2079/80	SBL	6	1	5	1	19	285,977,915,326
2080/81	SBL	6	1	5	1	17	297,341,417,505
2075/76	RBBL	6	-	5	1	89	226,410,177,881
2076/77	RBBL	5	-	4	1	99	266,766,261,442
2077/78	RBBL	6	-	5	1	89	309,987,456,632
2078/79	RBBL	7	1	6	1	73	330,242,804,325
2079/80	RBBL	6	1	5	1	70	394,677,479,884
2080/81	RBBL	5	1	5	-	77	509,181,972,113
2075/76	Laxmi	6	1	4	2	40	106,995,721,513
2076/77	Laxmi	6	1	4	2	33	128,898,573,855
2077/78	Laxmi	6	1	4	2	32	152,240,859,890
2078/79	Laxmi	5	1	3	2	28	173,383,953,688
2075/76	Mega	8	1	7	1	32	98,765,757,549
2076/77	Mega	8	1	7	1	31	155,445,996,782
2077/78	Mega	8	1	7	1	42	181,225,084,435

Source: Annual Report of Banks and https://www.sharesansar.com/company

BS	Bank	Total Equity	Net Profit	Earning Assets
2075/76	NBL	29,281,336,515	2,596,736,045	112,150,650,680
2076/77	NBL	30,030,991,537	2,332,888,541	139,421,034,143
2077/78	NBL	33,215,146,020	2,961,230,330	172,079,399,969
2078/79	NBL	35,463,613,348	2,923,277,569	220,535,576,558
2079/80	NBL	36,522,671,808	3,437,578,995	243,937,474,453
2080/81	NBL	35,635,691,419	28,420,037	250,354,091,528
2075/76	ADBL	28,489,970,000	4,191,590,000	1,411,940,030,000
2076/77	ADBL	28,471,220,000	3,331,740,000	147,728,160,000
2077/78	ADBL	31,505,120,000	3,527,540,000	188,888,480,000
2078/79	ADBL	33,357,030,000	2,225,770,000	223,711,580,000
2079/80	ADBL	33,793,650,000	1,323,410,000	232,324,190,000
2080/81	ADBL	36,139,950,000	2,897,490,000	276,402,610,000
2075/76	Nabil	3,188,612,393	4,238,853,581	159,028,027,079
2076/77	Nabil	25,855,658,567	3,463,240,822	187,690,054,180
2077/78	Nabil	34,010,295,410	4,527,552,838	246,680,155,433
2078/79	Nabil	52,981,747,295	4,256,024,188	374,724,233,166
2079/80	Nabil	56,912,678,407	6,404,936,160	419,564,283,857
2080/81	Nabil	59,567,925,000	7,060,033,000	493,908,885,000
2075/76	NIBL	25,579,196,000	3,324,113,000	144,582,398,000
2076/77	NIBL	27,173,164,000	2,423,186,000	166,600,444,000
2077/78	NIBL	32,234,912,000	3,558,606,000	197,935,288,000
2078/79	NIBL	33,991,914,000	3,797,604,000	210,216,201,000
2079/80	NIMB	55,600,637,000	3,720,833,000	372,872,596,000
2080/81	NIMB	60,172,457,000	4,108,892,000	425,379,295,000
2075/76	SCBL	14,927,075,000	2,434,665,000	67,171,807,000
2076/77	SCBL	15,102,495,000	1,987,391,000	69,994,436,000
2077/78	SCBL	16,222,118,000	1,398,835,000	84,290,272,000
2078/79	SCBL	18,135,102,000	2,255,934,000	97,325,600,000
2079/80	SCBL	20,142,691,000	3,465,330,000	121,023,644,000
2080/81	SCBL	20,518,823,000	3,275,268,000	106,463,675,000
2075/76	HBL	15,994,798,380	2,763,848,475	114,441,193,399
2076/77	HBL	17,589,253,612	2,586,722,710	125,743,797,043
2077/78	HBL	20,132,713,390	2,998,623,045	153,292,436,830
2078/79	HBL	22,010,195,996	2,367,538,235	187,505,602,962

2079/80	HBL	35,507,453,286	1,562,817,944	277,425,647,794
2080/81	HBL	36,623,080,662	1,238,303,590	286,147,807,151
2075/76	NSBL	14,154,449,362	2,292,524,396	97,914,547,078
2076/77	NSBL	14,781,851,324	1,591,479,955	106,785,262,994
2077/78	NSBL	15,400,071,111	941,444,007	122,785,027,890
2078/79	NSBL	17,113,427,417	1,638,309,919	134,153,052,481
2079/80	NSBL	18,266,699,245	1,967,508,386	155,802,646,555
2080/81	NSBL	19,455,940,141	1,999,772,886	180,591,165,973
2075/76	EBL	17,625,063,404	3,054,122,062	133,776,862,315
2076/77	EBL	18,637,356,460	2,516,243,710	148,282,811,295
2077/78	EBL	20,870,674,018	1,958,008,050	167,137,800,058
2078/79	EBL	22,794,552,510	2,479,400,875	192,444,039,019
2079/80	EBL	25,371,669,260	3,362,115,439	208,485,710,957
2080/81	EBL	27,804,783,738	3,703,225,086	231,370,258,128
2075/76	Kumari	11,719,085,527	1,230,378,260	85,483,307,218
2076/77	Kumari	17,268,173,670	1,158,505,956	127,872,773,889
2077/78	Kumari	18,892,222,058	1,970,730,157	166,222,678,611
2078/79	Kumari	21,002,115,997	2,579,809,832	181,973,787,170
2079/80	Kumari	35,314,801,886	517,921,611	326,436,440,158
2080/81	Kumari	37,101,238,775	2,308,212,411	352,472,445,487
2075/76	Sunrise	12,650,034,708	1,590,074,275	84,031,295,393
2076/77	Sunrise	13,975,062,354	1,411,549,380	100,994,420,401
2077/78	Sunrise	16,896,761,134	1,575,760,520	124,831,889,886
2078/79	Sunrise	16,941,017,602	1,513,452,887	151,214,347,672
2079/80	Laxmi Sunrise	38,224,931,473	2,285,238,841	310,193,333,530
2080/81	Laxmi Sunrise	40,501,436,746	2,920,378,979	344,074,167,835
2075/76	CTZN	12,494,626,670	612,588,016	75,724,176,078
2076/77	CTZN	11,827,847,738	498,813,408	79,021,285,866
2077/78	CTZN	18,888,021,708	1,804,341,066	144,500,981,970
2078/79	CTZN	20,646,485,143	2,005,610,796	163,549,168,211
2079/80	CTZN	20,963,518,654	1,863,756,011	171,931,590,665
2080/81	CTZN	21,574,365,910	1,320,731,001	192,951,831,567
2075/76	PCBL	13,403,989,295	2,198,792,243	85,995,948,962
2076/77	PCBL	20,526,854,488	2,251,478,300	128,792,906,078
2077/78	PCBL	24,301,258,614	3,268,400,687	165,320,202,591

2078/79	PCBL	27,005,708,585	2,787,336,347	185,705,343,055
2079/80	PCBL	27,173,422,293	1,027,899,106	190,110,331,089
2080/81	PCBL	30,652,346,593	3,507,894,994	239,509,289,301
2075/76	Sanima	11,989,548,059	2,258,067,506	97,300,470,974
2076/77	Sanima	12,818,604,934	1,776,264,524	108,962,982,554
2077/78	Sanima	14,923,413,378	2,317,821,580	144,337,931,747
2078/79	Sanima	16,911,170,411	2,093,115,828	168,477,231,387
2079/80	Sanima	19,379,432,746	2,605,793,663	192,490,492,575
2080/81	Sanima	20,923,649,123	2,397,443,832	200,148,897,864
2075/76	MBL	11,236,871,503	1,697,088,243	88,120,475,562
2076/77	MBL	11,584,702,840	1,265,150,663	107,307,741,460
2077/78	MBL	12,864,132,182	1,607,473,174	137,364,271,794
2078/79	MBL	14,485,771,130	1,686,655,245	155,752,279,732
2079/80	MBL	16,151,786,050	1,625,525,989	159,030,393,476
2080/81	MBL	17,113,733,764	1,045,199,187	169,054,540,041
2075/76	NIC	14,935,735,514	3,023,282,666	169,190,688,656
2076/77	NIC	17,242,170,621	3,098,536,965	203,970,193,152
2077/78	NIC	20,903,619,458	9,227,502,831	298,893,499,575
2078/79	NIC	24,843,146,779	4,214,926,951	307,583,115,827
2079/80	NIC	29,390,955,856	4,444,769,821	309,982,478,998
2080/81	NIC	29,511,508,832	701,497,930	347,848,940,133
2075/76	GIBL	16,332,170,337	2,761,953,667	126,843,431,607
2076/77	GIBL	28,834,396,358	2,908,664,367	225,706,912,369
2077/78	GIBL	33,438,855,704	4,165,151,840	289,289,869,312
2078/79	GIBL	37,739,460,073	4,959,224,743	316,935,425,451
2079/80	GIBL	59,053,710,459	6,694,357,795	459,942,830,363
2080/81	GIBL	61,407,147,643	6,137,454,261	511,437,621,234
2075/76	NMB	17,403,014,259	2,257,276,026	102,470,812,259
2076/77	NMB	20,935,385,243	1,712,776,521	135,785,229,134
2077/78	NMB	23,943,774,455	2,711,073,708	174,132,587,391
2078/79	NMB	26,870,961,958	3,291,094,170	213,260,946,973
2079/80	NMB	28,434,421,397	3,222,547,292	229,997,039,499
2080/81	NMB	28,971,511,251	2,244,395,304	237,831,342,811
2075/76	PBL	14,320,667,275	1,783,592,538	104,757,379,303
2076/77	PBL	15,387,770,254	1,194,203,890	124,650,151,392

2077/78	PBL	17,111,272,860	1,720,874,849	176,709,978,201
2078/79	PBL	19,147,750,345	1,902,015,162	202,719,484,738
2079/80	PBL	31,352,196,428	280,218,966	311,945,207,977
2080/81	PBL	32,639,712,816	510,855,995	324,621,361,996
2075/76	SBL	15,031,035,234	2,257,688,323	125,814,792,979
2076/77	SBL	16,011,270,676	2,143,613,715	150,267,514,481
2077/78	SBL	20,401,806,326	2,854,828,343	206,774,432,885
2078/79	SBL	21,597,874,092	2,902,464,042	242,623,226,718
2079/80	SBL	25,306,590,967	3,166,771,347	252,366,358,470
2080/81	SBL	28,069,293,475	3,080,028,684	249,998,736,587
2075/76	RBBL	21,585,803,588	5,046,520,378	187,154,794,979
2076/77	RBBL	23,029,537,948	4,377,316,161	230,431,498,140
2077/78	RBBL	28,674,300,245	3,423,628,296	264,896,967,201
2078/79	RBBL	32,678,937,859	4,292,821,850	292,678,040,927
2079/80	RBBL	50,738,307,345	3,595,127,809	320,439,060,409
2080/81	RBBL	50,237,298,414	2,552,467,510	410,748,038,864
2075/76	Laxmi	13,975,062,354	1,590,074,275	84,031,295,393
2076/77	Laxmi	12,650,034,708	1,411,549,380	100,994,420,401
2077/78	Laxmi	16,896,761,134	1,575,760,520	125,912,147,832
2078/79	Laxmi	16,941,017,602	1,513,452,887	151,214,347,672
2075/76	Mega	13,511,898,192	1,629,689,787	84,447,745,882
2076/77	Mega	18,011,575,668	1,586,214,922	129,713,816,734
2077/78	Mega	20,307,441,114	2,325,429,726	155,399,698,640

Source: Annual Report of Banks and https://www.sharesansar.com/company

BS	Bank	ROA	ROE
2075/76	NBL	1.51	8.87
2076/77	NBL	1.22	7.77
2077/78	NBL	1.33	8.92
2078/79	NBL	1.12	8.24
2079/80	NBL	1.16	9.41
2080/81	NBL	0.01	0.08
2075/76	ADBL	2.77	14.71
2076/77	ADBL	1.86	11.70
2077/78	ADBL	1.59	11.20
2078/79	ADBL	0.90	6.67
2079/80	ADBL	0.50	3.92
2080/81	ADBL	0.93	8.02
2075/76	Nabil	2.11	132.94
2076/77	Nabil	1.46	13.39
2077/78	Nabil	1.55	13.31
2078/79	Nabil	1.01	8.03
2079/80	Nabil	1.33	11.25
2080/81	Nabil	1.26	11.85
2075/76	NIBL	1.79	13.00
2076/77	NIBL	1.19	8.92
2077/78	NIBL	1.56	11.04
2078/79	NIBL	1.55	11.17
2079/80	NIMB	0.83	6.69
2080/81	NIMB	0.84	6.83
2075/76	SCBL	2.61	16.31
2076/77	SCBL	1.71	13.16
2077/78	SCBL	1.22	8.62
2078/79	SCBL	1.83	12.44
2079/80	SCBL	2.29	17.20
2080/81	SCBL	2.32	15.96
2075/76	HBL	2.08	17.28
2076/77	HBL	1.66	14.71
2077/78	HBL	1.68	14.89
2078/79	HBL	1.09	10.76

2079/80	HBL	0.47	4.40
2080/81	HBL	0.35	3.38
2075/76	NSBL	1.94	16.20
2076/77	NSBL	1.20	10.77
2077/78	NSBL	0.68	6.11
2078/79	NSBL	1.07	9.57
2079/80	NSBL	1.06	10.77
2080/81	NSBL	0.96	10.28
2075/76	EBL	1.80	17.33
2076/77	EBL	1.36	13.50
2077/78	EBL	0.92	9.38
2078/79	EBL	1.10	10.88
2079/80	EBL	1.34	13.25
2080/81	EBL	1.25	13.32
2075/76	Kumari	1.17	10.50
2076/77	Kumari	0.79	6.71
2077/78	Kumari	1.04	10.43
2078/79	Kumari	1.22	12.28
2079/80	Kumari	0.14	1.47
2080/81	Kumari	0.56	6.22
2075/76	Sunrise	1.49	12.57
2076/77	Sunrise	1.10	10.10
2077/78	Sunrise	1.04	9.33
2078/79	Sunrise	0.87	8.93
2079/80	Laxmi Sunrise	0.63	5.98
2080/81	Laxmi Sunrise	0.74	7.21
2075/76	CTZN	0.68	4.90
2076/77	CTZN	0.53	4.22
2077/78	CTZN	1.07	9.55
2078/79	CTZN	1.03	9.71
2079/80	CTZN	0.94	8.89
2080/81	CTZN	0.59	6.12
2075/76	PCBL	2.15	16.40
2076/77	PCBL	1.48	10.97
2077/78	PCBL	1.71	13.45

2078/79	PCBL	1.33	10.32
2079/80	PCBL	0.47	3.78
2080/81	PCBL	1.31	11.44
2075/76	Sanima	2.07	18.83
2076/77	Sanima	1.41	13.86
2077/78	Sanima	1.44	15.53
2078/79	Sanima	1.09	12.38
2079/80	Sanima	1.21	13.45
2080/81	Sanima	1.03	11.46
2075/76	MBL	1.61	15.10
2076/77	MBL	1.02	10.92
2077/78	MBL	1.02	12.50
2078/79	MBL	0.94	11.64
2079/80	MBL	0.87	10.06
2080/81	MBL	0.55	6.11
2075/76	NIC	1.37	20.24
2076/77	NIC	1.24	17.97
2077/78	NIC	2.67	44.14
2078/79	NIC	1.18	16.97
2079/80	NIC	1.22	15.12
2080/81	NIC	0.17	2.38
2075/76	GIBL	1.82	16.91
2076/77	GIBL	1.06	10.09
2077/78	GIBL	1.20	12.46
2078/79	GIBL	1.38	13.14
2079/80	GIBL	1.27	11.34
2080/81	GIBL	1.02	9.99
2075/76	NMB	1.67	12.97
2076/77	NMB	0.95	8.18
2077/78	NMB	1.17	11.32
2078/79	NMB	1.29	12.25
2079/80	NMB	1.12	11.33
2080/81	NMB	0.76	7.75
2075/76	PBL	1.29	12.45
2076/77	PBL	0.71	7.76

2077/78	PBL	0.82	10.06
2078/79	PBL	0.82	9.93
2079/80	PBL	0.08	0.89
2080/81	PBL	0.14	1.57
2075/76	SBL	1.62	15.02
2076/77	SBL	1.26	13.39
2077/78	SBL	1.25	13.99
2078/79	SBL	1.10	13.44
2079/80	SBL	1.11	12.51
2080/81	SBL	1.04	10.97
2075/76	RBBL	2.23	23.38
2076/77	RBBL	1.64	19.01
2077/78	RBBL	1.10	11.94
2078/79	RBBL	1.30	13.14
2079/80	RBBL	0.91	7.09
2080/81	RBBL	0.50	5.08
2075/76	Laxmi	1.49	11.38
2076/77	Laxmi	1.10	11.16
2077/78	Laxmi	1.04	9.33
2078/79	Laxmi	0.87	8.93
2075/76	Mega	1.65	12.06
2076/77	Mega	1.02	8.81
2077/78	Mega	1.28	11.45

Source: Annual Report of Banks and https://www.sharesansar.com/company

$$ROA = \frac{Net\ Income}{Total\ Assets} \times 100$$

$$ROE = \frac{Net\ Income}{Shareholders' Equity} \times 100$$

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