CORPORATE GOVERNANCE AND PROFITABILITY IN NEPALESE COMMERCIAL BANKS

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

by

Subash Simkhada

Campus Roll No. 3055/075

Exams Symbol No. 14132/19

T.U. Redg. No.7-2-39-1175-2011

ShankerDev Campus

Finance

Kathmandu, Nepal

November, 2024

CERTIFICATION OF AUTHORSHIP

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

.....

Subash Simkhada

Date:

REPORT OF RESEARCH COMMITTEE

Mr. Subash Simkhada has defended the research proposal entitled "**Corporate Governance and Profitability in Nepalese Commercial Banks**" successfully. The research committee has registered the thesis for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Asso. Prof. Dr. Kapil Khanaland submit the thesis for evaluation and viva voice examination.

…….
Asso. Prof. Dr. Kapil Khanal
Dissertation Supervisor

Dissertation Proposal Defense Date
…….

Dissertation Submitted Date
…….

…….
Asso. Prof. Dr. Sanjeeb Kumar Shrestha
Head,Research Department

Dissertation Viva Voice Date
…….

APPROVAL SHEET

We have examined the dissertation entitled "**Corporate Governance and Profitability in Nepalese Commercial Banks**" presented by Subash Simkhada for the degree of Master of Business Studies (MBS Semester). We hereby certify that the dissertation is acceptable for the award of a degree.

.....
Asso. Prof. Dr. Kapil Khanal
Dissertation Supervisor

.....
Internal Examiner

.....
Internal Expert

.....
External Expert

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

.....
Joginder Goet
Acting Campus Chief

ACKNOWLWDGEMENT

I would like to forward my deepest gratitude to Asso. Prof. Dr. Kapil Khanal of Shanker Dev Campus who supports me with his invaluable scholarly supervision, constructive comments and suggestions that allow me to furnish this thesis report in this final format. I would like to pay my sincere thanks to Asso. Prof. Dr. Sanjeeb Kumar Shrestha, Head of Research Department. Besides, I would also like to thank other respected teachers of Shanker Dev Campus and all the staff of this campus for their help in providing me with various kinds of suggestions, information and comments.I would like to thank my family members, friends and everyone who has helped me and contributed valuable suggestions, comments or criticisms.

Subash Simkhada

Table of Contents

List of Tables

List of Figures

ABBREVIATIONS

BAFIA	:	Banking and Financial Institution Act
NRB	:	Nepal Rastra Bank
NBL	:	Nepal Bank Limited
RBB	:	Rastriya Banijya Bank
OECD	:	Organization for Economic Cooperation and Development
ROA	:	Return on Assets
ROE	:	Return on Equity
CEO	:	Chief Executive Officer
ATM	:	Automated Teller Machine
DMB	:	Deposit Money Banks
EPS	:	Earnings Per Share
BM	:	Board Member Size
NGO	:	Non-Government Organization
DEA	:	Data Envelopment Analysis
NIM	:	Net Interest Margin
SPSS	:	Statistical Package for the Social Science
TU	:	Tribhuvan University
ID	:	Independent Director
LEV	:	Leverage Ratio
BS	:	Bank Size
CAR	:	Capital Adequacy Ratio
WD	:	Women Director
IMF	:	International Monetary Fund
DFID	:	Department for International Development
KPMG	:	Klynveld Peat Marwick Goerdeler (a global network of professional services firms)
FSAP	:	Financial Sector Assessment Program
NFRS	:	Nepal Financial Reporting Standard
SIS	:	Supervisory Information System
BCP	:	Business Continuity Plan

ABSTRACT

Corporate Governance is increasingly recognized as a critical global issue for enhancing the accountability and transparency of financial and non-financial institutions. Financial institutions play a pivotal role in shaping a nation's economy, while central banks hold the responsibility of ensuring a well-governed and reliable banking sector. To remain sustainable, banks must maintain strong performance. This research investigates the connection between Corporate Governance elements and performance indicators.

The study analyzes independent variables such as Board Size, the number of Independent Directors, Bank Size, Earnings Per Share, Capital Adequacy Ratio, and Leverage. The dependent variables considered are Return on Equity and Net Interest Margin. Data were collected from the annual reports of 11 commercial banks in Nepal, and correlation and regression analyses were used to determine the relationships and their significance. The findings revealed a negative correlation between Board Size and Return on Equity, while a positive correlation was found between the number of Independent Directors (ID) and Earnings Per Share(EPS). The other variables did not show any significant relationships.

The findings suggest that banks should consider reducing Board Size and increasing the presence of Independent Directors to enhance performance. Moreover, central banks should focus on fostering bank growth and ensuring robust governance practices within the sector.

Keywords: *Corporate Governance, Return on Assets (ROA), Capital Adequacy Ratio (CAR), Board Structure, Leverage Ratio (LEV), Net Interest Margin (NIM), Earnings Per Share (EPS), Independent Directors (ID), Women Directors (WD)*

CHAPTER I
INTRODUCTION

1.1 Background of the study

Banks and financial institutions are established to improve the public welfare by offering banking services which includes mobilization of deposit amount into different loans to the individual, private and public sectors. Under BAFIA 2063, Nepalese banks and financial institutions are divided into four categories: A, B, C, and D. BAFIA 2063 includes banking laws and regulations, promotes financial good governance, ensures financial stability, and enhances transparency while protecting depositors' funds. In Nepal, the Nepal Rastra Bank (NRB), also known as the Central Bank of Nepal, is the highest authority and the only entity authorized to issue licenses to banks and financial institutions. Consequently, commercial banks in Nepal are classified as "A" class financial institutions.

Commercial Bank mainly provide various banking services like accepting the deposits, granting the loan and act as an intermediary for creating a bridge between Governance that simply refers to the process or act of governing. If we connect it with the corporate sector, it is the way to direct or control the organization. Without having the Corporate Governance, the organization cannot be accountable to its different stakeholders. Shareholders, Management and Board of Directors are the principal stakeholders of the organization whereas regulatory bodies, Employees, Customers, environment and community at large are other stakeholders of the organization.

The effective implementation of Corporate Governance has a profound effect on how well a business performs savers to investors in the economy. These types of financial institutions make a profit by offering different financial services in the environment to the economy. Today, in Nepal there are 26 commercial banks are operating. On November 15, 1937, A.D, the first commercial bank of Nepal, Nepal Bank Limited (NBL) is established. Later on, on April 26, 1956, A.D Nepal Rastra Bank (NRB) was established under the NRB Act 1955 AD, in order to regulate the financial sector of the Country. To provide extensive series of financial services to the customers, industrial sectors and insurance companies, RBB was established on January 23, 1996, under the RBB Act.

The Organization for Economic Cooperation and Development (OECD) in 1999 give details Corporate Governance as “Corporate Governance is the system by which business corporations are directed and controlled. The corporate governance structure outlines the

allocation of rights and responsibilities among various participants in the corporation, including the board, managers, shareholders, and other stakeholders. It also defines the rules and procedures for making decisions on corporate matters. By doing this, it also provides the structure through which the company objectives and monitoring performance". The Corporate Governance framework is particularly vital for the banking sector compared to other industries, as it significantly influences the development of financial activities within an economy. Corporate Governance components are crucial for both public and private sectors, encompassing laws, regulations, and accepted firm practices. These elements facilitate collaboration between managers and entrepreneurs on one side, and investors willing to commit their resources to a company on the other (Lu & Batten, 2001).

Corporate Governance is defined by different scholars on different way. As per Amarneh, 2014, Corporate Governance is the procedure that is used to direct and control firms/ organizations. Wheelen & Hunger (2006) define corporate governance as the interaction among shareholders, the board of directors, and top management in determining the corporation's direction and performance. It also involves relationships with various stakeholders and the goals that guide the corporation's governance. Key stakeholders include shareholders, management, and the board of directors, while other important stakeholders are employees, suppliers, customers, regulators, the environment, and the wider community.

The corporate governance framework delineates the distribution of rights and responsibilities among different participants within the corporation, such as the board, managers, shareholders, and other stakeholders. It also establishes the rules and procedures for making decisions on corporate issues (Pradhan & Adhikari, 2011).

Corporate Governance, as a term, has come to imply good, in the non-moral as well as the moral sense. Its non-moral applications include efficient decision making, appropriate resource allocation, strategic planning, and so on (Monks &Minow, 2011). In a moral context, good corporate governance is now recognized for fostering an ethical environment that is both morally and commercially sound, where ethical business practices lead to favorable commercial outcomes (Francis, 2003). Consequently, this is closely tied to due diligence, directors' responsibilities, and the overall strengthening of corporate accountability.

Corporate Governance is important to all sectors of the economy of the country; however, it is crucial in the case of the banking sector. Hambrick et al. (2008) argued that the quality and nature of corporate governance within the banking sector not only affects its stakeholders but can also significantly influenced the broader national system, either driving progress or hindering it. Katrodia (2016) highlights that the stability of a nation's economy is closely linked to the strength of its banking sector. The 2008 global financial crisis, triggered by the collapse of major US banks, impacted nearly all sectors, including the financial security of pension holders. This crisis was largely due to poor governance within the US financial system, leading to widespread economic turmoil. Mareinkowska (2017) also noted that global crises are often tied to inadequate governance in financial institutions.

Effective Corporate Governance in the banking sector requires special attention, utilizing unique tools for monitoring, supervision, and evaluation. According to the Bank for International Settlements, robust Corporate Governance is crucial for maintaining public trust and confidence, which are essential for deposit mobilization.

Implementing Corporate Governance in developing countries remains challenging. There is a need for research to develop appropriate policies, frameworks, and structures. These countries often face internal issues such as political instability, unemployment, poverty, and civil conflict (Mulili, 2011). Arun and Turner (2004) emphasized the importance of developing Corporate Governance in the banking sector of developing nations, where banks play a dominant role in the economy and are key sources of finance due to underdeveloped financial markets. Proper supervision is necessary to prevent crises similar to those in East Asia in 1997 and the USA in 2008.

In recent years, Corporate Governance has garnered significant attention globally, especially following economic crises and the financial collapse of numerous companies and banks. However, there has been limited focus on Corporate Governance and the performance of the banking sector worldwide (Maria, 2010). In Nepal, a previous study found that companies holding timely annual general meetings (AGMs), submitting financial statements promptly, and appointing "A" class auditors tend to achieve higher returns and market share prices (Pradhan & Adhikari, 2011). Additionally, as total assets increase, both the rate of return and market price of shares tend to rise. Corporate governance reforms hold greater significance for developing countries like Nepal, as they

facilitate the attraction of foreign direct investment and enhance savings mobilization through capital markets (Maskey, 2004). In 2002, Nepal Rastra Bank (NRB) introduced Corporate Governance Directives to ensure effective implementation of governance practices. Notable banking crises in Nepal include the 2006 bank run on Nepal Bangladesh Bank (NB Bank) and the 2011 Vibor Bikas Bank (VBB) crisis, where NRB intervened to rescue VBB (Sapkota, 2016). The VBB crisis is often likened to the Lehman Brothers collapse (Sapkota, 2016). Another significant event was the 2009 bankruptcy of Nepal Development Bank, marking a challenging period for Nepal's banking sector (Sapkota, 2009). However, all the above has happened because of failure to implement good Corporate Governance. In 2005, a directive from Nepal Rastra Bank aimed at strengthening Corporate Governance identified several lapses in various banks. Research was conducted with an aim of finding out the discrepancies and offer some relevant recommendations to accelerate economic development in Nepal, Banking sectors play a vital role. For the last few years, banking sector of Nepal has been passing through an uncomfortable phase. Following the earthquake and subsequent aftershocks in Nepal on April 25, 2015, banks anticipated significant withdrawals of deposits. However, contrary to expectations, bank deposits actually increased significantly.

Because of this, banks have had too much liquidity, and demand for bank loans has not increased at the same rate. Investors were not thinking about fresh investments or business expansion because of political unrest and other commercial challenges. Additionally, the non-performing assets rise as a result of the borrowers' failure to repay the loan balance. Additionally, banks are required to raise capital through mergers or the issuance of new shares due to a recent requirement by Nepal Rastra Bank (NRB) demanding an increase in the Paid of Capital. The merger is beneficial, but failure risk could increase if it involves a failing bank (Khatiwada, 2015). Therefore, for Banks of Nepal to survive in a politically uncertain climate and to function well in such a dynamic setting, corporate governance needs to be improved.

Corporate performance is an important concept. It relates to the way and manner used to achieve the overall corporate objective of an organization by utilizing financial, material and human resources available to an organization effectively. It helps an organizational performing the business functions and creates a greater vision for future opportunities. Good Corporate Governance helps to strengthen the confidence of investors in the economy of the country. Corporate Governance helps to build credibility and ensuring the

transparency in the business function and accountability and further helps to maintain an effective mode of information disclosure that would substitute good corporate performance. Hence it is required to have strong Corporate Governance.

1.2 Problem Statement

Following the financial crisis in the United States, Brazil, Thailand, and other countries, banks and financial intermediaries are at the center. One of the structural causes of the crisis was the decline of their asset portfolio, which was mostly brought on by flawed credit management (Sanusi, 2010). This issue arose mostly as a result of inadequate governance.

The literature has recently focused a lot of attention on corporate governance in developing nations, attributing this to these economies' potential for growth. Furthermore, it has been demonstrated that noise trading, as opposed to market fundamentals, affects these economies' financial markets (Claessens & Yurtoglu, 2012). Due to their generally lower levels of efficiency, these markets have a greater need for corporate governance.

Corporate governance is a topic of great significance. The efficiency of governance processes is a topic of much debate, even in developed market economies (Pradhan & Adhikari, 2011). Determining the correlation between bank performance metrics and corporate governance characteristics is the focus of this study. In this case, the following corporate governance factors are examined and their relationship to return on equity and net interest margin is tested: bank size, leverage, earnings per share, number of independent directors, women directors, board member size, and capital adequacy ratio.

In addition to its growing significance for foreign investors, good corporate governance also protects domestic investors. When transparency is absent and governance processes are flawed, domestic investors run the risk of losing their entire savings, unlike foreign investors who have access to sophisticated tools to diversify the risk of their entire portfolio. The principal-agent theory, which was also used in this study, is often regarded as the foundation for any discussion on corporate governance, according to Jensen & Meckling (2003).

The principle agent issue between managers and their shareholders has been addressed by a number of corporate governance initiatives. Agency theory recognized a number of governance mechanisms, including the size of the board, its makeup, the CEOs' performance sensitivity, director ownership, shareholder rights, etc. Board members can only make decisions freely in a setting where there are no consequences for creative thinking or objective assessment of management.

According to these views, a smaller board size is necessary for efficient management control in order to reduce the agency's expenses. On the other hand, a larger board size may lead to more disputes among the members. On the other hand, there is another school of thought that supports larger boards, arguing that larger boards may encourage managers to track lower debt costs because creditors see these companies as having better financial accounting process monitors and better performance (Poudel & Hovey, 2013).

As a developing nation, Nepal has to strengthen its corporate governance in order to achieve a number of significant public policy goals. Good corporate governance strengthens property rights, lowers transaction costs and the cost of capital, promotes the growth of the capital market, and lessens the vulnerability of emerging markets to financial catastrophes. On the other hand, inadequate corporate governance frameworks undermine investor confidence and may even prompt them to sell their investment.

Nepal Rastra Bank (NRB), the country's central bank, has been consistently trying to enhance bank governance by publishing guidelines and policies and updating and amending them on a regular basis. To guarantee improved governance in banks' operations, the NRB has released a number of recommendations, including comprehensive directives, stress testing guidelines, and CEO compensation standards.

Corporate governance is nevertheless difficult because dishonorable people always find new ways to misuse public funds, even with standards and directives that are established and revised on a regular basis. In addition to taking proper care of the public interest, Nepalese organizations still need to embrace a culture of good governance. It is still

unclear how ownership and management differ from one another. One major issue in Nepal is the involvement of directors and employees in fraudulent activities (Khatiwada, 2015). The CEO of KIST Bank (2013) and H & B Bank (2012) were accused with misappropriation. Similarly, NABIL (2011) and Himalayan Bank (2012) were charged with employee theft of the ATM pin number.

The article published in 2022 claims that institutions and managers who were shareholders had a favorable impact on bank performance throughout the epidemic, which started in China at the end of 2019 and expanded around the world. Governments in both developed and poor countries imposed tight protocols and shutdown limitations to minimize the virus's impact (Hani El-Chaarani, Rebecca Abraham, Yahya Skaf).Deposit Money Banks (DMBs) have failed repeatedly both in Nigeria and internationally as a result of the dishonest actions of some directors, undermining the ability of corporate governance to protect the interests of depositors, investors, and other stakeholders (Abiola Kafidipe, Uwuigbe Uwalomwa, Olajide Dahunsi & Faith Ojone Okeme, 2021).

According to a 2019 study by Md. Ataur Rahman and Jahurul Islam, the profitability of publicly traded banks is positively correlated with the presence of an outside board member, CEO status, and board of directors. Although it is not statistically significant, bank size can have a favorable or negative impact on bank performance as measured by ROA, ROE, and EPS. Conscience, transparency, equity, professionalism, and responsibility are the cornerstones of good corporate governance, which is a crucial component of the organization's management and business strategy. Mostaq M. Hussain, Ehab K. A. Mohamed, and Amina E. Sobhy (2017). Good governance must be prioritized in order to guarantee a more secure and trustworthy environment for the general public. By putting governance into practice, banks may boost both consumer deposits and profitability. Good governance must be prioritized in order to guarantee a more secure and trustworthy environment for the general public. Increasing consumer deposits and bank profitability are two benefits of implementing governance. Taking into consideration the background of the study and literature review, the research has been set up with the following research questions:

- What criteria reflect the relationship between banking profitability and corporate governance?
- What is the banks' financial profitability?

- Which aspect of corporate governance significantly affects the profitability of banks?

1.3 Objectives of the study

Understanding the relationship between governance characteristics and bank performance is the study's main goal. The objective of this study is.

- To assess the banks' financial performance.
- Examining how corporate governance affects banks' profitability.

1.4 Hypothesis

To determine the significance of the association between the dependent and independent variables, the following hypothesis testing was used in this study:

H1: There is a significant relationship between Board Member (BM) on bank Profitability
H2: There is a significant relationship between Independent Directors (ID) on Bank Profitability
H3: There is a significant relationship between Leverage Ratio (LEV) on Bank Profitability
H4: There is a significant relationship between Earning Per Share (EPS) on Bank Profitability
H5: The Capital Adequacy Ratio (CAR) and bank profitability are significantly correlated.
H6: There is a significant relationship between Women Director (WD) on Bank Profitability

1.5 Rationale of the Study

Because of its connection to the economy, research on corporate governance and bank profitability is crucial. Numerous researchers' studies have demonstrated a clear correlation between an organization's profitability and sound governance. Therefore, the organization will do well if it maintains strong governance, and vice versa. Governance is determined by a number of factors, which change depending on the

kind of organization and industry. Additionally, the impact of these characteristics on the organization varies. Therefore, it's critical that banks understand which variables have a greater and lesser impact on them.

Recently, governance has emerged as a major topic in academic studies and policy debates in Nepal (Khatiwada, 2002; Rawal, 2003; Kafle, 2004). Paudel and Hovey (2013) investigated how corporate governance affected the effectiveness of 26 commercial banks in Nepal. According to their findings, these banks were more efficient when their boards and audit committees were bigger, they held fewer board meetings, and their institutional ownership percentage was smaller.

Determining the effect of good governance factors on bank profitability is also another goal of this study. To determine their influence on Net Interest Margin and Return on Equity, the following independent variables are used: Bank Size, Earnings Per Share, Capital Adequacy Ratio, Board Member Size, Independent Director, Women Director, and Leverage. By concentrating on the relationship between the corporate governance variable and performance measurement factors, this study will guarantee that the banks may achieve profitability.

1.6 Limitation of the Study

The research was undertaken with the necessary number of samples of banks and time period. However, there were some limitations to this study. The limitations of the study are as follows:

- Although there were 26 commercial banks in the nation overall, not all of them were included in the study. For the purposes of the study, only eleven banks are taken into account. More reliable results would have been obtained if all 26 banks had been included in the study.
- In addition to the independent variables of board member size, independent directors, earnings per share, capital adequacy ratio, leverage, and bank size, other variables that were left out of the study included the number of board meetings, the number of female directors on the board, age, and management teammate members.
- To establish a link, the study employed two dependent variables. Return

on Asset is one of the numerous dependent variables that can be studied.

- Because only commercial banks were included in the study's sample, there may be differences in the connection between the dependent and independent variables for development banks, microfinance, insurance firms, and other non-financial institutions.
- The study's data collection covered the years 2016–17–2020–21. Data collection over a longer time frame would have allowed for the completion of the study.

CHAPTER II
LITERATURE REVIEW

2.1 Introduction

The chapter examined the evidence and conclusions of various previous studies in this area. The studies and evidence are useful for further research into bank performance and Corporate Governance.

2.2 Theoretical Review

The word "Governance" come from the Greek word "kubernao," which means "to steer. "In the 1990s, an economist and political scientist coined the term "governance," which was then propagated by organizations like the United Nations Organization, the International Monetary Fund, and the World Bank. Neoclassical economics was the foundation for a lot of theories about governance as a process. Based on the assumptions of the modern economy, these theories constructed deductive models to explain how national actors can established and maintained formal organizations like states and businesses as well as informal organizations like networks and practices for governing the commons.

Along with time, Corporate Governance adopted a more diversified, broader, and principle-based approach. According to M. Becht (2007), five factors have contributed to Corporate Governance's rise to prominence and importance. The following were the reasons:

a. World-wide privatization wave
b. Pension funds and other institutional investors
c. Mergers and takeovers
d. Deregulation and capital integration
e. Economic crisis

a. World-Wide Privatization Wave

Privatization has been considered as an important phenomenon in the Asia and European countries including the countries which had recently joined the EU. The United States of America was an exception because state ownership of businesses

had always been very small. This wave of privatization originated in the UK, in 1991, and was responsible for 90 percent of EU privatization proceeds. Since 1995, Australia, Italy, France, Japan, and Spain had contributed 60% of the total revenues from privatization. The question of who owned and controlled the former state companies was brought up by the privatization wave. Large shareholders were given control of the company with great care in Continental European nations. On the other hand, the UK established a form of "shareholder democracy". Since the majority of OECD sales had been made through public offerings, privatization helped the stock markets grow.

b. Pension Funds and Other Institutional Investors

As a result of demographic change, Private retirement savings were common in the United States and Europe. Due to which, pension funds and other institutional investors grew to become substantial and influential organizations with the ability to influence Corporate Governance. There were Institutional investors in the US which are more than 60% of total equity investment in the OECD, and as the result of addition of UK institutions, it goes up to 76%.

It has been observed that a large proportion was covered by pension funds out of which approximately 40% was for the US and UK and Germany had covered 15%. These investors had played a progressive role in Corporate Governance globally.

c. Mergers and Takeovers

The public discussion of Corporate Governance was influenced by the wave of hostile takeovers in the United States in 1980 and Europe in 1990.In 2000 AD, Vodafone made the largest hostile bid ever made in Europe for Mannesmann, totaling 200 billion dollars. The corporate world in continental Europe was altered by the takeover. The sleepy corporate world of Europe was dramatically shaken by the hostile takeovers of Olivetti for telecoms Italia, Generali for INA in Italy, and BNP for Paribas and ELF in France. Newly privatized giants were involved in the deals. These high-profile cases elevated domestic takeover regulation and broader cross-border deals to the top of the political agenda in the European Union.

d. Deregulation and Capital Integration

Though the 1990s, there was an increase in the interest of Corporate Governance, by the introduction of the Euro, mergers in the stock market, the more noteworthy integration of the world capital and rise on equity capital. By cross-listing on multiple exchanges, the rapidly expanding European corporation raised capital from a variety of sources, increasing the significance of governance for a healthy environment.

e. Economic Crisis

The East Asia crisis of 1998, which began from Thailand and spread to most Asian nations, brought to light the poor governance and practices in emerging nations. The Asian model, which is characterized by centralized and hierarchical industrial groups managed by management and large investors, was reevaluated because of this. In Russia, mass insider privatization and its associated protection of small investors had also been reevaluated in a similar manner. International policymakers concluded that macro-management was insufficient to prevent crises and required additional governance as a result of these crises. Additionally, the numerous scandals and corporate failures in the United States highlighted the significance of governance. Due to poor Corporate Governance, major corporations like Enron, World Telecom, Adelphia Communication, and others failed. The US economy was plunged into an unprecedented crisis because of these massive failures. The significance of Corporate Governance and the development of governance principles were the subjects of these incidents.

2.3 Assimilation Theory

In 1998, Hawley & Williams, a literature review was performed to study the impact of Corporate Governance on economic co-operation and development of the organization. It was studied on United States and identified four models of theories which are described below:

a. Simple Finance Model / Agency Theory

This theory defined managers as agents. It defines the agency problems. It arises due to differences in the assumptions of owner and the managers. It was assumed that managers always act for the growth of their own interest not aligning with the

interest of the shareholders. Thus, this theory focuses on constructing the rules and incentives for effectively aligning the behavior of managers as per the requirement of the owners.

b. Stewardship Theory

The theory considered managers as the responsible factors for generating a high level of corporate profit and returns to shareholders. As per this theory, managers were motivated by their needs, to get inherent satisfactions with best performance results. They always want to get recognized by their colleagues and seniors by executing their authority and fulfilling their responsibilities.

c. Stakeholder Theory

This theory focused on increasing the wealth of the firm instead of managers and organizations. The goal of the managers and directors of the organization should be focused on maximizing the wealth of the organizations by ultimate utilization of available resources. Stakes should be converted into goods and services that helps to create wealth for the firm and value to the shareholders.

d. Political Theory

This theory said, the government of the country played a vital role for the allocation of the corporate powers, privileges, and for the determination of the profits between managers, owners and other stakeholders. It said the ability of the firm for the growth of the organization is influenced by the steps taken by the government of the country.

2.4 Empirical Review

2.4.1 Review of Journals Articles

Researcher investigated many articles that define the relationship between variables of Corporate Governance and performance. For the formulation of hypothesis and selecting such variables can be possible by the study of available literature review of such articles.

The top executive body of the company is the board of directors. They used to assign responsibilities to the management team to formulate strategies and policies and ask for designing supervising operation of the company. It is the main problem to every company to fix the optimal number of the directors for the company as every study shows

different results for having number of directors in the company. The summary of such studies is shown in below Table 1:

Table 1*:*

Study on Board Size and performance

Study	Result (Relationship)	KEY Findings
Lipton & Lorsch (1992)	Negative	It becomes more difficult for all members to express their ideas and opinions if board has more than ten members.
Jensen (1993)	Negative	Small board performs better.
Cadbury (2002)	Balanced	There should be balance between Board Size for healthy decision.
Admas & Mehran (2005)	Positive	Board Size does not have a negative effect on performance.
Tanna, Pasiouras and Nnadi (2008)	Positive	Positive relationship between Board Size and performance.
Bennedsen, Kongsted and Neilson (2008)	Negative	There is an optimal Board Size beyond which performance of the company is impaired.

Source: Purushottam N Vaidya (2019)

Lipton & Lorsch (1992) analyzed that having large number of Board Size makes the organization to make the decision slow. Also, they argued that directors rarely criticize the policies of top-level managers, if there is small size of Board Member. As per Jensen (1993), if there is small size of board member then they can perform in most effective and efficient way. According to Cadbury (2002), the size of a board should be balanced between being small enough to allow for genuine discussion and debate among members and being large enough to bring in the variety of expertise and experience that the chairman and their boards believe they require. According to Bennedsen, Kongsted, and Neilson (2008), there should be an ideal board size beyond which the company's performance suffers. However, in their investigation on the relationship between board size and firm performance, Adams and Mehran (2005) came to the conclusion that board size has no detrimental effect on performance. On the other hand, Tanna, Pasiouras, and Nnadi (2008) emphasized that board size and performance were positively correlated.

In a similar vein, the presence of independent directors within an organization may similarly impact its success. Numerous experts have conducted extensive research to determine the connection between the company's performance and its independent directors. Similarly, the performance of the bank is affected by having female directors. The organization's performance is influenced by the makeup of the board. According to some writers, boards with a majority of non-executive directors may help to mitigate the agency problem by keeping an eye on and reining in management's opportunistic actions and making sure that managers weren't the only ones assessing their own work (Jensen, 1996). Table 2 shows the findings of several researchers' investigations.

Table 2:

Study on Independent Directors and performance

Study	Year	Result
Pfeffer	1972	Positive relationship
Baysinger and Butler	1985	Positive relationship
Brickley & keys	1987	Positive relationship
Byrd & Hickman	1992	Positive relationship
Agarwal & Knoeber	1996	Negative relationship
Bhagat& Black	2002	Negative relationship
Hermalin & Weisbach	2001	No relationship

Source: Fanta, Ashenafi (2019)

Independent Directors are have any relationship with the organization but give directions to the organization to act accordingly. As per Fema (1993), Independent Directors or outside directors act as “Professional Referees” for the value maximization of the organization. There should be balanced composition between directors from inside the organization and from outside the organization. Baysinger and Butler (1985) had taken population of 266 corporations and concludes that having more Independent Directors will gives the better performance. This research was further supported by Brickley and Keys (1987), Byrd and Hickman (1992), and by Pfeffer (1972). There are some researches done by Bhagat and Black (2002) and Agwarwal and Knoeber (1996) who had concluded that having Independent Director in the organization does not support better performance. However, Hermalin and Weisbach (2001) had concluded that there is no correlation of having Independent Director and performance of the organization.

There were some reviews that give the view for the relationship between financial Leverage and financial performance. Some theories concluded that there is the positive relationship between financial Leverage and financial performance, some concluded negative relationship and other concluded there is no relationship.

Table 3:

Leverage and performance's Study

Study	Year	Result
Laurent	2002	Germany and France had a positive relationship, but Italy had a negative one.
Berger & B.Patti	2006	Positive
Tian & Zeitun	2007	Negative
Ebaid	2009	No relation
Maina & Kondongo	2013	Negative
Gweiji & Karanja	2014	Positive

Source: Fanta,Ashenafi(2019)

Laurent (2002) had studied the relationship between Leverage and performance in different countries and concluded that there is the negative relationship in Italy and Positive in Germany and France. Berger& B.Patti (2006) and Gweiji & Karanja (2014) concluded that there is the positive relationship between Leverage and performance whereas Tian & Zeitun(2007) and Maina& Kondongo (2013) concluded that there is the negative relationship between Leverage and performance. Ebaid (2009) concluded that there is no relationship between Leverage and performance.

There was also a study was made to find the relationship between size of the firm and performance of the organization. The following table shows the conclusion made by different research and their relationship:

Table 4*:*

Study on firm's size and performance

Study	**Year**	**Conclusion**
Clark	1995	Positive For Medium Size Banks
Goldberg & Rai	1996	Negative For Large Size Banks
Allen & Rai	1999	Negative For Large Size Banks
Berger	2006	Negative For Large Size Banks
Feng & Serlitis	2010	Positive Relationship

Source: Mariana & Selva (2016)

On the sample taken by Clark (1995) concluded medium size banks have the better performance. Further, Goldberg & Rai (1996), Goldberg & Rai (1999) and Berger (2006) have analyzed that if the size of the banks are large then their performance is not satisfactory as compared to low and medium size banks. However, scholar Feng & Serlitis (2010) studied 1270 European Banks concluded that there was a positive relationship between the Bank Size and performance of the bank.

According to Nwankwo (2011), examined capital refers to the amount of funds a bank must maintain or plan to hold to operate its business prudently and sustainably It is the minimum amount of capital that banks must maintain. It is the minimum amount of capital required to carry out the primary capital function of preventing bank failure through loss absorption. These losses were connected to the risks that banks take on naturally because of their attempts to meet the community's legitimate credit demands. The best defense against bankruptcy and liquidation resulting from the risk in the banking industry is enough capital. Any business or bank with insufficient capital suffers unspeakable limitations. Its management was constantly on the lookout for ways to raise money or prevent takeover attempts. The experts have also looked into the connection between Capital Adequacy Ratio and bank performance. The following table displays some scholars' analyses and their findings:

Table5*:*

Capital Adequacy Ratio and performance's Study

Study	Year	Result
Goddard ,Molyneux &Wilson	2004	Negative
George,E. H.,& Dimitrios,S.S.	2004	Negative
Ngo	2006	No relation
Kosmidou	2008	Positive
C.Okafor, K. Ikechukwa, U. Adebimpe	2010	Positive
A. Olalekon & S. Adeyinka	2013	Positive

Source: Mariana & Selva(2016)

In a previous study, Goddard, Molyneux, and Wilson (2004) found that banks with high CAR ratios operated with excessive caution and disregarded potentially profitable trading opportunities, and that these behaviors had a negative association. No association between these two variables was discovered by NGO (2006). However, a recent study by Olalakon, A., & Adeyinka, S. (2013) in Nigerian banks revealed a sizable positive association. Like this, George & Dimitrios (2004) used Data Envelopment Analysis (DEA) as a non-parametric analytical technique to evaluate the capital adequacy performance of the Greek banking system. He demonstrated how data envelopment analysis might be used to augment or replace ratio analysis when assessing an organization's performance while paying close attention to macroeconomic indicators. The table below displays the findings of academic studies about the connection between Earnings Per Share and performance.

Table6

Earnings Per Share and performance's Study

Study	Year	Result
Lamont	1998	Positive
Ammar Gull et. Al	2013	Positive
Mujahid, M., et.al	2014	Positive
S. Balaputhiran	2016	No relation

Source: Fanta & Ashenafi(2019)

The fraction of a company's profit assigned to each outstanding share of common stock was known as Earnings Per Share. There haven't been many studies done to determine the connection between company performance and Earnings Per Share. Because Earnings Per Share were regarded as a measure of bank profitability, there was very few research that examined the relationship between these. According to Lamout (1998), there is a correlation between EPS and bank performance. Study conducted in Pakistan by Ammar Gull et al. (2013) and Mujahid, which provided support for the study (2014). However, S. Balaputhiran's (2016) study of the listed banks in Sri Lanka found no connections between them. The information included seven mentioned financial, insurance, and banking sectors during the five years from 2008 to 2012. There was no meaningful link, as shown by the regression analysis and the correlation approach.

2.4.2 Review of Previous Thesis

The literature studied mentioned above demonstrated links between Corporate Governance and performance in international settings. The study had demonstrated that outcomes varied between nations and even within the same nation depending on the time period. In Nepal, research had been done on the significance of governance in the banking industry and how it relates to performance. In the context of Nepalese banks, the relationship between Corporate Governance and performance has been extensively researched. The research conducted by several researchers in Nepal was helpful for the current study. The study was helpful for comparing the relationship with the current study and for developing hypotheses with more assurance. The following table 7 displays the student's outcomes.

Table7

Study on Corporate Governance and performance in Nepal

Study	Year	Findings
Pokhrel	2007	The study's findings suggested that in order to ensure good Corporate Governance in Nepal, the promoters (investors) and shareholders (shareholders) must work together. The promoters must be more open, responsible, and socially accountable, and shareholders must actively participate in their corporations' affairs.
Ghimire	2010	The findings showed a link between firm-specific Corporate Governance and firm value that was favorable.
Shrestha	2011	The results revealed a positive relationship between firm-specific Corporate Governance and firm value.
Poudeland Hovey	2013	The findings showed a link between Corporate Governance within a particular organization and firm value.
Thapa	2014	The goals of governance are to safeguard shareholders' interests, improve disclosure and openness, support the successful operation of the board, and offer a framework for effective legal and regulatory enforcement.
Niraula	2015	The objectives of governance are to protect the interests of shareholders, enhance transparency and disclosure, promote the efficient operation of the board, and provide a framework for efficient legal and regulatory enforcement.
Sapkota	2016	Protecting the interests of shareholders, improving transparency and disclosure, fostering the effective operation of the board, and providing a framework for effective legal and regulatory enforcement are the goals of governance.
Chand	2020	The Independent Directors have positive relationship with indicators of bank performance and there should maximize the number of Independent Directors for better performance.

2.4.3 Review of Research Report or Other Related Literature

The government and central bank launched the financial sector reform with the goal of improving the Corporate Governance and performance of the banking industry, particularly the state-owned banks (Sapkota, 2016). The study, which focused on the connection between Corporate Governance and performance, used a descriptive research design.

In light of the Asian economic crisis of 1997–1998, Niraula (2015) emphasized the significance of developing nations like Nepal. The study made the case that strong bank governance was essential to the economy's survival. The study looked into how Corporate Governance affected the effectiveness of Nepalese commercial banks. When the Nepalese central bank made the majority of its regulatory judgments for corporate government improvisation between 2005 and 2011, secondary data for sample 29 of the country's 31 commercial banks were examined. The board, independence and diligence, size, independence and diligence, and ownership structure were the Corporate Governance variables that were represented.

Not only in established economies but also in developing economies like Nepal, where recent problems with inadequate Corporate Governance in the financial sector had emerged, concern over Corporate Governance was skyrocketing (Shrestha, 2011). The impact of Corporate Governance on bank performance was the study's main focus. The findings indicated that banks' involvement in governance was minimal. Similar to this, another researcher, Ghimire, conducted research with the main goal of examining the impact of fundamental factors on Corporate Governance in Nepal and the specific goal of examining how Corporate Governance factors like institutional ownership, public capital, and public directors, among others, relate to the firm's performance. 98 observations total were used to study sectional data compiled for 14 businesses other than financial institutions. The question of whether "excellent" Corporate Governance had a favorable impact on the firm's valuation is answered with data from Nepalese listed companies. The study was carried by utilizing a board sample of publicly traded Nepalese companies. The study used ownership concentration and Leverage as additional governance mechanisms in addition to the Corporate Governance index to provide a thorough analysis. The findings were consistent with the widely held hypothesis that there is a link between firm-specific Corporate Governance and firm value (Ghimire, 2010).

Increasing transparency, responsibility, and social accountability among investors (promoters), shareholders, and the regulatory authority are all necessary for good Corporate Governance in Nepal. The regulatory authority should effectively enforce rules and regulations in order to protect the rights of all stakeholders and create an environment that is conducive to enhancing corporate performance (Pokhrel, 2007).

Regarding the relationship between the independent variables and dependent variables, hypotheses have been generated. The study conducted by numerous academics in the past served as the foundation for the theory' development. Board performance and size After major corporations like Enron, World.com, and Parmalat experienced financial failure, the media and business community focused heavily on the composition and size of corporate boards. Regarding the ideal Board Size, there were several points of view. Huge Board Sizes, according to Jensen (1996), Lipton & Lorsch (1995), make organizations less effective because of member agency issues. Along with the agency issue, other issues like setting up a meeting and obtaining consensus result in lengthy and ineffective decision-making, which seriously impairs the performance of the company. A substantial inverse association between Board Size and performance was also shown in the Yermack (1998) study of 452 American businesses. Consequently, the following was the study's hypothesis:

H1: The performance of the bank was significantly inversely correlated with Board Member Size (BM).

The idea of an Independent Director was a crucial component of the board's Corporate Governance framework. With the rise in agency issues, the misappropriation of corporate resources, and the disdain for the interests of shareholders, the Independent Director position and relevance had expanded (Barnhart & Rosenstein, 1998). Outside directors may do better in supervision than internal directors, according to Fama & Jensen (1993). The organization might preserve transparency and contribute to success with the Independent Director. The performance elements of the company would be higher if there were more Independent Directors on the board (Yonca E., Fabrizio F., and Stephen S.) (2010). Consequently, the next hypothesis will be

H2: Independent Directors and the bank's performance were substantially positively connected. The focus of regulatory policy responses to the current financial crisis was on

leverage and performance leverage costs, as the G-20 and Basel Committee on Bank Supervision had to update a new leverage ratio. A minimum Leverage ratio, it was believed, might assist in reducing the bank's incentives for regulatory arbitrage. Because shareholders' interests and loan holders' interests differ, increased Leverage results in higher expenses (Jensen & Meckling, 2001). In their 2003 study of a sample of Indian companies, Majundar and Chinner showed a substantial inverse association between Leverage and Corporate Governance. In a similar vein, research by Kinsman and Newman (1999) on US-based companies revealed a poor correlation between Leverage and performance. However, Nickbell & Nicolotsas (1999) discovered a favorable but frail association. Additionally, a recent study by Laurent Weill (2002) discovered a substantial positive relationship between Leverage and performance in Germany and France but a negative relationship in Italy. Therefore, the third hypothesis will be

H3: The performance of the bank was significantly inversely correlated with the Leverage ratio. In this study, the size of capital was used to determine the relationship between Bank Size and bank performance. Large banks were regarded as having high capital, and vice versa. Large banks had the ability to easily extend their services, locations, and other offerings, which allowed them to operate more effectively in their surroundings. The Nepal Rastra Bank (NRB), which was founded to preserve banks and ensure financial stability, also made it mandatory for banks to increase their paid-up capital till mid-July 2017. This shows that the bank with more capital was safer and more capable of delivering superior results. Similarly, a study conducted in the USA by Hamelet al., (2004) shown that banks with larger capital outperformed others. Therefore the hypothesis will be as

H4: The performance of the bank was significantly positively correlated with Bank Size.

Bank performance and the Capital Adequacy Ratio (CAR) The Capital Adequacy Ratio, which is the amount of bank regulatory capital expressed as a percentage of its risk-weighted assets, is a way to gauge a bank's capital strength. The long-term financing and solvency situation of banks depend greatly on their Capital Adequacy Ratio, particularly in preventing bankruptcies and adverse externalities. By absorbing the loss without being forced into an expensive liquidation and enabling the banking industry to fully capitalize on its profitable growth opportunity, a sufficient amount of capital was considered to be able to effectively carry out the primary function of preventing the failure of the banking

industry (Akintoye & Somoye, 2008). A study conducted in Kenya by Olaken & Adeyinke (2013) found a positive correlation between profitability and capital sufficiency. Since profitability was attained by good performance, it could be said that there was a positive correlation between bank and vehicle performance. In this case, the theory will be as

H5: The Capital Adequacy Ratio and bank performance have a strong positive correlation.

The fraction of a company's profit allotted to each outstanding share of common stock is known as Earnings Per Share (EPS) and bank performance Earnings Per Share. It acts as a gauge of business performance and profitability. EPS illustrates the strengths and weaknesses of the companies. Since the EPS rose, this indicates that banks were operating efficiently. It is reasonable to believe that eps and performance are positively correlated. Lamont's (1998) study further demonstrates that there was a good link between them. Therefore, a positive association between them will be the hypothesis.

There was a significant positive relationship between EPS and bank performances.

H6: Having a Women Director in the organization also have the significant positive relation to the profitability of the Bank. As per the research done by Atika Fairuzi (2022), the profitability of the small organization was found increased where there exists Women Director.

2.4.4 Summary of Articles and Thesis

The principal-agent dilemma, which arises when bank management and directors' incentives are not in line with those of the company's owners, presents a significant Corporate Governance difficulty for banks (Kern, 2004). This could lead to management having differing risk preferences from the company's owners and other stakeholders, such as creditors, employees, and the public. Without governmental involvement, matching the interests of these groups may be challenging, if not impossible, due to significant transaction costs and institutional impediments. Banks are complicated and opaque at the same time. As Levine (2004)notes, “Banks can alter the risk composition of their assets more quickly than most non-financial industries, and banks can readily hide problems by extending loans to clients that cannot service previous debt obligations.”

The governance issues raised by the financial crisis are discussed in recent academic work and policy evaluations, along with potential answers. The financial crisis was significantly influenced by the four key aspects of governance that have been identified: executive compensation, Board Size, risk management, and market discipline.

The improvement of Corporate Governance in emerging market nations like Nepal can support a variety of significant public policy goals. The development of the capital market is a result of good Corporate Governance, which also strengthens property rights, lowers transaction costs and capital expenses, and lessens the vulnerability of emerging markets to financial crises. On the other hand, weak Corporate Governance structures can weaken investor trust and deter outside investment. A growing amount of academic research has emphasized the significance of Corporate Governance over the past few years.

Nepal is becoming more conscious of the value of Corporate Governance. As part of a larger campaign to overhaul the financial industry, the central bank has increased Corporate Governance norms for banks and other financial institutions. Standards for accounting and auditing are being created. The reform process should deepen and quicken if a number of draft legislations are passed and put into effect. However, there are several, serious flaws in the legal system. Important organizations with limited resources and power are the securities board and corporate registrar. Most notably, the economy has been damaged, and the approval of draft legislation has been postponed due to political unpredictability and the current security situation.

With regard to the organized sector of the economy, the financial sector in Nepal is now consolidating. Even more so during this stage of development, Corporate Governance is important. Although the literature has recently given a lot of attention to the topic of Corporate Governance in developing economies. Researchers have almost completely ignored it (Caprio& Levine, 2002). Research in the field of Corporate Governance has to be prioritized, both in terms of quantity and scope, in the context of Nepal.

2.5 Research Gap

The difference between this research and earlier research is referred to as the research

gap. A previous study on Corporate Governance and performance in Nepalese commercial banks was carried out by a variety of students, professionals, and researchers. Only three banks were involved in earlier investigations that were linked to this case study. NMB Bank, Citizens Bank International Ltd, Everest Bank, Nepal SBI Bank, Himalayan Bank, Laxmi Bank, Sunrise Bank, Nepal Investment Bank, Siddartha Bank, Nepal Bank, and Rastriya Banijya Bank are a few of the eleven banks I have highlighted in my study**.** The time span of the case study that is being presented also varies. The time period in previous cases ranges from 2007/08 through 2011/12. However, the time frame in my instance is from 2014–15 to 2020–21. Return on Assets (ROA) and Return on Equity (ROE) have been used as a base by prior researchers. In my example, I employed a Net Interest Margin (NIM) and Return on Equity (ROE). The following are the arguments that distinguish my position from the prior one.

The central bank of Nepal, commercial banks and other financial institutions, young researchers and other non-financial entities have all benefited in some way from the research on Corporate Governance and financial performance in the context of Nepalese banks. Finding the relationship between dependent factors and independent variables was made possible through the analysis of data utilizing correlation and regression. The people and organizations indicated above may benefit from this outcome.

CHAPTER III
RESEARCH METHODOLOGY

3.1 Introduction

The research design also serves as a guide for examination of the correlation between corporate variables and performance variables. Methodology used, data collection and data analysis was covered under it.

3.2 Research Design

In order to address the difficulties brought up in previous research that affects the performance of particular commercial banks in Nepal, this study employed both a descriptive study design and a causal comparison approach study design. Finding facts and relevant information regarding the governance, performance, and firm components of Nepalese banks can be aided by descriptive study designs. To provide a clear image of the issue, this type of design entails the methodical collecting and presentation of data. Descriptive statistics were used to characterize the type of data collected by commercial banks during a ten-year period, from fiscal year 2011–12 to 2020–21. The study design aims to examine the connection between the bank's performance measure (dependent) and corporate governance variable (independent). Thus, to examine the link between the variables, comparative study designs are employed.

3.3 Population Sample and Sample Design

The study's foundation is secondary data gathered from 27 Nepali banks. Nepal Rastra Bank's Banking and Financial Statistics, which are augmented by NRB directives, the Companies Act of 2063, pertinent corporate governance bylaws, the Bank and Financial Institutions Act of 2073, and supervision reports from Nepal Rastra Bank are among the main sources of data. Currently, a small number of banks are in the process of merging, which could further reduce the number of banks in the future. The study took into account all 27 of Nepal's commercial banks as the population in order to meet its goals. Convenience sampling was used to choose a sample of 11 commercial banks from this in order to enable more comprehensive generalizations. The list of selected sample banks with study period as presented below:

Table 8

Selection of commercial banks along with study period

S.N.	List of Banks	Study Period
1.	NMB Bank	2014/15 to 2020/21
2.	Citizens Bank International Ltd	2014/15 to 2020/21
3.	Everest Bank	2014/15 to 2020/21
4.	Nepal SBI Bank	2014/15 to 2020/21
5.	Himalayan Bank	2014/15 to 2020/21
6.	Laxmi Bank	2014/15 to 2020/21
7.	Sunrise Bank	2014/15 to 2020/21
8.	Nepal Investment Bank	2014/15 to 2020/21
9.	Siddhartha Bank	2014/15 to 2020/21
10.	Nepal Bank	2014/15 to 2020/21
11.	Rastriya Banijya Bank	2014/15 to 2020/21

Source: Nepal Rastra bank annual report (2021)

3.4 Data Collection Procedure and Instrument

The main sources of data were from secondary sources which was published by the banks and Rasta Bank for public after the annual report get audited by the auditor of Nepal. These data were reliable as the chances of error for these data are rear. Data has also been refined into the desired form from the information obtained from the annualreport. Data is organized using MS Excel, while SPSS is utilized for analysis.

3.5 Data processing procedure and data analysis method

The main purpose of this study is to identify the relationship between Corporate Governance and performance of banks in Nepalese commercial banks. For this examination, the following models have been used.

Model 1	Dependent Variable	Return on Equity
	Independent Variable	Size of Board, Independent Director, Women Director, Leverage Ratio, Size of Bank, Earning Per Share, and Capital Adequacy Ratio.
	Represented as	ROE= $\beta 0+\beta 1BM+\beta 2ID+\beta 3LEV+\beta 4BS+\beta 5EPS+\beta 6CAR+\beta 7WD+e$

Model 2 Dependent Variables: Net Interest Margin

Independent Variables: Size of Board, Number of Independent Directors,Women Director,Leverage Ratio, Size of Bank, Earning per Share, and Capital Adequacy Ratio

Represented by: NIM= β0+β1BM+β2ID+β3LEV+β4BS+β5EPS+β6CAR+β7WD+e

Where, β0, β1, β2, β3, β4, β5, β6, β7 are the regression coefficient

ROE= Return on Equity

NIM=Net Interest Margin

BM= Board Member Size

ID= Number of Independent Director

WD=Number of Women Director

LEV= Leverage Ratio

BS= Size of Bank (paid up capital)

EPS = Earnings Per Share

CAR= Capital Adequacy Ratio

Here, **Return on Equity(ROE)**

It is the amount of net income returned as a percentage of shareholder equity and calculated as:

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

Net Interest Margin(NIM)

It is a performance indicator that examines how successful a bank's investment decisions are compared to its debt situation. It is calculated as:

$$NIM = \frac{Interest\ Income - Interest\ Expenses}{Earning\ Assets} \times 100$$

Leverage Ratio (LEV)

It represents the proportion of a bank asset financed by equity. It is calculated as

$$LEV = \frac{Core\ Capital}{Risk - Weighted\ Assets} \times 100$$

Capital Adequacy Ratio (CAR)

It is the measure of bank capital to its risk assets. It is calculated as

$$CAR = \frac{Tire\ 1\ Capital + Tire\ 2\ Capital}{Risk - Weighted\ Assets} \times 100$$

Earnings Per Share (EPS)

It is the proportion of a company profit allocated to each outstanding share of common stock. It is calculated as

$$EPS = \frac{Net\ Income}{Number\ of\ share\ Outstanding}$$

3.6 Research Framework and Definition of Variables

The current study creates a conceptual framework based on the literature review and the research objectives. The study's conceptual framework provides a systematical explanation of the relationship between the dependent and independent variables. It aids in achieving the research goal to concentrate on the research problem. In addition to identifying the research variables, a description of the framework also clarifies how the variables relate to one another. The conceptual framework prepares the ground for the presentation of the particular research question that guides the study, which is related to the issue with the statement.

In the figure below, the conceptual framework for this study is displayed.

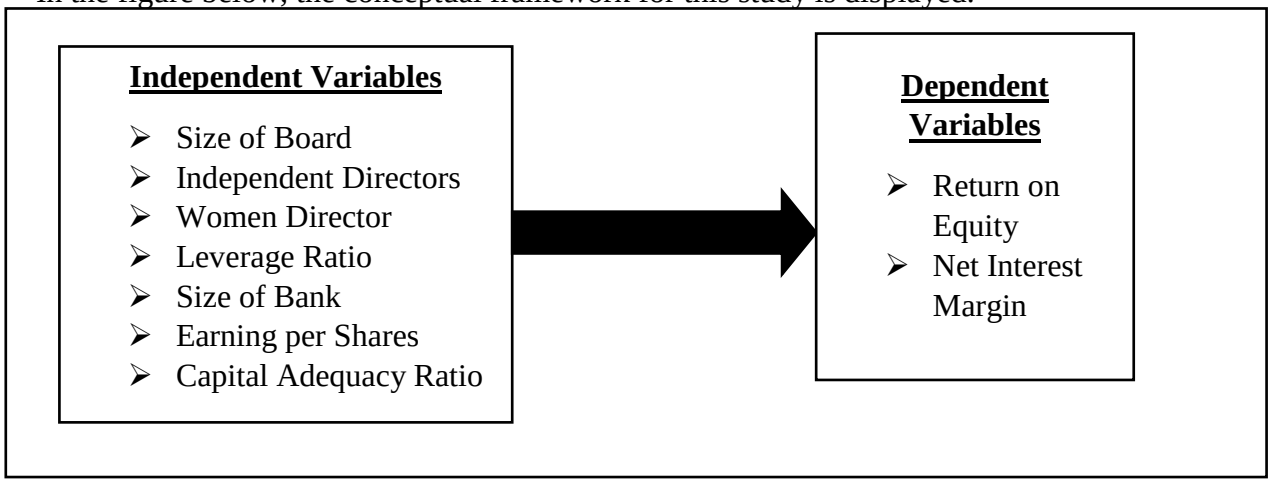

Figure 1:

Conceptual framework

Source : (Balaputhiram, 2016)

The conceptual framework for this study was derived from earlier research done by various academics. The relationship between Corporate Governance and bank performance is the main topic of this study. The Board Size, the number of Independent Directors, Women Director, the Leverage ratio, size of the bank, the Earnings Per Share, and the Capital Adequacy Ratio are the independent variables in figure 1. And dependent

variables are returned on for equity and Net Interest Margin. This data suggests that the size of the board, the number of Independent Directors, Leverage, Earnings Per Share, Capital Adequacy Ratio, and Bank Size are all related to Return on Equity and Net Interest Margin, which are indicators of banks' performance. The performance of banks is impacted by these governance factors.

The effectiveness of the company is significantly influenced by the number of directors on the board.

Directors must make sure the management is operating effectively and in accordance with the rules and regulations it has established. Directors make significant decisions on the organization's behalf and create policies, rules, and regulations. A large number of directors on board, according to Lipton & Lorsch (1995) and Jensen (1996), causes agency issues and delays in the decision-making process, which lowers the performance of the bank. However, it should be noted that as the number of directors on the board grows, the decisions made will benefit the organization more because directors tend to be knowledgeable and experienced individuals.

Independent Directors make sure that the interests of all shareholders are protected when making decisions as a board. They make sure that directors don't take any actions that put shareholders and other stakeholders at risk. Many banks and organizations have failed as a result of directors' bad intentions to make risky decisions in order to make large profits. The chairman of the finance service authority listed six causes for the collapse, two of which were directors' decisions to rely too heavily on risky short-term wholesale funding and to not gather enough information before making an acquisition. Therefore, having Independent Directors on the board is crucial to correcting the enthusiastic decisions made by directors and preserving the positive performance of banks.

Definitions of Variable

Some of the terminology used in this research has been defined in this section.

Agency Theory

It describes how principals and agents interact in a firm that focuses on finding solutions to issues that may arise in an agency relationship.

Acquisition

Taking over the target company's ownership shares in order to exert control over it is a corporate activity.

Bankruptcy

It is a circumstance in which a business will be unable to pay back the money it owes its creditors.

Code of Ethics

A code of ethics is a system of rules and conduct intended to teach professionals how to behave in a way that is honest, beneficial to all parties, and appropriate.

Financial Performance

This assesses how well a business can generate revenue using resources from its primary business. This expression is also employed as a general measure of the long-term financial health of an organization.

Governance Structure

The governance structure describes the rights and obligations of the board, managers, shareholders, and other stakeholders, as well as the guidelines and processes for making decisions on business-related issues.

Independent Director

They are the directors of the board members who have no financial or significant relationships to the company or any associated parties, except than sitting fees.

Women Director

Women directors are those who take part in the organization's decision-making process.

Merger

It is a deal to merge two current companies into one new company.

OECD

The Organization for Economic Cooperation and Development is what it stands for. It advocates for policies that enhance people's social and economic well-being.

Political Theory

How ownership, management, and other stakeholders divide company power, benefits, and profits is determined by the government.

Shadow Banking

A system in which financial intermediaries help to create credit throughout the global financial system, but members are not subject to regulatory oversight. It explains activities that are not governed by regulations but are carried out by regulated institutions.

Shareholders

A person, entity, or group that has one or more company shares and to whom the firm has granted share certificates.

Stakeholder Theory

Combine the actions of management and shareholders to optimize the company's overall wealth.

Stakeholders People

Those who are impacted by the organization's actions, goals, and policies are known as stakeholders.

Stewardship Theory

It is assumed that managers take good care of the company and strive for its expansion without expecting rewards.

Tier 1 Capital / Core Capital

It is made up of reported reserves and common stock and is the primary indicator of banks' financial health from the perspective of regulators.

Tier 2 Capital

Comprising subordinated term debt, hybrid instruments, concealed reserves, and revaluation reserves, it is the secondary component of bank capital.

CHAPTER IV
RESULTS AND DISCUSSION

The analysis of data plays a crucial role in research. Its main objective is to transform raw data into a comprehensible format, and to derive meaningful insights by scrutinizing and interpreting the data. The fourth chapter of this research presents a structured approach to analyzing secondary data, aiming to uncover the relationships between various independent and dependent variables.

Presentation of Data

4.1 Descriptive Statistics

Table 9 displays the descriptive statistics of the impact of several independent variables on bank performance. The table includes information on the highest and lowest values for each variable, as well as the mean and standard deviation for all variables.

Table 9

Descriptive Statistics of Independent Variables

	Mean	Std. Deviation	Minimum	Maximum
Board Size	7.06	1.24	5.00	11.00
ID	0.35	0.48	0.00	1.00
WD	0.44	0.55	0.00	2.00
Bank Size	7909651769.90	3144476493.01	2017387737.00	16325960853.00
EPS	27.70	12.30	5.41	78.04
CAR_%	0.14	0.02	0.07	0.24
LEV_%	0.11	0.02	0.06	0.16

In Table 9, the minimum, maximum, mean, and standard deviation of several independent variables related to 11 sampled banks are provided for the period between 2014/15 and 2020/21. The variables include the number of board members (BM), the number of Independent Directors(ID), Capital Adequacy Ratio (CAR), Earnings Per Share (EPS), Bank Size (BS), and Leverage ratio (LEV).

Board Size: refers to the number of members in the board committee of the banks. The mean value is 7.06, which indicates that on average, there were 7 members in the board committee of the sample banks. The minimum and maximum values were 5 and 11, respectively.

Independent Director: refers to the number of Independent Directors in the board committee of the banks. The mean value is 0.35, which indicates that on average, there were less than 1 Independent Director in the board committee of the sample banks. The minimum and maximum values were 0 and 1, respectively.

Women Director refers to the number of Women Directors in the board committee of the banks. The mean value is 0.44, which indicates that on average, there were less than 1 woman director in the board committee of the sample banks. The minimum and maximum values were 0 and 2, respectively.

Bank Size refers to the size of the banks, measured in NPR (Nepalese Rupees). The mean value is 7.91 billion NPR, which indicates that the average size of the sample banks was 7.91 billion NPR. The minimum and maximum values were 2.02 billion NPR and 16.33 billion NPR, respectively.

EPS: refers to the Earnings Per Share of the banks. The mean value is 27.70 NPR, which indicates that on average, the Earnings Per Share of the sample banks was 27.70 NPR. The minimum and maximum values were 5.41 NPR and 78.04 NPR, respectively.

CAR_%: refers to the Capital Adequacy Ratio of the banks, expressed as a percentage. The mean value is 0.14, which indicates that on average, the Capital Adequacy Ratio of the sample banks was 14%. The minimum and maximum values were 0.07 and 0.24, respectively.

LEV_%: refers to the Leverage ratio of the banks, expressed as a percentage. The mean value is 0.11, which indicates that on average, the Leverage ratio of the sample banks was 11%. The minimum and maximum values were 0.06 and 0.16, respectively.

Table 10

Descriptive Statistics of Dependent Variables

	Mean	Std. Deviation	Minimum	Maximum
ROE_%	0.15	0.06	0.06	0.43
NIM_%	0.03	0.01	0.02	0.06

In Table 10, the minimum, maximum, mean, and standard deviation of several dependent variables related to 11 sampled banks are provided for the period between 2014/15 and 2020/21. The variables include the Return on Equity (ROE_%) and Net Interest Margin (NIM_%).

ROE_%: refers to the Return on Equity of the banks, expressed as a percentage. The mean value is 0.15, which indicates that on average, the sample banks earned a return of 15% on their equity. The minimum and maximum values were 0.06 and 0.43, respectively.

NIM_%: refers to the Net Interest Margin of the banks, expressed as a percentage. The mean value is 0.03, which indicates that on average, the Net Interest Margin of the sample banks was 3%. The minimum and maximum values were 0.02 and 0.06, respectively.

These statistics provide an overview of the distribution and range of values for each variable in the sample. They can be used to identify any outliers, as well as to compare the characteristics of different banks in the sample.

4.2 Correlation Analysis

A statistical method called correlation analysis is used to ascertain the degree of a relationship between two variables and to describe how a variable's direction would alter if the original data's direction changed or remained unchanged. Predicting the influence of one variable on another is made possible by the correlation level, which shows the direction of movement between variables. It is crucial to remember that correlation just shows the direction of change or movement and does not suggest causation. Whereas a weak or low correlation denotes that the variables have little to no link with one another, a strong or high correlation suggests that two or more variables are significantly associated. The Pearson correlation analysis findings are shown in the table.

Table 11

Correlation Analysis of Variables on Net Interest Margin (NIM)

Correlation Analysis of Variables associated with Net Interest Margin (NIM)

Variables	NIM	BM	ID	WD	BS	EPS	CAR	LEV
NIM	1							
BM	0	1						
ID	-.122	-.127	1					
WD	-.388**	-.313**	.253*	1				
BS	-.106	-.366**	.396**	.263*	1			
EPS	.383**	.173	-.168	-.357**	-.404**	1		
CAR	-.123	-.032	.268*	.099	.279*	-.056	1	
LEV	.098	-.214	.222	.102	.338**	-.284*	.598**	1

*** Significance at 0.01level (2-tailed)/* Significance at 0.05 level (2- tailed)*

Table 11 presents the correlation coefficients between the independent and dependent variables. The correlation between Net Interest Margin (NIM) and Board Member (BM) is 0, indicating a positive but insignificant relationship with NIM. The correlation between Independent Director (ID) and NIM is -0.122, showing a negative and insignificant relationship. The correlation between Women Director (WD) and NIM is -0.388, indicating a negative and significant relationship at the 1% level of significance. The correlation between Board Size (BS) and NIM is -0.106, suggesting a negative but insignificant relationship. The correlation between Earnings Per Share (EPS) and NIM is 0.383, demonstrating a positive and significant relationship at the 1% level of significance. The correlation between Capital Adequacy Ratio (CAR) and NIM is -0.123, showing a negative and insignificant relationship. Finally, the correlation between Leverage Ratio (LEV) and NIM is 0.098, indicating a positive but insignificant relationship.

Table 12

Results Pearson's Correlation of NIM (%) with Other Variables

Variables	Net Interest Margin (NIM_ %)	Relations
Board Members (BM)	0	No correlation
Independent Directors (ID)	-0.122	Weak negative correlation
Women Director (WD)	-0.388**	Moderate negative correlation (Significant at 0.01 level)
Board Size (BS)	-0.106	Weak negative correlation
Return on Equity (ROE_%)	.453**	Moderate positive correlation (Significant at 0.01 level)
Earnings Per Share (EPS)	.383**	Moderate positive correlation (Significant at 0.01 level)
Capital Adequacy Ratio (CAR_%)	-0.123	Weak negative correlation
Leverage Ratio (Lev_%)	0.098	Weak positive correlation
Net Interest Margin (NIM_%)	1	Perfect correlation (self-correlation, by definition)

*** Significance at 0.01level (2-tailed)/* Significance at 0.05 level (2- tailed)*

Table 13

Correlation Analysis of Variables on Return on Equity (ROE)

Variables	ROE	BM	ID	WD	BS	EPS	CAR	LEV
ROE	1							
BM	.227*	1						
ID	-.374**	-.127	1					
WD	-.421**	-.313**	.253*	1				
BS	-.394**	-.366**	.396**	.263*	1			
EPS	.654**	.173	-.168	-.357**	-.404**	1		
CAR	-.287**	-.032	.268*	.099	.279*	-.056	1	
LEV	-.284*	-.214	.222	.102	.338**	-.095	.598**	1

*** Significance at 0.01level (2-tailed)/* Significance at 0.05 level (2- tailed)*

Table 13 provides an analysis of the correlation coefficients between various independent variables and the dependent variable, Return on Equity (ROE). The results reveal both positive and negative relationships, highlighting the complexities of corporate governance and financial performance. The correlation between Board Members (BM) and ROE is 0.227, indicating a positive and significant relationship at the 5% level, suggesting that a larger number of board members contributes positively to ROE. However, Independent Directors (ID) exhibit a negative and significant relationship with ROE, with a correlation coefficient of -0.374, significant at the 1% level, implying that a higher proportion of independent directors might reduce ROE, potentially due to inefficiencies or increased monitoring costs.

Similarly, Women Directors (WD) show a negative and significant correlation with ROE, with a coefficient of -0.421, also significant at the 1% level. This suggests that, in the context studied, an increased presence of women directors correlates with lower ROE. Board Size (BS) follows a similar trend, with a correlation coefficient of -0.394, indicating that larger boards may negatively impact ROE, potentially due to challenges in coordination and decision-making. Both relationships highlight the importance of optimizing board composition for better financial outcomes.

Earnings Per Share (EPS) demonstrates a strong positive and significant relationship with ROE, with a correlation coefficient of 0.654, significant at the 1% level. This suggests that higher profitability, as measured by EPS, is strongly associated with improved ROE, reinforcing the link between financial performance and shareholder returns. In contrast, the Capital Adequacy Ratio (CAR) and Leverage Ratio (LEV) both show negative and significant relationships with ROE, with coefficients of -0.287 and -0.284, respectively. These findings, significant at the 5% level, suggest that while CAR indicates financial stability, it may correlate with lower equity returns, and higher leverage could adversely affect ROE due to increased financial risk.

The correlation analysis underscores the intricate relationships between corporate governance variables and financial performance. While some factors, such as EPS, positively influence ROE, others, like board size, independent directors, and leverage, exhibit significant negative associations. These results highlight the need for a balanced approach to governance structures to optimize financial outcomes.

Table 14

Pearson's Correlation of ROE (%) with Other Variables

Variables	Return on Equity (ROE_ %)	Relation
Board Members (BM)	0.227*	Weak positive correlation (Significant at 0.05 level)
Independent Directors (ID)	-0.374**	Moderate negative correlation (Significant at 0.01 level)
Women Director (WD)	-0.421**	Moderate negative correlation (Significant at 0.01 level)
Board Size (BS)	-0.394**	Moderate negative correlation (Significant at 0.01 level)
Return on Equity (ROE_ %)	1	Perfect correlation (self-correlation, by definition)
Earnings Per Share (EPS)	.654**	Strong positive correlation (Significant at 0.01 level)
Capital Adequacy Ratio (CAR_ %)	-.287*	Weak negative correlation (Significant at 0.05 level)
Leverage Ratio (Lev_ %)	-.284*	Weak negative correlation (Significant at 0.05 level)
Net Interest Margin (NIM_ %)	.453**	Moderate positive correlation (Significant at 0.01 level)

*** Significance at 0.01level (2-tailed)/* Significance at 0.05 level (2- tailed)*

Table 14 presents Pearson's correlation matrix, which shows the correlation coefficients between the dependent and independent variables in the study. The correlation coefficient measures the strength and direction of the linear relationship between two variables, ranging from -1 to +1. A positive coefficient indicates a positive relationship, a negative coefficient suggests a negative relationship, and a coefficient of zero means no relationship exists.

Several key observations can be made from the table. Firstly, there is a negative correlation between Board Size and Bank Size (-0.366), meaning that as the size of the board committee increases, the bank size tends to decrease. Secondly, the negative

correlation between Women Directors and Bank Size (-0.263) suggests that as the number of women directors on the board increases, the size of the bank decreases. This negative relationship is also seen between Women Directors and Return on Equity (-0.421), indicating that an increase in the number of women directors is associated with a decrease in Return on Equity.

Conversely, a positive correlation between Return on Equity and EPS (0.654) indicates that as Return on Equity increases, EPS also tends to rise. Additionally, there is a positive correlation between Return on Equity and Net Interest Margin (0.453), suggesting that as Return on Equity increases, Net Interest Margin also increases.

It is crucial to emphasize that correlation does not imply causation, and further analysis is required to establish any causal relationships between the variables.

4.3 Regression Analysis

The study uses the regression model described in chapter 3 to analyze pre-existing data in order to confirm the validity and dependability of the results. In order to evaluate the estimated relationship between independent variables (such as Board Size, Independent Director, Capital Adequacy Ratio, Earnings Per Share, Bank Size, and Leverage) and dependent variables (Return on Equity and Net Interest Margin), this entails examining the regression results from several iterations of the model. The regression analysis's findings are shown in the tables below.

4.3.1 Regression Result of Net Interest Margin (NIM) on Independent Variable

Table 15 displays the results of the regression analysis where the independent variable is regressed against Return on Equity.

Table 15

Model Summary on Net Interest Margin (NIM)

Model	R	R Square	Std. Error of the Estimate
2	0.986a	0.972	0.62%

Table 15 shows the regression statistics for the model used in the analysis. The "R" value of 0.986 indicates a strong positive correlation between the independent variables and the dependent variable. The "R Square" value of 0.972 indicates that the independent variables explain 97.2% of the variability in the dependent variable. The "Std. Error of the Estimate" value of 0.62% is a measure of the accuracy of the regression model in

predicting the values of the dependent variable. Overall, the high R and R Square values suggest that the model is a good fit for the data and can be used to make predictions about the relationship between the independent variables and the dependent variable.

Table 16

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig
Regression	0.039	1	0.039	1000	0.000
Residual	0.001	28	0.000		
Total	0.039	29			

a Predictors: (Constant), NIM_%, Board Size, CAR_%, Independent Director, EPS, Women Director, Bank Size, Leverage_%

This Table 16 shows the results of a multiple regression analysis. The model used in the analysis includes a constant and several predictor variables: NIM_%, Board Size, CAR_%, Independent Director, EPS, Women Director, Bank Size, and Leverage_%.The result of table 15 shows that the p value is less than 0.05 (P=<0.05). So the model is significant at 5% level of significance. So multiple linear models can be used to analyze the data. It is the most fitted model for the analysis of this study.

Regression Analysisof Net Interest Margin (NIM) on Independent Variable

Table 17

Regression Analysis of Independent Variables on Net Interest Margin

	Beta	t	Sig.
BM	0.144	1.416	0.161
ID	0.007	0.242	0.81
WD	-0.037	-1.301	0.198
BS	0.088	1.325	0.19
EPS	0.069	0.973	0.334
CAR_%	-0.164	-1.046	0.299
Leverage_%	0.616	4	0
ROE_%	0.28	3.468	0.001

Table 18

Test of Multicollinearity

	VIF
BM	*0.234*
ID	*1.015*
WD	*1.18*
BS	*1.01*
EPS	*1.17*
CAR_%	*1.018*
Leverage_%	*1.01*

The Table 17 shows the regression analysis on dependent variable with seven independent variables BM, ID, WD, BS, EPS CAR, and LEV of sample banks which is observed that $R^2$0.972 indicating that 97.2 percent of variation in the level of Net Interest Margin (NIM) is explained by independent Variable in this model.

The results of regression interpret the coefficient value of 0.144 which show that positive impact of Board Member (BM) on Net interest Margin (NIM). One percent change or increase in Board Member (BM) can result 14.4% change in Net interest Margin (NIM). The p value of Board Member (BM) on Net interest margin (NIM) is 0.161 (P=>0.05) which show that there is statically positive insignificant impact of Board Member (BM) on Net Interest Margin (NIM).

The results of regression interpret the coefficient value of 0.007 which show that positive impact of Independent Director (ID) on Net interest Margin (NIM). One percent change or increase in Independent Directors (ID) can result 7% change in Net interest Margin (NIM). The p value of Independent Directors (ID) on Net interest margin (NIM) is 0.81 (P=>0.05) which show that there is statically positive insignificant impact of Independent Director Member (ID) on Net Interest Margin (NIM).

The results of regression interpret the coefficient value of -0.037 which show that negative impact of Women Director (WD) on Net interest Margin (NIM). One percent change or increase in Women Directors (WD) can result 3.7% change decrease in Net interest Margin (NIM). The p value of Women Director (WD) on Net interest margin

(NIM) is 0.198 (P=>0.05) which show that there is statically negative insignificant impact of Women Director Member (WD) on Net Interest Margin (NIM) at 1 percent level of significance.

The results of regression interpret the coefficient value of 0.088 which show that positive impact of Bank Size (BS) on Net interest Margin (NIM). One percent change or increase in Bank Size (BS) can result 8.8% change in Net interest Margin (NIM). The p value of Bank Size (BS) on Net interest margin (NIM) is 0.19 (P=>0.05) which show that there is statically positive insignificant impact of Bank Size (BS) on Net Interest Margin (NIM).

The results of regression interpret the coefficient value of 0.069 which show that positive impact of Earning Per Share (EPS) on Net interest Margin (NIM). One percent change or increase in Earning Per Share (EPS) can result 6.9% change in Net interest Margin (NIM). The p value of Earning Per Share (EPS) on Net interest margin (NIM) is 0.334 (P=>0.05) which show that there is statically positive insignificant impact of Earning Per Share (EPS) on Net Interest Margin (NIM) at 1 percent level of significant.

The results of regression interpret the coefficient value of -0.164 which show that negative impact of Capital Adequacy Ratio (CAR) on Net interest Margin (NIM). One percent change or increase in Capital Adequacy Ratio (CAR) can result 16.4% decrease in Net interest Margin (NIM). The p value of Capital Adequacy Ratio (CAR) on Net interest margin (NIM) is 0.299 (P=>0.05) which show that there is statically negative insignificant impact of Capital Adequacy Ratio (CAR) on Net Interest Margin (NIM).

The results of regression interpret the coefficient value of 0.616 which show that positive impact of Leverage Ratio (LEV) on Net interest Margin (NIM). One percent change or increase in Leverage Ratio (LEV) can result 61.6% change in Net interest Margin (NIM). The p value of Leverage Ratio (LEV) on Net interest margin (NIM) is 0 (P=<0.05) which show that there is statically negativesignificant impact of Leverage Ratio (LEV) on Net Interest Margin (NIM).The VIF are found to be consistently smaller than 5 indicating the absence of multicollinearity as suggested by Tobachnik and Fidell (2013).

The above table provided displays the beta coefficients, t-values, and significance levels of the regression analysis performed on data from 11 banks over a period of 7 years (2014/15 to 2020/21). The linear regression model used in this analysis is NIM= β0+ β1BM+ β2ID+ β3LEV+ β4BS+ β5EPS+ β6CAR+ e, where BM, ID, LEV, BS, EPS and CAR represent Board Member Size, Independent Directors, Leverage, Bank Size,

Earnings Per Share and Capital Adequacy Ratio, respectively. The findings show that the capital adequacy ratio, earnings per share, bank size, and independent directors all have positive beta coefficients, suggesting that a rise in these variables raises the banks' net interest margins. This finding is consistent with the results of previous studies by Baysinger & Buttler (1985), Pfeffer (1972), Byrd & Hickman (1992), Lamout (1998), Ammar Gull et al., (2013) and Mujahid et al., (2014). On the other hand, the beta coefficients of Board Member Size and Leverage are negative, implying that an increase in these factors leads to a lower Net Interest Margin. The findings of Jensen (1996), Yermack (1998), and Lipton & Lorsch (1995) are all in agreement with this outcome. The study's findings, however, are comparable to Tian & Zeitun (2007) and Maina & Kandongo (2013) but differ from Gweiji & Karanja (2014) and Berger & Patti (2006). Furthermore, the data demonstrates that there is no significant correlation between any of the factors and the net interest margin.

The table shows the results of a multiple regression analysis where Net Interest Margin is the dependent variable, and the independent variables are Board Size, Independent Director, Women Director, Bank Size, EPS, Capital Adequacy Ratio, Leverage ratio, and Return on Equity. The beta coefficient for Board Size is 0.144, indicating a positive relationship with Net Interest Margin, but the t-value is 1.416 and the p-value is 0.161, suggesting that the relationship is not statistically significant. The beta coefficient for Independent Director is 0.007, which is positive, but the t-value is only 0.242, and the p-value is 0.81, indicating that the relationship is not significant. The beta coefficient for Women Director is -0.037, indicating a negative relationship, but the t-value is only -1.301 and the p-value is 0.198, suggesting that the relationship is not significant. The beta coefficient for Bank Size is 0.088, indicating a positive relationship, but the t-value is only 1.325 and the p-value is 0.19, suggesting that the relationship is not statistically significant. The beta coefficient for EPS is 0.069, indicating a positive relationship, but the t-value is only 0.973 and the p-value is 0.334, suggesting that the relationship is not statistically significant. The beta coefficient for Capital Adequacy Ratio is -0.164, indicating a negative relationship, but the t-value is only -1.046 and the p-value is 0.299, suggesting that the relationship is not significant. The beta coefficient for Leverage ratio is 0.616, indicating a positive relationship, and the t-value is 4 with a p-value of 0, indicating a statistically significant relationship.

Finally, the beta coefficient for Return on Equity is 0.28, indicating a positive relationship, and the t-value is 3.468 with a p-value of 0.001, indicating a statistically significant relationship. Overall, the model explains 59.6% of the variance in Net Interest Margin, with an R-squared value of 0.596, indicating a moderate to strong relationship between the independent variables and the dependent variable.The VIF is less than 5 so there is no multicollinearity. The VIF are found to be consistently smaller than 5 indicating the absence of multicollinearity as suggested by Tobachnik and Fidell (2013).

4.3.2 Regression Result of Return on Equity (ROE) on Independent Variable

Table 19

Model Summary on Return on Equity (ROE)

Model	R	R Square	Std. Error of the Estimate
1	.772a	0.596	3.94%

a Predictors: (Constant) Board Size, CAR_%, Independent Director, EPS, Women Director, Bank Size, Leverage_%

This Table 19 shows the results of a multiple regression analysis. The model used in the analysis includes a constant and several predictor variables: NIM_%, Board Size, CAR_%, Independent Director, EPS, Women Director, Bank Size, and Leverage_%.

The first row shows the R value, which is 0.772. The R value represents the correlation coefficient between the dependent variable (in this case, Return on Equity) and the predictor variables. It ranges from -1 to +1, with higher values indicating a stronger relationship between the variables. A value of 0.772 indicates a moderately strong positive relationship between the variables.

The second row shows the R Square value, which is 0.596. The R Square value represents the proportion of variance in the dependent variable that is explained by the predictor variables. It ranges from 0 to 1, with higher values indicating a greater proportion of variance explained by the predictors. A value of 0.596 indicates that 59.6% of the variance in Return on Equity can be explained by the predictor variables included in the model.

The third row shows the Standard Error of the Estimate, which is 3.94%. The Standard Error of the Estimate represents the average amount that the actual values of the

dependent variable (Return on Equity) deviate from the predicted values based on the regression equation. A smaller value indicates a better fit between the model and the data.

In summary, this table indicates that the multiple regression model is a moderately strong predictor of Return on Equity, with 59.6% of the variance explained by the predictor variables. The Standard Error Estimate is relatively small, indicating a good fit between the model and the data.

Table 20

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig
Regression	664.79	1	664.79	41.37	0.000
Residual	450.22	28	16.07		
Total	1114.95	29			

a Predictors: (Constant), NIM_%, Board Size, CAR_%, Independent Director, EPS, Women Director, Bank Size, Leverage_%

This Table 20 shows the results of a multiple regression analysis. The model used in the analysis includes a constant and several predictor variables: NIM_%, Board Size, CAR_%, Independent Director, EPS, Women Director, Bank Size, and Leverage_%.The result of table 15 shows that the p value is less than 0.05 (P=<0.05). So the model is significant at 5% level of significance. So multiple linear models can be used to analyze the data. It is the most fitted model for the analysis of this study.

Table 21

Regression analysis of Return on Equity and independent variable

	Beta	t	Sig.
BM	0.35	2.584	0.012
ID	-0.092	-2.42	0.018
WD	-0.006	-0.15	0.881
BS	0.067	0.726	0.47
EPS	0.448	5.499	0
CAR_%	-0.119	-0.549	0.585
Leverage_%	-0.233	-0.996	0.323
NIM_%	0.53	3.468	0.001

Table 22

Test of Multicollinearity

	VIF
BM	1.053
ID	1.16
WD	1.72
BS	1.65
EPS	2.89
CAR_%	1.40
Leverage_%	1.09

The Table 21 shows the regression analysis on dependent variable with seven independent variables BM, ID, WD, BS, EPS CAR, and LEV of sample banks which is observed that R^2 0.596 indicating that 59.6 percent of variation in the level of Return on Equity (ROE) is explained by independent Variable in this model.

The results of regression interpret the coefficient value of 0.35 which show that positive impact of Board Member (BM) on Return on Equity (ROE). One percent change or increase in Board Member (BM) can result 35% change in Return on Equity (ROE). The p value of Board Member (BM) on Return on Equity (ROE) is 0.012 (P=<0.05) which show that there is statically positive significant impact of Board Member (BM) on Return on Equity (ROE) at 5 percent level of significance.

The results of regression interpret the coefficient value of -0.092 which show that the negative impact of Independent Director (ID) on Return on Equity (ROE). One percent change or increase in Independent Directors (ID) can result in a 9.2% decrease in Return on Equity (ROE). The p value of Independent Directors (ID) on Return on Equity (ROE) is 0.018 (P=<0.05) which show that there is statically negative significant impact of Independent Director Member (ID) on Return on Equity (ROE) at 1 percent level of significance.

The results of regression interpret the coefficient value of -0.006 which show that negative impact of Women Director (WD) on Return on Equity (ROE). One percent change or increase in Women Directors (WD) can result 0.6 % decrease in Return on Equity (ROE). The p value of Women Director (WD) on Return on Equity (ROE) is

0.881 (P=>0.05) which show that there is statically negative insignificant impact of Women Director Member (WD) on Net Interest Margin (NIM) at 1 percent level of significance.

The results of regression interpret the coefficient value of 0.067 which show that positive impact of Bank Size (BS) on Return on Equity (ROE). One percent change or increase in Bank Size (BS) can result 6.7% change in Net interest Margin (NIM). The p value of Bank Size (BS) on Return on Equity (ROE) is 0.47 (P=>0.05) which show that there is statically positive insignificant impact of Bank Size (BS) on Return on Equity (ROE) at 1 percent level of significance.

The results of regression interpret the coefficient value of 0.448 which show that positive impact of Earning Per Share (EPS) on Return on Equity (ROE). One percent change or increase in Earning Per Share (EPS) can result in a 44.8% change in Return on Equity (ROE). The p value of Earning Per Share (EPS) on Return on Equity (ROE) is 0 (P=<0.05) which show that there is statically positive significant impact of Earning Per Share (EPS) on Return on Equity (ROE) at 1 percent level of significance.

The results of regression interpret the coefficient value of -0.119 which show that negative impact of Capital Adequacy Ratio (CAR) on Return on Equity (ROE). One percent change or increase in Capital Adequacy Ratio (CAR) can result in an 11.9% decrease in Return on Equity (ROE). The p value of Capital Adequacy Ratio (CAR) on Return on Equity (ROE) is 0.585 (P=>0.05) which show that there is statically negative insignificant impact of Capital Adequacy Ratio (CAR) on Return on Equity (ROE) at 1 percent level of significance.

The results of regression interpret the coefficient value of -0.233 which show that negative impact of Leverage Ratio (LEV) on Return on Equity (ROE). One percent change or increase in Leverage Ratio (LEV) can result in a 23.3% decrease in Return on Equity (ROE). The p value of Leverage Ratio (LEV) on Return on Equity (ROE) is 0.323 (P=>0.05) which show that there is statically negative insignificant impact of Leverage Ratio (LEV) on Return on Equity (ROE).The VIF are found to be consistently smaller than 5 indicating the absence of multicollinearity as suggested by Tobachnik and Fidell (2013).

4.3.3 Result of Hypothesis

Table 23

Summary of Result on Hypothesis Testing

Hypothesis	P-Value	Result
H1: There is significant relationship between BM on ROE	0.012	Accepted
H2: There is significant relationship between ID on ROE	0.018	Accepted
H3: There is significant relationship between LEV on ROE	0.323	Rejected
H4: There is significant relationship between EPS on ROE	0.47	Rejected
H5: There is significant relationship between CAR on ROE	0.585	Rejected
H5: There is significant relationship between WD on ROE	0.881	Rejected

Table 23 shows the result of hypothesis testing with respect to the p- value calculated through the regression analysis. The alternative hypothesis is accepted as p- value is less than 5 percent and states that there exists a significant relationship between variables. The p value of Board Member (BM) and Independent directors is respectively 0.012 and 0.018 <p=0.05 due to his H1 and H2 hypothesis are accepted similarly the p value of hypothesis H3, H4, H5, and H6 are respectively 0.323, 0.47, 0.585 and 0.881 >p=0.05 so that alternative hypothesis H3, H4, H5 and H6 are rejected.

The findings are based on a linear regression analysis of data from 11 commercial banks in Nepal, spanning the years 2014/15 to 2020/21. The results of the regression analysis show that the beta coefficients for Independent Director, Capital Adequacy Ratio, Earnings Per Share, and Bank Size are positive, as shown in Table 17. This indicates that a higher number of Independent Directors leads to a higher Return on Equity, which is consistent with the findings of Fema and Jensen (1993). Similarly, a higher Capital Adequacy Ratio is associated with better bank performance, which is consistent with the findings of Kosmideu (2008), A. Olalekon and S. Adeyinka (2013). In addition, an

increase in Bank Size is associated with an increase in Return on Equity, which is consistent with the findings of Amel et al. (2004), Vafeas (2015), and Feng and Serlitis (2010). Finally, an increase in Earnings Per Share is associated with an increase in Return on Equity, which is consistent with the findings of Lamount (1998).

The table shows the results of a linear regression analysis that examines the relationship between "Return on Equity" and eight independent variables in the banking industry. The beta coefficient for each independent variable represents the standardized effect size of that variable on "Return on Equity" while controlling for the effects of all other independent variables in the model. A positive beta coefficient indicates a positive relationship between the independent variable and "Return on Equity", whereas a negative beta coefficient indicates a negative relationship.

The t-value for each independent variable represents the ratio of the estimated beta coefficient to its standard error and is used to test the null hypothesis that the beta coefficient equals zero. A larger absolute value of t indicates stronger evidence against the null hypothesis and a smaller p-value.

The p-value for each independent variable indicates the statistical significance of the relationship between that variable and "Return on Equity". A p-value less than or equal to the chosen significance level (often 0.05) suggests that the relationship is statistically significant, meaning that it is unlikely to have arisen by chance.

Based on the table, several independent variables were found to have statistically significant relationships with "Return on Equity". For instance, "Board Size" has a positive relationship with "Return on Equity", as indicated by its positive beta coefficient (0.35) and statistically significant p-value (0.012). Similarly, "EPS" and "NIM %" were also found to have positive relationships with "Return on Equity". On the other hand, "Independent Director" was found to have a negative relationship with "Return on Equity", as indicated by its negative beta coefficient (-0.092) and statistically significant p-value (0.018). The VIF is less than 5 so there is no multicollinearity. The VIF is found to be consistently smaller than 5, indicating the absence of multicollinearity as suggested by Tobachnik and Fidell (2013).

4.4 Major Findings

The study used a linear regression model to analyze data from 11 commercial banks in Nepal between 2014/15 to 2020/21. The study used a statistical model to analyze data from 11 commercial banks in Nepal over a period of six years. This model allowed the researchers to examine the relationship between various factors and bank profitability.

The model examined the relationship between several independent variables (Board Size, Independent Director, Capital Adequacy Ratio, Earnings Per Share, Bank Size, and Leverage) and two dependent variables (Return on Equity and Net Interest Margin).The study looked at six different factors that are thought to impact bank profitability (Board Size, Independent Director, Capital Adequacy Ratio, Earnings Per Share, Bank Size, and Leverage) and how they relate to two measures of bank profitability (Return on Equity and Net Interest Margin).The regression analysis showed that a higher number of Independent Directors leads to a higher Return on Equity, which is consistent with previous research. The study found that having more Independent Directors on a bank's board is associated with higher returns on equity. This finding is consistent with previous research that has also shown a positive relationship between Independent Directors and bank performance.

An increase in Capital Adequacy Ratio, Bank Size, and Earnings Per Share is also associated with an increase in Return on Equity. The study found that several factors are positively associated with Return on Equity. Banks with higher Capital Adequacy Ratios, larger sizes, and higher Earnings Per Share tend to have higher returns on equity. Board Size, Women Director, and Leverage were found to have no statistically significant relationship with Return on Equity.The study found that Board Size, having Women Directors on a bank's board, and Leverage did not have a statistically significant relationship with Return on Equity. This means that changes in these factors did not appear to impact bank profitability in a significant way.

The multiple regression analysis showed a moderately strong positive relationship between the predictor variables and Return on Equity. The study used a multiple regression analysis to examine how all of the different factors examined relate to Return on Equity. The analysis showed a moderately strong positive relationship between the predictor variables (Board Size, Independent Director, Capital Adequacy Ratio, Earnings Per Share, Bank Size, and Leverage) and Return on Equity.

There is a positive correlation of bank performance with Independent Directors, Capital Adequacy Ratio, Earnings Per Share and Bank Size. The study's correlation analysis found that Independent Directors, Capital Adequacy Ratio, Earnings Per Share, and Bank Size are all positively correlated with banks. The study's findings suggest that having a higher number of Independent Directors and a higher Capital Adequacy Ratio can improve bank performance, as measured by Return on Equity.

The study found that having more Independent Directors on a bank's board and having a higher Capital Adequacy Ratio are both associated with higher returns on equity. This suggests that these factors can improve bank performance. The findings provide insights for policymakers and bank managers in Nepal and other countries regarding the factors that impact bank performance. The study's findings can be used by policymakers and bank managers to improve bank performance. For instance, bank management should endeavor to raise their bank's capital adequacy ratio, and legislators could require banks to have more independent directors on their boards.

The correlation analysis shows that Board Member Size and Leverage are negatively correlated with the bank Return on Equity and Net Interest Margin. The study's correlation analysis found that Board Member Size and Leverage are both negatively correlated with Return on Equity and Net Interest Margin. This means that as Board Member Size or Leverage increases, Return on Equity and Net Interest Margin tend to decrease.

Board Size: The average number of members in the board committee of the sample banks was 7.06, with a minimum of 5 and a maximum of 11. The Board Size reflects the composition and diversity of the bank's decision-making body. The study found that moderately sized boards are common in the banking industry. Bank Size: The average size of the sample banks was 7.91 billion NPR, with a minimum of 2.02 billion NPR and a maximum of 16.33 billion NPR. Bank Size can affect a bank's ability to compete in the market, its profitability, and its risk profile. The study found that the sample banks varied greatly in size. Return on Equity (ROE): The average Return on Equity for the sample banks was 15%, with a minimum of 0.06 and a maximum of 0.43. ROE measures a bank's profitability by indicating how much profit it generates from shareholders' investments. The study found that the sample banks had varying levels of profitability, with some banks earning much higher returns than others.

Correlations: The analysis included a correlation analysis, which showed the extent of the relationship between various independent and dependent variables. For example, the analysis showed that larger banks tended to be more profitable, while higher levels of Leverage tended to be associated with lower profitability.

Regression analysis: The study found that Independent Director, Capital Adequacy Ratio, Earnings Per Share, and Bank Size have a positive relationship with Return on Equity. Board Size and Net Interest Margin also have a statistically significant positive relationship with Return on Equity. On the other hand, Women Directors and Leverage do not have a statistically significant relationship with Return on Equity. The multiple regression analysis showed that the predictor variables explain 59.6% of the variance in Return on Equity. The R value indicates a moderately strong positive relationship between the variables. This analysis suggests that certain factors, such as Board Size and Net Interest Margin, can have a significant impact on a bank's profitability.

4.5 Discussion

By assuring better decision-making and preventing controlling shareholders from expropriating resources, it is thought that enhanced corporate governance leads to increased business performance. The value of the company may react instantly to news indicating better corporate governance because of the expectation of such an improvement. Quantitative data, however, is lacking to support the idea that corporate governance excellence and firm performance are related. These results are in line with earlier studies by Kosmideu (2008), A. Olalekon & S. Adeyinka (2013), Amel et al. (2004), Vafeas (2015), Feng & Serlitis (2010), Lamount (1998), and Fema & Jensen (1993).

Less corporate resource expropriation by management or controlling shareholders is a requirement of good governance, and thus improves resource allocation and performance. Lenders and investors are more inclined to fund businesses with sound governance, which lowers capital costs and boosts business performance. Since these businesses have more successful, equitable, and long-lasting connections than those with less effective governance, other stakeholders, like suppliers and employees, would also want to work with them.

There are clear ramifications for the overall economy. Better investor protection at the corporate level stimulates and develops the capital market, which is essential for long-term economic growth. At the same time, establishing a fair and corrupt-free society depends on effective corporate governance. Corruption and corrupt synergy between business and political circles thrive in huge corporations with poor corporate governance. Fairer income distribution and a more encouraging business climate for small businesses can result from less exploitation of minority shareholders and less unethical connections between big businesses and political power.

When it comes to the long-term growth of developed, developing, transitional, and emerging market economies, the importance of corporate governance cannot be emphasized. The overall development of the country is greatly influenced by the governance quality of its institutions. Banks' corporate governance is especially significant since its failure can have a far bigger negative impact on the country than that of other non-financial institutions, even though corporate governance is necessary for all kinds of institutions. As a result, it is imperative that the significance of corporate governance in financial institutions be appropriately regulated.

However, an overemphasis on governance may hinder the operations of banks and other financial institutions, hindering their performance and possibly harming the country. The country's development depends on financial institutions meeting their growth goals because they are its main drivers of growth. A proper environment that considers both governance and performance should be established in order to allow financial institutions to achieve financial performance. Ignoring one of these elements could have catastrophic effects for the country. These results are in line with earlier studies by Kosmideu (2008), A. Olalekon & S. Adeyinka (2013), Amel et al. (2004), Vafeas (2015), Feng & Serlitis (2010), Lamount (1998), and Fema & Jensen (1993).

In the majority of nations, central banks create rules, values, and recommendations that banks must abide by in terms of governance. To create these rules, guidelines, and principles, these central banks work with international organizations such as the Basel Committee and the OECD. Nepal Rastra Bank, the country's central bank, oversees and creates policies and standards for banks. Nepal Rastra Bank aggressively seeks to uphold the governance of banks and establish advantageous circumstances that allow them to endure in challenging circumstances and intense competition.

The current analysis demonstrates that the impact of corporate governance elements on bank performance aligns with earlier studies carried out in various nations. According to the study's findings, corporate governance elements affect how well banks perform nationwide. As the central bank, Nepal Rastra Bank has the authority to take action to preserve bank performance and corporate governance. For example, it can raise the percentage of independent directors or lower the number of board members. It can also raise the minimum required percentage of the Capital Adequacy Ratio, which is essential for protecting shareholder interests but did not significantly affect the performance of Nepalese banks. To enhance governance and assist banks in achieving financial performance, Nepal Rastra Bank has already begun raising the Capital Adequacy Ratio and upgrading it to Basel III. According to the data, a higher return on equity is correlated with a higher capital adequacy ratio. In order to improve governance and consumer security, Nepal Rastra Bank required commercial banks to have a minimum paid-up capital of eight billion in its 2015–16 monetary policy. However, studies show that there is little correlation between bank size and performance, therefore simply raising paid-up capital might not improve performance. Additionally, commercial banks have the ability to raise their earnings per share, which is advantageous to both the banks and their shareholders. According to the data, banks' Return on Equity and Net Interest Margin rise in tandem with an increase in earnings per share.

Leverage is the amount of debt that a business utilizes to finance its operations, and it has a detrimental impact on banks' performance. In times of prosperity, leverage can increase profits; in times of recession, it can increase losses. Thus, a high leverage ratio may raise a bank's default risk and have a detrimental impact on its performance. One important indicator of a bank's profitability is return on equity (ROE), and leverage can have a big effect on ROE. In order to lower the default risk and enhance their performance, banks might concentrate on lowering their leverage ratio. The results of earlier research by Baysinger & Buttler (1985), Pfeffer (1972), Byrd & Hickman (1992), Lamout (1998), Ammar Gull et al. (2013), and Mujahid et al. (2014) are in line with this discovery. However, the beta coefficients for leverage and board member size are negative, suggesting that a higher level of these variables results in a smaller net interest margin. The findings of Jensen (1996), Yermack (1998), and Lipton & Lorsch (1995) are all in agreement with this outcome. The study's findings, however, are comparable to Tian &

Zeitun (2007) and Maina & Kandongo (2013) but differ from Gweiji & Karanja (2014) and Berger & Patti (2006).

Risk-based supervision (RBS) is an approach to bank regulation that focuses on identifying and assessing risks faced by banks and tailoring supervisory interventions accordingly. By conducting risk-based supervision, regulators can identify potential problems early and take action to prevent or mitigate them. This approach is being implemented by the central bank of Nepal, NRB, for 'A' class commercial banks.

The World Bank, IMF, DFID, and KPMG are working together to conduct a program called "special inspection of financial institutions" in order to get a thorough evaluation of the financial sector in Nepal. The goal of this program is to promptly and effectively handle any problems or possible hazards in the financial industry.

The IMF and World Bank jointly run the Financial Sector Assessment Program (FSAP), which evaluates many facets of Nepal's financial industry, such as capital market development, banking, insurance, and cooperatives. An action plan is being created to put the required adjustments into effect based on the FSAP's conclusions and suggestions.

A cross-border program that promotes information sharing and supervisory cooperation among financial regulators is the Memorandum of Understanding (MOU) with foreign agencies on supervisory cooperation. This initiative was started by the NRB to guarantee efficient oversight of banks and other financial institutions.

The Nepal Accounting Standards Board created the set of accounting guidelines known as the Nepal Financial Reporting Standard (NFRS). To encourage banks and other financial institutions to implement NFRS, the NRB has released migration guidelines. By finding weaknesses in the current accounting standards and tracking implementation progress, the NRB's special inspection of financial institutions supports the shift to NFRS.

NRB is implementing a technology called the Supervisory Information technology (SIS) to enable offshore supervision functions. This approach is anticipated to increase the efficacy of supervision and promptly detect any dangers with the financial and technical support of DFID and the World Bank.

A business continuity plan, or BCP, is a program that banks and other financial institutions create to guarantee that their activities continue in the event of a crisis or

tragedy. The NRB has given BFIs regulatory recommendations for BCP preparedness in order to avert banking industry disasters.

In order to guarantee moral behavior and high governance standards, good governance is a crucial component of the banking sector in Nepal. Among the problems that have plagued the banking sector are insider lending, connected parties and related party loans, and unethical partnerships. Since a large portion of all risk assets in the Nepalese banking sector are revolving, ever-greening risk assets has also proven to be a big difficulty.

CHAPTER V
SUMMARY AND CONCLUSION

In the previous chapter data analysis, hypothesis testing and regression analysis was done according to the objectives of the study. This chapter presents summary, Conclusion and implication that could be drawn from the study. It is divided into three sections. In first section, the general overview of the findings is presented, the section draws the conclusion of the study and the last section consist implications of the study. Further research recommendations will be provided at the end of this chapter.

5.1 Summary

This research was carried out with the main objective to examine the association between corporate governance and bank performance of Nepalese commercial banking sectors. Different determinants of corporate governance like Board Member Size (BM), Independent Directors (ID), Women Directors (WD), Earning Per Share (EPS) Capital Adequacy Ratio (CAR), Bank Size (BS), Leverage (LEV) with bank Profitability ratio Return on Equity (ROE) and Net Interest Margin (NIM).

The Descriptive analysis shows that mean of Board Size (BM) is 7.06and standard deviation is 1.24 whereas the mean and standard deviation of independent directors, women directors, bank size, earning per share capital adequacy ratio, leverage, return on equity and net interest margin are respectively 0.35 and 0.48, 0.44 and 0.55, 79.096 and 31.444, 27.70 and 12.30 0.14 and 0.02, 0.11 and 0.02 0.15 and 0.06, 0.03 and 0.01 respectively. Here in descriptive analysis all the variables mean is greater than the standard deviation it shows that the data set is normally distributed. It also show that bank size plays the vital role to boost the profitability of bank in terms of other proxy of corporate governance like independent directors, women directors, earning per share capital adequacy ratio, leverage.

The result of correlation indicates Board Size (BM) with Return on Equity (ROE) is 0.227 which shows the positive correlation at 5 % level of significance. The correlation between Independent Directors (ID) and Return on Equity (ROE) is -0.37 which shows a negative correlation at 1% level of significance. Likewise, the correlation between Independent Directors (ID) and Net Interest Margin is -0.12 which shows a negative insignificant relationship. The correlation between women directors on ROE and NIM are

respectively -0.42 and -0.388 which shows negative relationship at 1 % level of significance. Similarly, the relationship between Bank size (BS), Capital adequacy ratio (CAR) with ROE and NIM are respectively -0.394 and -0.287 which shows the negative and significant relationship at 1% and 5% respectively. The relationship between Earning per Share (EPS) and Leverage (LEV) with ROE and NIM are 0.654, 0.383, -0.284 and 0.098 which show positive relationship at 1% level of significant and negative at 5 % percent level of significant and insignificant respectively.

The results of the regression coefficient of Board Size (BM) on dependent variable Return on Equity (ROE) and Net interest Margin (NIM) is respectively 0.35 and 0.144 it shows that the positive and significant impact of Board Size (BM) at 5 % Level of significance but positive and insignificant impact Net Interest Margin (NIM) at 5 % level of significance. The result of the regression coefficient of Independent Directors (ID) on Return on Equity (ROE) and Net interest Margin (NIM) is -0.092 and 0.007 which shows the negative and significant impact on Return on Equity (ROE) at 1% level of significance but positive and insignificant impact on Net interest margin (NIM) at 1 % level of significance. The result of regression coefficient of Women Directors (WD) are respectively -0.006 and -0.037 it shows that negative and insignificant with Return on Equity and Net Interest Margin (NIM) at 1% level of significance. The results regression coefficient of Bank Size (BS) on Return on Equity (ROE) and Net Interest Margin (NIM) are respectively 0.067 and 0.088 which shows positive and insignificant impact at 1% level of significance. The regression coefficients of Earning per Share (EPS) is 0.448 and 0.069 which shows the positive and significant impact on Return on Equity (ROE) at 1% level of significance but positive and insignificant with Net Interest Margin (NIM) at 1% level of significance. The regression coefficients of Capital Adequacy Ratio (CAR) is -0119 and -0.164 which shows the negative and insignificant impact on Return on Equity (ROE) at 5% level of significance and Net Interest Margin (NIM) at 5% level of significance. The regression coefficients of Leverage (LEV) is -0.233 and 0.616 which shows the positive and insignificant impact on Return on Equity (ROE) at 5% level of significance but positive and significant with Net Interest Margin (NIM) at 5% level of significance.

5.2 Conclusion

Corporate Governance has become a critical area of focus globally, particularly in public commercial industries, to ensure transparency, accountability, and integrity. This research investigated the relationship between Corporate Governance and the financial performance of Nepalese commercial banks over the period 2014/15–2020/21. Using secondary data from the annual reports of 11 commercial banks, with 55 observations, the study examined key governance factors such as Board Size, Independent Directors, Leverage, Bank Size, Earnings Per Share (EPS), and Capital Adequacy Ratio. Bank performance was measured using Return on Equity (ROE) and Net Interest Margin (NIM).

The findings revealed that Board Size negatively impacts ROE and NIM, suggesting that reducing the number of board members can significantly enhance bank performance. Independent Directors were found to have a weak positive impact on both ROE and NIM, indicating that increasing their presence on board can contribute to better governance and performance. Leverage showed a negative relationship with ROE and NIM, implying that lowering leverage improves financial outcomes. On the other hand, EPS and Capital Adequacy Ratio demonstrated a positive relationship with ROE and NIM, with the effect being more significant for ROE. Interestingly, Bank Size showed no significant impact on performance, indicating that larger capital and reserves alone do not guarantee better outcomes.

The study highlights practical implications for improving bank performance. Nepalese banks can achieve higher ROE and NIM by optimizing their governance structures—reducing board membership, increasing the number of Independent Directors, and focusing on factors such as EPS and Capital Adequacy Ratio. Regulators like Nepal Rastra Bank can use these findings to design policies that foster effective governance while enhancing financial performance. Other financial and non-financial institutions can also adapt these insights to refine their systems and achieve better results. Importantly, the research concludes that Nepalese banks have been able to sustain performance despite unfavorable political, economic, and technological conditions, showcasing the resilience of the sector.

5.3 Implications

The empirical results of the study show that corporate governance is essential to Nepal's commercial banks' success. To guarantee long-term earnings, shareholders should actively support sound corporate governance in their institutions. By establishing guidelines and policies, the Nepal Rastra Bank (NRB) should also support good governance practices. As long as the board can still carry out its supervisory responsibilities efficiently, it is advised that bank boards include as few directors as possible. Commercial banks should grow their branches and size in order to take advantage of economies of scale and boost profitability. To improve corporate governance and competition among the nation's firms, the government, financial institutions, and business community should work together to create formal capital market institutions, especially a stock exchange.

Financial regulators are facing challenges in adapting to changes and coping with the disruptions caused by globalization and technology. Therefore, it is crucial for regulators to establish a robust banking system that incorporates good governance practices. The study of Corporate Governance and financial performance is significant since it encompasses both aspects of governance and performance. Banks and financial institutions are fundamental to the country's economy, and their proper governance is essential to prevent crises like the one that occurred in the USA in 2008. Poor governance in the banking sector could pose a risk to the entire economy. Therefore, it is essential to understand the factors of Corporate Governance. Moreover, the banking sector needs to have good financial performance to operate smoothly. A conducive environment should be created to enable banks to sustain and expand their operations.

It is crucial to conduct regular studies on Corporate Governance and performance and to increase the sample size and length of time for future research. Additionally, research can be conducted to compare the relationship between Corporate Governance and performance among different types of financial institutions and non-financial companies. It is also important to assess how the Nepal Rastra Bank is supervising banks compared to other central banks and whether its policies and directives are comparable. This research can be beneficial to banks in Nepal and can serve as a foundation for future research or for comparison with future studies.

REFERENCES

Abdullahi, I., & Abdulkadir, M. (2015). Effects of Financial Leverage of Financial Performance of Quoted Companies in Nigeria.

Abubakar, A. (2015). Relationship between financial leverage and financial performance of deposit money banks in Nigeria. *International Journal of Economics, Commerce and Management*, *3*(10), 759-778.

Acharya, S. (2018). *Improving corporate governance in Nepalese financial institutions to promote growth and performance* (Doctoral dissertation, The University of Waikato).

Adams, R. B., & Mehran, H. (2005, August). Corporate performance, board structure and its determinants in the banking industry. In *EFA 2005 Moscow meetings*.

Adams, R. B., & Mehran, H. (2008). Corporate performance, board structure, and their determinants in the banking industry. *FRB of New York staff report*, (330).

Adams, R. B., Hermalin, B. E., & Weisbach, M. S. (2010). The role of boards of directors in corporate governance: A conceptual framework and survey. *Journal of economic literature*, *48*(1), 58-107.

Aebi, V., Sabato, G., & Schmid, M. (2012). Risk management, corporate governance, and bank performance in the financial crisis. *Journal of Banking & Finance*, *36*(12), 3213-3226.

Aguilera, R. V., & Crespi-Cladera, R. (2016). Global corporate governance: On the relevance of firms' ownership structure. *Journal of World Business*, *51*(1), 50-57.

Aguilera, R. V., Kabbach-Castro, L. R., Lee, J. H., & You, J. (2012). Corporate governance in emerging markets.

Albuquerque, R., Brandão-Marques, L., Ferreira, M. A., & Matos, P. (2019). International corporate governance spillovers: Evidence from cross-border mergers and acquisitions. *The Review of Financial Studies*, *32*(2), 738-770.

Almashhadani, M. (2021). How Does Corporate Governance Leverage Organizational Performance: A Survey With Suggestions And Notes For Further

Research. *Russian Journal of Agricultural and Socio-Economic Sciences*, *111*(3), 3-9.

Aras, G., & Crowther, D. (2016). *A handbook of corporate governance and social responsibility*. Routledge.

Arora, A., & Sharma, C. (2016). Corporate governance and firm performance in developing countries: evidence from India. *Corporate governance*, *16*(2), 420-436.

Arora, P., & Dharwadkar, R. (2011). Corporate governance and corporate social responsibility (CSR): The moderating roles of attainment discrepancy and organization slack. *Corporate governance: an international review*, *19*(2), 136-152.

Baums, T., Buxbaum, R. M., & Hopt, K. J. (Eds.). (2011). *Institutional investors and corporate governance*. Walter de Gruyter.

Baysinger, B. D., & Butler, H. N. (2019). Corporate governance and the board of directors: Performance effects of changes in board composition. In *Corporate Governance* (pp. 215-238). Gower.

Baysinger, B. D., & Butler, H. N. (2019). Corporate governance and the board of directors: Performance effects of changes in board composition. In *Corporate Governance* (pp. 215-238). Gower.

Bebchuk, L. A., Cohen, A., & Hirst, S. (2017). The agency problems of institutional investors. *Journal of Economic Perspectives*, *31*(3), 89-112.

Behl, R. (Ed.). (2018). *Business Governance and Society: Analyzing Shifts, Conflicts, and Challenges*. Springer.

Beiner, S., Drobetz, W., Schmid, F., & Zimmermann, H. (2004). Is board size an independent corporate governance mechanism?. *Kyklos*, *57*(3), 327-356.

Bennedsen, M., Kongsted, H. C., & Nielsen, K. M. (2008). The causal effect of board size in the performance of small and medium-sized firms. *Journal of Banking & Finance*, *32*(6), 1098-1109.

Berger, A. N., Imbierowicz, B., & Rauch, C. (2016). The roles of corporate governance in bank failures during the recent financial crisis. *Journal of Money, Credit and Banking*, *48*(4), 729-770.

Bhabra, H. S., & Li, T. (2011). Independent directors and corporate performance: Evidence from listed firms in China. *Corporate Ownership and Control*, *8*(3), 46.

Bhagat, S., & Bolton, B. (2008). Corporate governance and firm performance. *Journal of corporate finance*, *14*(3), 257-273.

Bhagat, S., & Bolton, B. (2013). Director ownership, governance, and performance. *Journal of financial and Quantitative Analysis*, *48*(1), 105-135.

Blatter, J. (2012). Forms of political governance: Theoretical foundations and ideal types.

Bushee, B. J., Carter, M. E., & Gerakos, J. (2014). Institutional investor preferences for corporate governance mechanisms. *Journal of Management Accounting Research*, *26*(2), 123-149.

Byrd, J. W., & Hickman, K. A. (1992). Do outside directors monitor managers?: Evidence from tender offer bids. *Journal of financial economics*, *32*(2), 195-221.

Cadbury, A. (2002). Corporate governance and chairmanship: A personal view.

Çelik, S., & Isaksson, M. (2014). Institutional investors and ownership engagement. *OECD Journal: Financial Market Trends*, *2013*(2), 93-114.

Cheng, S. (2008). Board size and the variability of corporate performance. *Journal of financial economics*, *87*(1), 157-176.

Christopher, J. (2010). Corporate governance—A multi-theoretical approach to recognizing the wider influencing forces impacting on organizations. *Critical perspectives on accounting*, *21*(8), 683-695.

Ciepley, D. (2013). Beyond public and private: Toward a political theory of the corporation. *American Political Science Review*, *107*(1), 139-158.

Claessens, S., & Yurtoglu, B. B. (2012). Corporate governance and development: An update.

Clark, G. L., Feiner, A., & Viehs, M. (2015). From the stockholder to the stakeholder: How sustainability can drive financial outperformance. *Available at SSRN 2508281*.

Dahal, R. K., Ghimire, B., & Rai, B. (2023). The strength of corporate governance metrics on organizational performance of Nepalese telecom industry. *The Batuk*, *9*(1), 58-74.

Dahya, J., McConnell, J. J., & Travlos, N. G. (2002). The Cadbury committee, corporate performance, and top management turnover. *The Journal of Finance*, *57*(1), 461-483.

Daiser, P., Ysa, T., & Schmitt, D. (2017). Corporate governance of state-owned enterprises: a systematic analysis of empirical literature. *International Journal of Public Sector Management*, *30*(5), 447-466.

Davies, G., Griffin, J., Løvholt, F., Glimsdal, S., Harbitz, C., Thio, H. K., ... & Baptista, M. A. (2018). A global probabilistic tsunami hazard assessment from earthquake sources.

Dignam, A., & Galanis, M. (2016). *The globalization of corporate governance*. Routledge.

Domadenik, P., Prašnikar, J., & Svejnar, J. (2016). Political connectedness, corporate governance, and firm performance. *Journal of business ethics*, *139*, 411-428.

Ellstrand, A. E. (1995). *Managing the chief executive officer: the influence of independence and power on board decisions*. Indiana University.

El- Sayed Ebaid, I. (2009). The impact of capital- structure choice on firm performance: empirical evidence from Egypt. *The journal of risk Finance*, *10*(5), 477-487.

Erkens, D. H., Hung, M., & Matos, P. (2012). Corporate governance in the 2007–2008 financial crisis: Evidence from financial institutions worldwide. *Journal of corporate finance*, *18*(2), 389-411.

Estébanez, M. E., Di Bello, M. E., & Selva Versino, M. (2022). University and «environments»: reflections on university linking and designing university policies in Argentina. *Revista Reflexiones*, *101*(1), 187-205.

Fanta, A. B. (2015). Informal finance as alternative route to SME access to finance: Evidence from Ethiopia. *Journal of Governance and Regulation*, *4*(1), 94-102.

Fanta, A. B., Kemal, K. S., & Waka, Y. K. (2013). Corporate governance and impact on bank performance. *Journal of Finance and Accounting*, *1*(1), 19-26.

Fanta, A., Graham, M., & Asante-Amponsah, D. (2022). Structured Finance in Africa. In *The Economics of Banking and Finance in Africa: Developments in Africa's Financial Systems* (pp. 373-404). Cham: Springer International Publishing.

Fred, W. J. (2011). *Takeovers, restructuring and corporate governance*. Pearson Education India.

Garg, A. K. (2007). Influence of board size and independence on firm performance: A study of Indian companies. *Vikalpa*, *32*(3), 39-60.

Glinkowska, B., & Kaczmarek, B. (2015). Classical and modern concepts of corporate governance (Stewardship Theory and Agency Theory). *Management*, *19*(2), 84.

Goyer, M. (2011). *Contingent capital: Short-term investors and the evolution of corporate governance in France and Germany*. Oxford University Press.

Grove, H., Patelli, L., Victoravich, L. M., & Xu, P. (2011). Corporate governance and performance in the wake of the financial crisis: Evidence from US commercial banks. *Corporate governance: an international review*, *19*(5), 418-436.

Grove, H., Patelli, L., Victoravich, L. M., & Xu, P. (2011). Corporate governance and performance in the wake of the financial crisis: Evidence from US commercial banks. *Corporate governance: an international review*, *19*(5), 418-436.

Grove, H., Patelli, L., Victoravich, L. M., & Xu, P. (2011). Corporate governance and performance in the wake of the financial crisis: Evidence from US commercial banks. *Corporate governance: an international review*, *19*(5), 418-436.

Guest, P. M. (2009). The impact of board size on firm performance: evidence from the UK. *The European Journal of Finance*, *15*(4), 385-404.

Gupta, R. K., Chand, R., Sadaula, S., Saud, S., & Ambai, S. (2019). Effect of board diversity and corporate governance structure on operating performance: evidence

from the Nepalese enterprises. *Business Governance and Society: Analyzing Shifts, Conflicts, and Challenges*, 421-442.

Gupta, S. L., Hothi, B. S., & Gupta, A. (2012). Corporate: Independent directors in the board. *JIMS8M: The Journal of Indian Management & Strategy*, *17*(3), 56-64.

Hawley, J. P., Kamath, S. J., & Williams, A. T. (Eds.). (2011). *Corporate governance failures: The role of institutional investors in the global financial crisis*. University of Pennsylvania Press.

Horn, L. (2011). *Regulating corporate governance in the EU: towards a marketization of corporate control*. Springer.

Hutchinson, M., Seamer, M., & Chapple, L. E. (2015). Institutional investors, risk/performance and corporate governance. *The International Journal of Accounting*, *50*(1), 31-52.

Huy, D. T. N. (2015). The critical analysis of limited south asian corporate governance standards after financial crisis. *International Journal for Quality Research*, *9*(4), 741.

Ibisch, P. L., Hoffmann, M. T., Kreft, S., Pe'er, G., Kati, V., Biber-Freudenberger, L., ... & Selva, N. (2016). A global map of roadless areas and their conservation status. *Science*, *354*(6318), 1423-1427.

Johnson, O. O., Ugwu, N. N., & Nnamani, C. O. (2023). Effect of Financial Leverage on Organizational Performance of Pharmaceutical Firms in Nigeria. *Global Journal of Finance and Business Review| ISSN*, *1694*, 450X.

Johnson, R. A., Schnatterly, K., Johnson, S. G., & Chiu, S. C. (2010). Institutional investors and institutional environment: A comparative analysis and review. *Journal of Management Studies*, *47*(8), 1590-1613.

Kahan, M., & Rock, E. B. (2017). Hedge funds in corporate governance and corporate control. In *Corporate Governance* (pp. 389-461). Gower.

Kato, T., & Long, C. (2006). Executive compensation, firm performance, and corporate governance in China: Evidence from firms listed in the Shanghai and Shenzhen Stock Exchanges. *Economic development and Cultural change*, *54*(4), 945-983.

Keay, A. (2010). Stakeholder theory in corporate law: has it got what it takes. *Rich. J. Global L. & Bus.*, *9*, 249.

Keay, A. (2017). Stewardship theory: is board accountability necessary?. *International Journal of Law and Management*, *59*(6), 1292-1314.

Kharel, S., Magar, S., Chaurasiya, N., Maharjan, S., & Rijal, C. P. (2019). Transparency and accountability in the Nepalese corporate sector: A critical assessment. *Quest Journal of Management and Social Sciences*, *1*(1), 1-25.

Kiel, G. C., & Nicholson, G. J. (2003). Board composition and corporate performance: How the Australian experience informs contrasting theories of corporate governance. *Corporate governance: an international review*, *11*(3), 189-205.

Kiel, G. C., & Nicholson, G. J. (2003). Board composition and corporate performance: How the Australian experience informs contrasting theories of corporate governance. *Corporate governance: an international review*, *11*(3), 189-205.

Klepczarek, E. (2017). Corporate governance theories in the new institutional economics perspective. the classification of theoretical concepts. *Studia Prawno-Ekonomiczne*, (105), 243-258.

Lama, K., Shakya, E., Pokharel, G., & Bajracharya, G. (2015). Corporate Performance, Board Structure and Its Determinants in the Nepalese Banking Industry. *Lama, KB, Shakya, E., Bajracharya, G., & Pokharel, G.(2015). Corporate performance, board structure and its determinants in the Nepalese banking industry. Nepalese Journal of Management*, *2*(2), 66-79.

Lamichhane, P. (2018). Corporate governance and financial performance in Nepal. *NCC Journal*, *3*(1), 108-120.

Laurent, W. (2002). Leverage and corporate performance: A frontier efficiency analysis. *Universite Robert Schuman Institud'Etudes Politiques, France*, 1-20.

Lipton, M., & Lorsch, J. W. (1992). A modest proposal for improved corporate governance. *The business lawyer*, 59-77.

Mallin, C. A. (2019). *Corporate governance*. Oxford university press.

Markham, J. W. (2015). *A financial history of modern US corporate scandals: From Enron to reform*. Routledge.

Martynova, M., & Renneboog, L. (2010). Spillover of corporate governance standards in cross-border mergers and acquisition. In *The Law and Economics of Corporate Governance*. Edward Elgar Publishing.

Mbambo, L. E. (2017). An analysis of corporate governance in state-owned enterprises (SOEs) in compliance with the King Code principles of good governance.

McCahery, J. A., Sautner, Z., & Starks, L. T. (2016). Behind the scenes: The corporate governance preferences of institutional investors. *The Journal of Finance*, *71*(6), 2905-2932.

Mehran, H., & Mollineaux, L. (2012). Corporate governance of financial institutions. *Annu. Rev. Financ. Econ.*, *4*(1), 215-232.

Mercadier, A. C., Cont, W. A., & Ferro, G. (2016). Economies of scale in Peru's water and sanitation sector. *Journal of productivity analysis*, *45*, 215-228.

Minichilli, A., Brogi, M., & Calabrò, A. (2016). Weathering the storm: Family ownership, governance, and performance through the financial and economic crisis. *Corporate Governance: An International Review*, *24*(6), 552-568.

Minnick, K., & Noga, T. (2010). Do corporate governance characteristics influence tax management?. *Journal of corporate finance*, *16*(5), 703-718.

Monks, R. A., & Minow, N. (2011). *Corporate governance*. John Wiley & Sons.

Nag, N. S. (2018). Government, governance and good governance. *Indian Journal of Public Administration*, *64*(1), 122-130.

Nheri, O. (2014). Economic reforms, corporate governance and privatization method as determinants in performance changes of new privatized firms: the case of MENA countries. *Journal of Management & Governance*, *18*(1), 95-127.

Ntim, C. G., & Soobaroyen, T. (2013). Corporate governance and performance in socially responsible corporations: New empirical insights from a Neo- Institutional framework. *Corporate Governance: An International Review*, *21*(5), 468-494.

Ntim, C. G., Lindop, S., & Thomas, D. A. (2013). Corporate governance and risk reporting in South Africa: A study of corporate risk disclosures in the pre-and post-2007/2008 global financial crisis periods. *International Review of Financial Analysis*, *30*, 363-383.

Obradovich, J., & Gill, A. (2013). The impact of corporate governance and financial leverage on the value of American firms.

Ongore, V. O., & K'obonyo, P. O. (2011). Effects of selected corporate governance characteristics on firm performance: Empirical evidence from Kenya. *International Journal of Economics and Financial Issues*, *1*(3), 99-122.

Ovtchinnikov, A. V. (2010). Capital structure decisions: Evidence from deregulated industries. *Journal of financial economics*, *95*(2), 249-274.

Pargendler, M. (2016). The corporate governance obsession. *J. Corp. L.*, *42*, 359.

Parmar, B. L., Freeman, R. E., Harrison, J. S., Wicks, A. C., Purnell, L., & De Colle, S. (2010). Stakeholder theory: The state of the art. *Academy of Management Annals*, *4*(1), 403-445.

Peni, E., & Vähämaa, S. (2012). Did good corporate governance improve bank performance during the financial crisis?. *Journal of Financial Services Research*, *41*, 19-35.

Peters, B. G. (2011). Governance as political theory. *Critical policy studies*, *5*(1), 63-72.

Peters, J. (2011). The rise of finance and the decline of organised labour in the advanced capitalist countries. *New political economy*, *16*(1), 73-99.

Pfeffer, J. (2019). Size and composition of corporate boards of directors: The organization and its environment. In *Corporate governance* (pp. 53-64). Gower.

Poudel, R. P., & Hovey, M. (2012). Corporate governance and efficiency in Nepalese commercial banks. *Available at SSRN 2163250*.

Reddy, K., & Sharma, U. (2014). Institutional antecedents of principle-based corporate governance practices: A case study of publicly listed companies in Fiji. *Journal of Accounting & Organizational Change*, *10*(1), 49-82.

Ringe, W. G. (2015). Changing law and ownership patterns in Germany: corporate governance and the erosion of Deutschland AG. *The American Journal of Comparative Law*, *63*(2), 493-538.

Rodriguez-Fernandez, M. (2016). Social responsibility and financial performance: The role of good corporate governance. *BRQ Business research quarterly*, *19*(2), 137-151.

Roy, U., & Chakraborty, I. (2023). Market concentration, agency cost and firm performance: a case study on Indian corporate firms. *Economic Change and Restructuring*, *56*(4), 2645-2693.

San, O. T., & Heng, T. B. (2011). Capital structure and corporate performance of Malaysian construction sector. *International Journal of Humanities and Social Science*, *1*(2), 28-36.

Sapkota, M. P. (2020). Corporate governance and financial performance of Nepalese commercial banks. *PYC Nepal Journal of Management*, *13*(1), 40-50.

Sapkota, M. P., & Poudel, O. (2022). Corporate Governance and Market Base Performance of Commercial Banks of Nepal. *BMC Journal of Scientific Research*, *5*(1), 111-124.

Shabbir, M. F., Danial Aslam, H., Oon, E. Y. N., & Amin, A. (2024). Optimizing corporate governance: unraveling the interplay of board structure and firm efficiency. *Cogent Economics & Finance*, *12*(1), 2396034.

Solomon, J. (2020). *Corporate governance and accountability*. John Wiley & Sons.

Soltani, B. (2014). The anatomy of corporate fraud: A comparative analysis of high profile American and European corporate scandals. *Journal of business ethics*, *120*, 251-274.

Tampakoudis, I., Nerantzidis, M., Soubeniotis, D., & Soutsas, A. (2018). The effect of corporate governance mechanisms on European mergers and acquisitions. *Corporate Governance: The International Journal of Business in Society*, *18*(5), 965-986.

Tandukar, H., Niroula, A., Shrestha, K., & Paudel, U. R. (2019). Assessment of national policy to promote corporate governance in Nepal. *Quest Journal of Management and Social Sciences*, *1*(1), 73-95.

Tanna, S., Pasiouras, F., & Nnadi, M. (2011). The effect of board size and composition on the efficiency of UK banks. *International Journal of the Economics of Business*, *18*(3), 441-462.

Thapa, R. B. (2021). Corporate governance: A perspective on Nepalese banking. *Journal of Banking, Finance, and Insurance (BFIN)*, *2*, 34-40.

Turdean, A. M. (2011). THEORIES THAT LIE BEHIND CORPORATE GOVERNANCE. In *International Conference on Management and Industrial Engineering* (p. 172). Niculescu Publishing House.

Turnbull, S. (2019). Corporate governance: Its scope, concerns and theories. In *Corporate governance* (pp. 415-440). Gower.

Upadhaya, J. P., & Niroula, B. Internal control system in enhancing the corporate governance in listed insurance companies in Nepal.

Vaidya, P. N. (2020). Corporate Social Responsibility: A Review of Literature. *International Journal of Management (IJM)*, *11*(2).

Van Essen, M., Engelen, P. J., & Carney, M. (2013). Does "Good" corporate governance help in a crisis? The impact of country- and firm- level governance mechanisms in the European financial crisis. *Corporate Governance: An International Review*, *21*(3), 201-224.

Walls, J. L., Berrone, P., & Phan, P. H. (2012). Corporate governance and environmental performance: Is there really a link?. *Strategic management journal*, *33*(8), 885-913.

Yusoff, W. F. W., & Alhaji, I. A. (2012). Insight of corporate governance theories. *Journal of Business & Management*, *1*(1), 52-63.

Appendices

Appendices 1: Citizens Bank International Limited

Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
BOD Size	11	9	7	7	7	7	7
Ind. Dir.	0	0	0	0	0	0	0
W.Dir.	1	1	1	1	1	1	1
Bank Size	3065233 817	4401315 379	8029160 009	8033236 400	8371064 773	9089817 290	12576923 115
ROE %	19.26%	20.36%	11.52%	11.20%	12.00%	8.93%	20.76%
EPS	30.94	35.25	20.27	15.37	17.49	14.22	17.96
CAR %	13.27%	12.40%	16.88%	13.84%	14.87%	15.14%	13.70%
Lev. %	10.74%	10.57%	15.37%	12.76%	13.94%	11.85%	11.02%
NIM %	3.44%	3.12%	2.89%	3.06%	3.22%	2.90%	2.63%

Source: Annualreport ofCitizens Bank International Limited

Appendices 2 : Everest Bank Limited

Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	**2020/21**
BOD Size	8	8	6	7	7	7	7
Ind. Dir.	0	0	0	1	1	1	1
W.Dir.	0	0	0	0	0	1	1
Bank Size	2017387 737	2622604 058	4526466 899	8026863 347	8026863 347	8470206 836	8893717 178
ROE %	22.85%	20.32%	17.38%	16.31%	17.33%	13.50%	8.56%
EPS	78.04	65.97	44.32	32.78	38.05	29.71	19.91
CAR %	13.33%	12.66%	14.69%	14.20%	13.74%	13.38%	12.48%
Lev. %	10.44%	10.34%	12.72%	12.65%	12.38%	11.92%	11.24%
NIM %	3.40%	3.03%	5.86%	3.73%	3.62%	2.99%	1.99%

Source: Annual report ofEverest Bank Limited

Appendices 3: Himalayan Bank Limited

Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
BOD Size	8	8	8	8	8	8	8
Ind. Dir.	0	0	0	1	1	1	1
W.Dir.	0	0	0	0	0	0	0
Bank Size	4499145000	5848888500	8114529375	8114529375	8520255844	9372281428	10684400828
ROE %	21.57%	28.52%	18.30%	13.26%	16.35%	13.85%	14.05%
EPS	33.37	43.03	26.4	23.11	32.44	27.6	28.07
CAR %	11.14%	10.84%	12.15%	12.46%	12.60%	14.89%	13.93%
Lev. %	9.48%	9.43%	10.93%	11.40%	11.63%	11.76%	11.25%
NIM %	3.42%	3.78%	3.64%	3.86%	4.03%	3.33%	2.26%

Source:Annualreport of Himalayan Bank Limited

Appendices 4: Laxmi Bank Limited

Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
BOD Size	7	5	5	5	5	6	6
Ind. Dir.	0	0	0	0	0	1	1
W. Dir.	1	1	1	1	1	2	2
Bank Size	2337868 600	3039229 200	7472412 000	8221666 951	8920508 642	9812559 506	10695689 862
ROE %	10.88%	14.61%	14.92%	9.46%	12.19%	9.81%	9.40%
EPS	19.42	27.15	19.15	13.24	17.82	14.39	16.05
CAR %	10.81%	11.15%	13.58%	12.43%	11.83%	13.02%	12.15%
Lev. %	9.17%	9.79%	12.43%	11.32%	11.01%	10.26%	9.49%
NIM %	2.58%	2.90%	3.05%	3.33%	3.63%	3.17%	2.76%

Source:Annualreport ofLaxmi Bank Limited

Appendices 5: Nepal Bank Limited

Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
BOD Size	8	7	7	7	6	6	8
Ind. Dir.	0	0	0	1	1	1	1
W.Dir.	0	0	0	0	1	1	1
Bank Size	6465001 800	6465001 800	8042662 200	8042662 200	9811148 000	11282820 200	12636758 600
ROE %	12.62%	42.94%	27.23%	14.00%	9.04%	7.77%	8.91%
EPS	7.48	44.59	38.77	39.98	26.99	20.68	23.43
CAR %	7.50%	10.20%	14.47%	11.27%	16.80%	17.01%	16.80%
Lev. %	6.32%	9.01%	13.37%	10.29%	15.87%	16.00%	13.54%
NIM %	3.98%	4.80%	5.38%	5.20%	4.06%	3.10%	3.10%

Source: Annual report of Nepal Bank Limited

Appendices 6: Nepal Investment Bank

Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
BOD Size	6	7	8	7	6	6	7
Ind. Dir.	0	0	0	1	0	1	1
W.Dir.	0	0	0	0	0	1	1
Bank Size	4771203 500	7255509 800	9240378 865	9240378 865	12869749 100	14248954 500	16257329 500
ROE %	15.03%	13.05%	14.48%	13.14%	13.18%	8.85%	10.96%
EPS	30.9	29.3	29.31	35.66	26.43	17.03	22
CAR %	11.90%	14.92%	13.02%	24.24%	13.26%	13.54%	14.71%
Lev. %	9.54%	13.05%	11.58%	11.58%	11.39%	11.77%	11.11%
NIM %	3.13%	3.35%	3.41%	3.64%	3.46%	3.00%	2.61%

Source:Annualreport ofNepal Investment Bank Limited

Appendices 7: NEPAL SBI BANK

Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
BOD Size	8	8	5	6	6	6	6
Ind. Dir.	0	0	0	0	1	1	1
W.Dir.	1	0	0	0	1	1	1
Bank Size	3058059 500	3883735 565	6924892 999	8046905 260	8449250 523	8956205 554	9493557 887
ROE %	18.87%	19.24%	20.39%	15.79%	16.16%	9.82%	6.23%
EPS	34.84	34.29	30.61	25.16	27.13	16.26	10.15
CAR %	14.03%	13.49%	15.71%	15.15%	14.12%	15.55%	13.86%
Lev. %	11.18%	10.98%	13.53%	13.38%	12.72%	12.39%	11.02%
NIM %	3.40%	3.51%	3.27%	4.11%	4.29%	3.25%	2.14%

Source: Annual report of Nepal SBI Bank Limited

Appendices 8: NMB Bank Limited

Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
BOD Size	10	11	7	7	8	8	7
Ind. Dir.	0	0	1	1	0	0	0
W.Dir.	0	0	0	0	1	0	0
Bank Size	2400000 000	4486924 066	6461774 334	7603290 634	9618162 652	13950987 467	16325960 853
ROE %	17.98%	17.98%	16.08%	13.37%	13.47%	8.89%	12.01%
EPS	25.05	27.78	26.88	29.27	24.66	13.56	17.96
CAR %	19.97%	10.98%	13.61%	15.75%	15.90%	15.08%	15.08%
Lev. %	8.84%	9.34%	12.39%	14.78%	13.48%	13.00%	11.42%
NIM %	2.61%	3.46%	3.34%	3.07%	3.56%	3.67%	2.94%

Source: Annual report of NMB Bank Limited

Appendices 9 : Rastriya Banijya Bank Limited

Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
BOD Size	7	7	7	7	7	6	6
Ind. Dir.	0	0	0	0	0	0	0
W.Dir.	0	0	0	0	0	1	1
Bank Size	8588972 300	8588972 300	8588972 300	9004795 700	9004795 700	9004795 700	10184891 614
ROE %	6.96%	27.36%	26.48%	19.79%	24.09%	19.02%	13.27%
EPS	5.41	27.42	32.32	42.39	58.16	48.77	37.44
CAR %	10.16%	11.60%	11.64%	11.22%	13.39%	12.64%	13.46%
Lev. %	10.16%	10.46%	10.39%	9.98%	12.31%	11.43%	11.09%
NIM %	3.51%	3.63%	4.11%	4.92%	4.70%	3.84%	2.85%

Source: Annual report of RBB Limited

Appendices 10: Sidhartha Bank Limited

Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
BOD Size	9	8	5	5	6	6	6
Ind. Dir.	0	0	0	0	1	1	1
W.Dir.	0	0	0	0	1	1	1
Bank Size	2031180 032	3022077 338	6628878 942	8464385 276	8887604 540	9787767 142	10962299 199
ROE %	20.42%	20.09%	17.92%	16.96%	15.43%	13.42%	14.26%
EPS	37.77	41.63	30.41	27.76	26.36	22.16	26.54
CAR %	11.10%	11.25%	12.74%	12.12%	12.77%	13.17%	13.36%
Lev. %	7.58%	8.85%	11.02%	10.99%	10.19%	9.26%	8.52%
NIM %	3.15%	3.39%	3.47%	3.31%	3.45%	3.34%	2.68%

Source: Annul report of Sidhartha Bank Limited

Appendices 11: Sunrise Bank Limited

Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
BOD Size	8	8	8	8	8	7	6
Ind. Dir.	0	0	0	1	1	0	0
W.Dir.	0	0	0	0	0	1	0
Bank Size	2443688000	3976046341	7018104701	8152555851	8152555851	8967811436	9487944499
ROE %	14.07%	15.48%	12.42%	12.91%	14.32%	10.10%	10.09%
EPS	19.27	23.93	16.76	18.36	21.64	15.13	15.75
CAR %	11.11%	12.05%	14.47%	13.94%	13.77%	15.06%	14.00%
Lev. %	10.11%	11.13%	13.39%	13.10%	11.84%	10.70%	10.09%
NIM %	3.30%	3.13%	3.37%	3.77%	4.10%	3.68%	2.79%

Source: Annual report of Sunrise Bank Limited

ITLCORPORATE GOVERNANCE AND PROFITABILITY IN NE...

By: Subash Simkhada

As of: Nov 28, 2024 12:56:21 PM
19,400 words - 179 matches - 3 sources

Similarity Index

14%

Mode: Summary Report

sources:

2,473 words / 12% - Internet from 07-Dec-2022 12:00AM
elibrary.tucl.edu.np

153 words / 1% - from 17-Feb-2024 12:00AM
elibrary.tucl.edu.np

113 words / 1% - from 30-Dec-2023 12:00AM
fastercapital.com

paper text:

ii iii ABSTRACT Corporate Governance is increasingly recognized as a critical global issue for enhancing the accountability and transparency of financial and non-financial institutions. Financial institutions play a pivotal role in shaping a nation's economy, while central banks hold the responsibility of ensuring a well-governed and reliable banking sector. To remain sustainable, banks must maintain strong performance. This research investigates the connection between Corporate Governance elements and performance indicators. The study analyzes independent variables such as Board Size, the number of

Independent Directors, Bank Size, Earnings Per Share, Capital Adequacy Ratio , and Leverage. **The** dependent **variables** considered are Return **on** Equity and **Net Interest Margin**

.

Data were collected from the annual reports of 11 commercial **banks** in Nepal, **and** correlation and **regression** analyses were **used to determine the** relationships **and** their **significance. The**

findings revealed a negative correlation between Board Size and Return on Equity, while a positive correlation was found between the

number of Independent Directors (ID) **and Earnings Per Share** (EPS). **The other variables** did **not** show any **significant** relationships. **The** findings suggest that **banks should**

consider reducing Board Size and increasing the presence of Independent Directors to enhance performance. Moreover, central banks should focus on fostering bank growth and ensuring robust governance practices within the sector. Keywords: Corporate Governance, Return on Assets (ROA), Capital Adequacy Ratio (CAR), Board Structure, Leverage Ratio (LEV), Net