

# **EFFECT OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE OF NEPALESE COMMERCIAL BANKS**

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

By

Shree Krishna Sapkota

Campus Roll No: 920/77

Exam Roll No: 36158/21

T.U. Registration No: 7-2-727-159-2016

Shanker Dev Campus

Specialization: Finance

Kathmandu, Nepal

December, 2024

## CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Effect of Corporate Governance on Financial Performance of Nepalese Commercial Banks**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor 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.

.....

Shree Krishna Sapkota

Date:

**REPORT OF RESEARCH COMMITTEE**

Mr. Shree Krishna Sapkota has defended research proposal entitled “**Effect of Corporate Governance on Financial Performance of Nepalese Commercial Banks**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Keshav Chand and submit the thesis for evaluation and viva voce examination.

.....  
Keshav Chand  
Dissertation Supervisor

Dissertation Proposal Defended Date:  
.....

Dissertation Submitted Date  
.....

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

Dissertation Viva Voce Date:  
.....

## APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled “**Effect of Corporate Governance on Financial Performance of Nepalese Commercial Banks**” presented by Mr. Shree Krishna Sapkota for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

.....  
Keshav Chand  
Dissertation Supervisor

.....  
Internal Examiner

.....  
Internal Expert

.....  
External Expert

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

.....  
Goginder Goet  
Acting Campus Chief

## ACKNOWLEDGEMENTS

This research titled “**Effect of Corporate Governance on Financial Performance of Nepalese Commercial Banks**” has been completed for the Office of the Dean, Faculty of Management, as part of the requirements for the Master’s Degree at Tribhuvan University. The success of this project is attributed to the contributions and invaluable support of many individuals. I am sincerely grateful to everyone who has significantly contributed to this study.

First and foremost, I extend my deepest gratitude to my supervisor, Keshab Chand, for his steadfast encouragement, guidance, and support throughout this dissertation. I also wish to express my appreciation to the members of the Research Committee at Shanker Dev Campus for their insightful feedback and assistance. My special thanks go to Associate Professor Dr. Sajeeb Kumar Shrestha the Research Committee Head for his pivotal guidance. I am also thankful to the Acting Campus Chief Joginder Goet for his support and leadership. My appreciation extends to the internal examiner, internal expert and external expert for their valuable evaluations and feedback.

I am profoundly grateful to my father, whose encouragement has been a source of inspiration throughout this journey. I also deeply appreciate my mother for her dedication, efforts and continuous support that have enabled me to complete my Master’s degree.

Finally, I appreciate all my family members and friends for their unwavering support and motivation, which have been crucial in achieving the successful completion of this study. Their assistance has been invaluable throughout this journey. Thank you to everyone who has been involved and contributed to this achievement.

Shree Krishna Sapkota

# TABLE OF CONTENTS

<b>Contents</b>	<b>Page no.</b>
<i>Title page</i> .....	<i>i</i>
<i>Certification of authorship</i> .....	<i>ii</i>
<i>Report of research committee</i> .....	<i>iii</i>
<i>Approval sheet</i> .....	<i>iv</i>
<i>Acknowledgments</i> .....	<i>v</i>
<i>Table of contents</i> .....	<i>vi</i>
<i>List of tables</i> .....	<i>viii</i>
<i>List of figure</i> .....	<i>ix</i>
<i>Abbreviations</i> .....	<i>x</i>
<i>Abstract</i> .....	<i>xi</i>
<b>CHAPTER – I INTRODUCTION.....</b>	<b>1-8</b>
1.1 Background of the Study.....	1
1.2 Problem Statement.....	4
1.3 Objectives of the Study.....	7
1.4 Rationale of the Study.....	7
1.5 Limitations of the Study.....	8
<b>CHAPTER – II LITERATURE REVIEW.....</b>	<b>9-25</b>
2.1 Theoretical Review.....	9
2.2 Empirical Review.....	11
2.3 Research Gap.....	25
<b>CHAPTER – III RESEARCH METHODOLOGY.....</b>	<b>26-34</b>
3.1 Research Design.....	26
3.2 Population and Sample, and Sampling Design.....	26
3.2 Nature and Sources of the Data, and the Instrument of Data Collection.....	26
3.4 Method of Analysis.....	27
3.5 Research Framework and Definition of Variables.....	30

<b>CHAPTER – IV RESULTS AND DISCUSSION.....</b>	<b>35-46</b>
4.1 Results.....	35
4.2 Discussion.....	43
<b>CHAPTER – V SUMMARY AND CONCLUSION.....</b>	<b>47-51</b>
5.1 Summary.....	47
5.2 Conclusion.....	49
5.3 Implications.....	50
<b>References</b>	
<b>Appendix</b>	

## LIST OF TABLES

<b>Table</b>	<b>Titles</b>	<b>Page no.</b>
Table 1	Summary of Empirical Review.....	18
Table 2	Description and Measurement of Variables.....	31
Table 3	Descriptive Statistics of Size of Board.....	36
Table 4	Descriptive Statistics of Firm Size.....	36
Table 5	Descriptive Statistics of Foreign Ownership.....	37
Table 6	Descriptive Statistics of Leverage Ratio.....	37
Table 7	Descriptive Statistics of Loan to Deposit Ratio.....	38
Table 8	Descriptive Statistics of Return on Equity.....	38
Table 9	Descriptive Statistics of All Variables of Sample Banks.....	39
Table 10	Karl Pearson's Correlation Analysis of Study Variables.....	40
Table 11	Model Summary.....	41
Table 12	Analysis of Variance (ANOVA).....	41
Table 13	Regression Analysis for Dependent Variable ROE.....	42
Table 14	Test the Significance of Relationship.....	43

## LIST OF FIGURE

<b>Figure</b>	<b>Title</b>	<b>Page no.</b>
Figure 1	Research Framework.....	31

## ABBREVIATIONS

AQ	:	Audit Quality
BS	:	Board Size
CA	:	Corporate Accountability
EA	:	Earnings Ability
EE	:	Employee Efficiency
FO	:	Foreign Ownership
FS	:	Firm Size
HBL	:	Himalayan Bank Limited
LDR	:	Loan to Deposit Ratio
LR	:	Leverage Ratio
NABIL	:	Nabil Bank Limited
NBL	:	Nepal Bank Limited
NSBL	:	Nepal SBI Bank Limited
ROE	:	Return on Equity
TU	:	Tribhuvan University

## ABSTRACT

This study investigates the effect of corporate governance on the financial performance of Nepalese commercial banks, focusing on five key variables: Board Size (BS), Firm Size (FS), Foreign Ownership (FO), Leverage Ratio (LR) and Loan to Deposit Ratio (LDR) with Return on Equity (ROE) as the dependent variable. Employing both descriptive and causal research designs, the study analyzes the status of corporate governance and evaluates its impact on financial performance. The research utilizes panel data from 2013/14 to 2022/23, sourced from the annual reports of selected banks, including NABIL Bank Limited, Nepal Bank Limited, Himalayan Bank Limited, and Nepal SBI Bank Limited. Descriptive statistics reveal variability in governance metrics and financial performance, highlighting differences in Board Size, Firm Size, and Foreign Ownership across banks. Correlation analysis identifies significant relationships between these governance variables and ROE, showing that larger boards and higher foreign ownership are positively associated with ROE, while larger firm size and higher Loan to Deposit Ratio are negatively related. Regression analysis further quantifies these relationships, revealing that Board Size and Foreign Ownership have significant positive impacts on ROE, whereas Firm Size and Loan to Deposit Ratio negatively affect ROE. The Leverage Ratio does not show a significant impact. These findings underscore the importance of effective corporate governance in enhancing financial performance in Nepal's banking sector.

**Keywords:** *Return on Equity, Board Size, Firm Size, Foreign Ownership, Leverage Ratio, Loan to Deposit Ratio, Corporate Governance, Nepalese Banks.*

# CHAPTER – I

## INTRODUCTION

### 1.1 Background of the Study

Corporate governance has become a cornerstone in the management of financial institutions globally, particularly in the banking sector. It encompasses the mechanisms, processes, and relations through which corporations are controlled and directed. Effective corporate governance ensures that financial institutions are managed in a manner that is transparent, accountable, and in alignment with stakeholder interests (Shleifer & Vishny, 1997). In the context of Nepal, corporate governance has gained attention due to the growing complexity and competitiveness of the banking sector.

The concept of corporate governance in Nepal is relatively new but has seen significant evolution over the past few decades. The Nepal Rastra Bank (NRB), the central bank of Nepal, has introduced various guidelines and policies to strengthen governance practices within banks. These regulations aim to enhance transparency, reduce conflicts of interest, and ensure that banks operate in a manner that promotes financial stability (Nepal Rastra Bank, 2020). The importance of corporate governance has been underscored by various global financial crises, which have revealed the vulnerabilities in poorly governed institutions.

Corporate governance practices in Nepalese commercial banks have been influenced by both internal and external factors. Internal factors include the ownership structure, board composition, and management practices within the banks. External factors encompass regulatory frameworks, market discipline, and the broader economic environment. The interplay between these factors determines the effectiveness of governance practices and, ultimately, the financial performance of banks (Adhikari, 2021).

The relationship between corporate governance and financial performance has been widely studied in the context of developed economies, but there is limited research focusing on developing countries like Nepal. In developed markets, studies have

consistently shown that good corporate governance leads to better financial performance, as it reduces agency costs and aligns the interests of managers with those of shareholders (Jensen & Meckling, 1976). However, the extent to which these findings are applicable to Nepalese banks remains to be explored.

In Nepal, the banking sector plays a crucial role in the economy, with commercial banks being the primary providers of credit and financial services. The financial performance of these banks is, therefore, of paramount importance for the overall economic development of the country. Corporate governance practices in these banks can significantly influence their financial performance by affecting factors such as risk management, decision-making processes, and the allocation of resources (Poudel & Hovey, 2013).

The Nepalese banking sector has witnessed several instances where poor corporate governance has led to financial distress. These cases highlight the importance of sound governance practices in ensuring the sustainability and profitability of banks. For example, issues related to insider lending, lack of transparency, and inadequate risk management have been identified as major governance challenges in some Nepalese banks (Sharma, 2019). Addressing these challenges requires a comprehensive understanding of the governance mechanisms that influence financial performance.

Furthermore, the corporate governance framework in Nepalese banks is shaped by the legal and regulatory environment. The Company Act of Nepal, along with the NRB's directives, provides the legal foundation for corporate governance in the banking sector. These regulations mandate the composition of boards, the roles and responsibilities of directors, and the disclosure requirements for banks. Compliance with these regulations is essential for maintaining investor confidence and ensuring the stability of the financial system (Nepal Rastra Bank, 2021).

Empirical studies on the effect of corporate governance on financial performance in Nepalese banks have produced mixed results. Some studies have found a positive relationship between governance practices and financial performance, indicating that well-governed banks tend to perform better financially (Gyawali & Joshi, 2020).

However, other studies suggest that the impact of governance on performance is contingent upon various contextual factors, such as the size of the bank, the level of competition, and the overall economic environment (Thapa & Neupane, 2018).

The board of directors plays a critical role in the governance of banks. The composition, size, and independence of the board are key factors that determine its effectiveness. In Nepalese banks, the role of the board is particularly important given the concentrated ownership structure and the dominance of family-owned businesses. Ensuring that boards are independent and capable of providing effective oversight is crucial for improving governance standards and financial performance (Koirala, 2022).

Another important aspect of corporate governance in Nepalese banks is the role of audit committees. Audit committees are responsible for overseeing the financial reporting process, internal controls, and risk management practices. In many cases, the effectiveness of the audit committee is directly related to the financial performance of the bank. Strengthening the functioning of audit committees can lead to better governance outcomes and enhanced financial performance (Bista & Sapkota, 2021).

The relationship between corporate governance and financial performance is also influenced by the ownership structure of banks. In Nepal, many banks have a concentrated ownership structure, with a few large shareholders holding significant control over the management. This can lead to conflicts of interest and potential governance challenges. However, if managed well, concentrated ownership can also provide strong incentives for shareholders to monitor management closely, thereby improving financial performance (Paudel & Rana, 2020).

Corporate governance in Nepalese banks is further complicated by the presence of political interference. Political connections and influence can affect the decision-making processes within banks, leading to governance issues that undermine financial performance. Reducing political interference and promoting professional management practices are essential for improving governance standards in the banking sector (Acharya & Shrestha, 2017).

Finally, the growing integration of Nepal's banking sector with the global financial system has increased the importance of adopting international best practices in corporate governance. Nepalese banks need to align their governance practices with global standards to remain competitive and attract foreign investment. This requires continuous efforts to enhance the governance framework and ensure that it is responsive to the changing dynamics of the global financial markets (Pant & Manandhar, 2019).

In conclusion, corporate governance is a critical determinant of the financial performance of Nepalese commercial banks. The effectiveness of governance practices in these banks is influenced by various internal and external factors, including regulatory frameworks, ownership structure, and market discipline. Improving corporate governance standards is essential for enhancing the financial performance and sustainability of Nepalese banks, which in turn contributes to the overall economic development of the country.

## **1.2 Problem Statement**

Corporate governance plays a pivotal role in shaping the financial performance of commercial banks, particularly in emerging economies such as Nepal. The effectiveness of governance structures in Nepalese banks is essential for ensuring transparency, accountability, and robust financial management, which are critical for attracting investment and maintaining market stability. However, there remains a significant gap in understanding how specific governance variables influence the financial performance of these institutions, leading to an incomplete picture of their impact.

Board composition is crucial for bank performance. A well-structured board with a balance of independent and executive directors ensures effective oversight and strategic management. In many Nepalese banks, boards are often dominated by insiders or those closely linked to major shareholders, which can undermine independence and effectiveness (Koirala, 2022). This imbalance can negatively affect financial performance indicators like Return on Assets (ROA), Return on Equity (ROE) and Net Interest Margin (NIM), leading to poor financial outcomes.

Another crucial aspect is the ownership structure of banks. In Nepal, concentrated ownership is common, with banks often being controlled by families or a few large shareholders (Paudel & Rana, 2020). This concentration can create conflicts of interest between majority and minority shareholders, potentially undermining the bank's financial performance and leading to decisions that may not align with the broader interests of all stakeholders.

Audit committees are essential for ensuring financial integrity and risk management. In Nepalese banks, these committees frequently encounter issues like a lack of expertise, insufficient resources, or inadequate independence, which can impair their effectiveness and hinder their ability to perform thorough audits and risk assessments (Bista & Sapkota, 2021). The effectiveness of audit committees is closely linked to the overall financial performance of banks, as they play a crucial role in maintaining financial transparency and mitigating risks.

The size of the board also influences bank performance. Larger boards can provide diverse perspectives and expertise, which may lead to more comprehensive decision-making and strategic planning. However, they may also lead to inefficiencies and slower decision-making (Gyawali & Joshi, 2020). Smaller boards, while potentially more nimble and efficient, might lack the range of skills necessary for effective governance, affecting the overall performance and decision-making capabilities of the bank.

CEO duality, where the CEO also holds the position of chairperson, is a contentious governance issue. Some argue that this arrangement can unify leadership and streamline decision-making, creating a more cohesive strategy. However, others believe it centralizes too much power in one individual, potentially leading to conflicts of interest and reduced checks and balances (Thapa & Neupane, 2018). CEO duality can impact various aspects of a bank's financial performance, including profitability and stability, by influencing governance dynamics and accountability.

Political connections within the governance framework of Nepalese banks present another significant challenge. Political interference can influence the appointment of board members and senior management, leading to governance practices that

prioritize political over financial interests and affecting the bank's operational and financial efficiency (Acharya & Shrestha, 2017). This issue raises concerns about how political connections impact financial outcomes and the overall effectiveness of governance.

The regulatory environment is crucial in shaping the relationship between corporate governance and financial performance. The Nepal Rastra Bank (NRB) has established guidelines to enhance corporate governance, but enforcement of these guidelines has been inconsistent, resulting in varied governance practices across banks (Nepal Rastra Bank, 2020). Effective compliance with regulatory standards and consistent enforcement are vital for improving governance practices and financial performance in Nepalese banks, ensuring that all institutions adhere to a high standard of governance.

In summary, corporate governance elements like board composition, ownership structure, audit committees, board size, CEO duality, political connections, and the regulatory environment influence the financial performance of Nepalese commercial banks. This study aims to improve the understanding of governance practices in developing economies and offers strategies for enhancing bank performance in Nepal. The research questions focus on variables such as board size, firm size, foreign ownership, leverage ratio, loan-to-deposit ratio, and firm performance, with performance assessed through Return on Equity (ROE).

#### Research Questions:

- i) What is the current status of corporate governance of selected commercial banks in Nepal?
- ii) Are there any relationships exist between independent variable such as Board size (BS), Firm size (FS), Foreign ownership (FO), Leverage ratio (LR) and loan to deposit ratio (LDR) with dependent variable Return on equity (ROE) of selected top commercial banks in Nepal?
- iii) Does independent variable such as Board size (BS), Firm size (FS), Foreign ownership (FO), Leverage ratio (LR) and loan to deposit ratio (LDR) impact on dependent variable Return on equity (ROE) of selected commercial banks in Nepal?

### **1.3 Objectives of the Study**

To achieve these overarching objectives, this study focuses on evaluating the impact of various corporate governance factors on the financial performance of Nepalese commercial banks. Specifically, it examines how independent variables such as Board Size (BS), Firm Size (FS), Foreign Ownership (FO), Leverage Ratio (LR), and Loan-to-Deposit Ratio (LDR) influence the dependent variable, Return on Equity (ROE). Additionally, the study explores the relationships between these governance variables and key financial performance indicators to understand their effect on the overall financial performance of the banks.

The main objectives of the study on the effect of corporate governance on the financial performance of Nepalese commercial banks are as follows:

- i) To assess the current status of corporate governance of selected commercial banks in Nepal.
- ii) To examine the existence of relationships between independent variables such as Board size (BS), Firm size (FS), Foreign ownership (FO), Leverage ratio (LR) and loan to deposit ratio (LDR) with dependent variable Return on equity (ROE) of selected top commercial banks in Nepal.
- iii) To analyze the impact of independent variables Board size (BS), Firm size (FS), Foreign ownership (FO), Leverage ratio (LR) and loan to deposit ratio (LDR) on dependent variable Return on equity (ROE) of selected commercial banks in Nepal.

### **1.4 Rationale of the Study**

The rationale for this study stems from the critical need to understand how corporate governance practices influence the financial performance of Nepalese commercial banks. Effective corporate governance is essential for ensuring transparency, accountability, and sound financial management, which directly impacts a bank's profitability and stability. In Nepal, where the banking sector is evolving rapidly, there is a growing concern about how various governance factors such as board composition, ownership structure, audit committees, board size, CEO duality, and political connections affect financial outcomes. Given the limited research in this area, this study seeks to fill the gap by examining the relationships between these governance variables and key financial performance indicators, including Return on

Equity (ROE). The findings aim to provide valuable insights for policymakers, regulators, and banking institutions to enhance governance practices, thereby improving financial performance and contributing to the overall stability and growth of the banking sector in Nepal.

### **1.5 Limitations of the Study**

These limitations provide context and scope for this study, acknowledging potential constraints while conducting research on the determinants of corporate governance and its impact on the financial performance of Nepalese commercial banks. The limitations of this study are as follows:

- i) Limited to four Nepalese commercial banks: Nabil Bank Ltd., Nepal Bank Limited, Himalayan Bank Ltd., and Nepal SBI Bank Ltd., which may affect the generalizability of the findings to the broader banking sector.
- ii) This Study has limited to descriptive and causal comparative research design.
- iii) The study covers data from the past ten-year period, from FY 2013/14 to FY 2022/23, which may not fully capture recent changes or emerging trends in corporate governance practices.
- iv) Focuses primarily on specific governance variables such as Board Size (BS), Firm Size (FS), Foreign Ownership (FO), Leverage Ratio (LR), and Loan-to-Deposit Ratio (LDR), with the financial performance measured by Return on Equity (ROE). Other potentially influential factors may be overlooked.
- v) Relies on secondary data sources like bank annual reports and financial documents, which may have limitations in data accuracy and completeness.

## **CHAPTER – II**

### **LITERATURE REVIEW**

The purpose of this chapter is to review existing research in the chosen field and develop ideas for a research design. Previous studies have been crucial as they have laid the foundation for the current study, ensuring continuity in research. This connection has been established by linking the present study with past research. To achieve this, various books, journals, and articles related to the topic have been reviewed. The review has been organized into theoretical and empirical sections.

#### **2.1 Theoretical Review**

The theoretical review for the thesis on "The impact of corporate governance on the financial performance of Nepalese commercial banks" involves examining relevant theories that will provide a foundation for understanding the relationships between corporate governance practices and financial performance.

#### **Theories of Corporate Governance**

In this section, the researcher explores and analyzes fundamental theories of corporate governance. These theories offer insights into how governance structures and practices influence the financial performance of banks, although the specific implementation may vary across institutions. Some of the key corporate governance theories include:

#### **Agency Theory**

Agency Theory explores the dynamics between principals (shareholders) and agents (managers) in a corporation. According to this theory, shareholders (principals) delegate decision-making authority to managers (agents) who are expected to act in the shareholders' best interests. However, a conflict of interest may arise as managers might pursue personal goals over those of the shareholders, leading to agency costs. Effective corporate governance mechanisms, such as independent boards and performance-based incentives, are crucial in minimizing these costs and aligning managers' actions with shareholders' interests. This alignment is believed to improve

financial performance by ensuring that managers' decisions contribute positively to shareholder value (Jensen & Meckling, 1976).

### **Stewardship Theory**

Stewardship Theory presents a contrasting view to Agency Theory by asserting that managers, when given the right conditions, act as stewards of the organization, aligning their interests with those of the shareholders. This theory posits that managers are motivated to act in the best interests of shareholders due to intrinsic rewards and a sense of responsibility. Effective corporate governance under this theory involves creating an environment where managers are empowered and supported, enhancing their ability to perform well. This can lead to improved financial performance as managers work diligently towards the organization's success, benefiting both themselves and shareholders (Donaldson & Davis, 1991).

### **Resource Dependence Theory**

Resource Dependence Theory examines how organizations depend on external resources and how governance structures help manage these dependencies. For commercial banks, effective corporate governance can facilitate the acquisition of necessary resources, such as capital and strategic partnerships. Governance mechanisms, such as strong board oversight and strategic alliances, can help banks navigate external pressures and resource constraints. By managing these dependencies effectively, banks can enhance their operational efficiency and financial performance (Pfeffer & Salancik, 1978).

### **Stakeholder Theory**

Stakeholder Theory emphasizes the importance of addressing the needs and interests of all stakeholders, not just shareholders. This theory suggests that a corporation's success depends on its ability to balance the interests of various stakeholders, including employees, customers, suppliers, and the community. Effective corporate governance involves recognizing and integrating these interests into decision-making processes, which can enhance the bank's reputation and operational stability. By fostering positive stakeholder relationships, banks can improve their financial performance and achieve long-term success (Freeman, 1984).

### **Legitimacy Theory**

Legitimacy Theory focuses on how organizations strive to operate in a manner that is perceived as legitimate by society. According to this theory, organizations seek to align their practices with societal expectations to gain legitimacy and support. For commercial banks, maintaining effective corporate governance is crucial in demonstrating commitment to ethical practices and regulatory compliance. By enhancing their legitimacy through good governance, banks can build trust with stakeholders, improve their reputation, and positively influence their financial performance (Suchman, 1995).

### **2.2 Empirical Review**

Temba et al. (2023) examined the impact of corporate governance on the financial performance of commercial banks in Tanzania, focusing on variables such as asset quality, efficiency in equity use, earning ability, capital adequacy, and liquidity. The study incorporated novel constructs like board governance, board control, gender diversity, board size, directors' shareholding, board members' over-boarding, and the presence of key board committees. Utilizing panel data from 15 banks over a 17-year period and applying multiple linear regression analysis, the findings indicated that corporate governance positively influenced earning ability, asset quality, and capital adequacy but had a negative effect on equity efficiency and liquidity. The study concluded that improving corporate governance mechanisms could enhance financial performance and recommended the strengthening of governance practices to achieve better outcomes in the banking sector.

Boachie (2023) investigated the moderating role of ownership on the relationship between corporate governance and financial performance within Ghanaian banks. Using a sample of 23 banks and analyzing a panel dataset of 414 observations over an 18-year period, the study employed multiple regression methods. The findings demonstrated that factors such as audit independence, CEO duality, non-executive directors, and bank size positively influenced financial performance. Additionally, the study revealed that foreign ownership had a significant moderating effect on the relationship between corporate governance and profitability. These results underscore the importance of ownership structures in enhancing the effectiveness of corporate governance mechanisms and their impact on financial outcomes in the banking sector.

El-Chaarani et al. (2022) analyzed the impact of internal and external corporate governance mechanisms on the financial performance of banks in the Middle Eastern and North African (MENA) region during the COVID-19 pandemic. Using data from bank annual reports, the Orbis Bank Focus database, and World Bank reports, the study applied fixed effects regressions and two-stage least squares to assess the data. The findings indicated that corporate governance factors such as the presence of independent board members, high ownership concentration, minimal political interference, and strong legal protections positively affected bank performance. In contrast, mechanisms like performance-based compensation, board gender diversity, moderate board size, and anti-takeover measures did not significantly impact performance during the crisis. The study concluded that effective corporate governance is crucial for enhancing bank performance in the MENA region, especially during periods of economic turmoil.

Goet (2022) conducted an empirical investigation into the impact of specific bank characteristics on the financial performance of listed commercial banks in Nepal, focusing on variables such as board size, firm size, foreign ownership, and the credit-to-deposit ratio. The study utilized panel data from 70 observations across 7 of the 27 listed commercial banks to examine these determinants of financial performance, specifically using Return on Equity (ROE) as the primary performance indicator. A correlational and causal research methodology was employed to explore the relationship and effect of the aforementioned factors on the banks' financial outcomes. The findings revealed a significant correlation between board size, firm size, foreign ownership, and credit-to-deposit ratio with the financial performance of the banks. Furthermore, each of these factors was found to exert a substantial influence on financial success, highlighting their importance in the strategic management of banks. The study suggests that policymakers and bank management should carefully consider these variables when devising strategies to enhance financial performance.

Abebe Zelalem et al. (2022) conducted a comprehensive study to examine the effect of corporate governance on the financial performance of Ethiopian insurance companies, which operate within highly regulated environments. Recognizing that the role of the board in financial institutions differs from non-financial institutions due to limited discretionary power under strict legislative frameworks, the research aimed to

understand how corporate governance practices influence financial outcomes. The study adopted an explanatory research design and analyzed econometric panel data from nine insurance companies over the period from 2012 to 2020. Utilizing the random effect estimation technique, the research identified the most significant variables influencing financial performance, measured through Return on Assets (ROA) and Return on Equity (ROE). The independent variables included board size, management soundness, board remuneration, financial disclosure, debt policy, and dividend policy. The findings revealed that board size, management soundness, board remuneration, and financial disclosure positively and significantly impacted the financial performance of the insurance companies. In contrast, debt and dividend payout policies were found to have a negative and significant effect. The study concludes that all corporate governance measures significantly influence the financial performance of Ethiopian insurance companies, emphasizing the importance of robust governance frameworks. The research suggests that directors, stakeholders, and policymakers should implement appropriate governance structures and policies to enhance financial performance and ensure regulatory compliance.

Herbert and Agwor (2021) conducted an empirical study to investigate the impact of Corporate Governance Disclosure (CGD) on the financial performance of commercial banks listed on the Nigeria Stock Exchange. Recognizing corporate disclosure as a vital component of corporate governance, the researchers based their study on the 2011 Code of Corporate Governance for Public Companies in Nigeria and the 2014 Code of Corporate Governance for Banks and Discount Houses. To systematically analyze the effect of CGD, they developed a disclosure checklist aligned with these regulatory codes and employed content analysis to extract relevant corporate governance information from 78 annual reports of 13 Nigerian commercial banks spanning from 2011 to 2016. The CGD was categorized into three main areas: board of directors, risk management framework, and whistleblowing policy. The findings revealed a positive and significant association between CGD and the financial performance of the banks, particularly highlighting the positive effects of disclosures related to the board of directors and whistleblowing policy. However, the study found no significant relationship between the CGD concerning the risk management framework and the banks' financial performance. This research provides valuable insights into the importance of transparent corporate governance practices in

enhancing financial performance, particularly through effective board and whistleblowing policies. The development of a disclosure checklist based on regulatory codes also offers a practical tool for both researchers and practitioners, contributing to the broader understanding of how corporate governance influences financial outcomes in the banking sector. The study suggests that banks should focus on enhancing CGD practices in areas that directly impact financial performance, while also encouraging further research to explore the nuances of corporate governance in financial institutions.

Musah and Adutwumwaa (2021) explored the impact of various corporate governance structures, including board size, board independence, board gender diversity, and CEO duality, on the financial performance of rural banks in Ghana. The study utilized secondary data from the annual reports of 30 rural banks over a ten-year period from 2010 to 2019. The data was processed using Excel and analyzed with STATA through descriptive statistics, correlation analysis, and regression analysis. The findings revealed a positive but statistically insignificant association between CEO duality and financial performance, measured by Return on Assets (ROA) and Return on Equity (ROE). Additionally, a positive association was observed between board size and both ROA and ROE, although the relationship with ROA was statistically insignificant. Board independence was identified as a significant determinant of financial performance, highlighting its critical role in governance. Conversely, the study found a negative and statistically significant association between gender diversity on the boards and both ROA and ROE, suggesting that greater gender diversity on boards may be linked to lower financial performance in the context of rural banks in Ghana. The research provides insights that are valuable for policymakers and bank management in optimizing governance structures to enhance financial outcomes.

Jaishi and Poudel (2021) examined the impact of firm-specific factors on the financial performance of life and non-life insurance companies in Nepal. The research utilized both descriptive and causal-comparative designs, analyzing a panel data set comprising 140 observations from 14 insurance companies listed on the Nepal Stock Exchange (NEPSE) over a ten-year period from 2009/10 to 2018/19. The findings indicate that insurance companies with a higher debt ratio tend to exhibit better financial performance, with a higher proportion of debt and tangible assets enhancing

Return on Assets (ROA). Conversely, a lower proportion of equity, firm size, and liquidity was associated with decreased ROA. The study underscores the significance of firm-specific factors such as total debt ratio, equity-to-assets ratio, leverage, firm size, liquidity, and tangibility in determining the financial performance of Nepalese insurance companies. Additionally, non-life insurance companies were observed to perform better financially, as measured by Earnings Per Share (EPS) and ROA, compared to life insurance companies. The study suggests that insurance companies in Nepal aiming to improve their financial performance should focus on increasing leverage and long-term investments while reducing the proportion of equity, firm size, and liquidity. These insights offer practical implications for both insurance companies and regulatory bodies in Nepal.

Sapkota (2020) examined the relationship between corporate governance and the financial performance of Nepalese commercial banks, focusing on how various governance factors impact bank performance. The study analyzed data from 9 commercial banks over a ten-year period from 2008/09 to 2017/18. Corporate governance factors considered included leverage ratio, board meetings, board size, and ownership concentration. The results revealed mixed effects on banks' performance, as measured by Return on Equity (ROE). Specifically, debt ratio, net interest margin, and total assets were found to have a significant positive impact on bank performance. In contrast, board meetings and liquidity were associated with a negative impact on performance. Board size and ownership concentration did not show a significant contribution to the banks' financial performance. The study underscores the importance of certain corporate governance elements and financial metrics in influencing the performance of commercial banks in Nepal, providing valuable insights for both banking practitioners and policymakers.

Okoye et al. (2020) explored the relationship between governance practices and bank profitability in Nigeria, emphasizing the importance of high-quality governance for maintaining customer confidence and achieving consistent profitability. The study used board size and directors' equity stake as proxies for corporate governance and measured financial performance using Return on Assets (ROA) and Return on Equity (ROE). Firm size was included as a control variable. The Generalized Method of Moments was employed for estimation. The research found that board size, directors'

equity, and firm size significantly impact the financial performance of Nigerian banks. Additionally, the study observed a strong effect of lagged ROE on current performance levels. The findings highlight the critical role of governance in influencing financial outcomes and recommend maintaining an optimal board size to reduce boardroom conflicts. It also advocates for sustaining substantial equity stakes by directors to enhance commitment to governance practices that support profitability.

Vicente-Ramos (2020) aimed to determine the impact of good corporate governance variables on profitability by equity for Peruvian banks during the period 2009-2018. Using regression analysis of panel data from a sample of 13 banks listed on the Lima Stock Exchange, the study found a significant positive relationship between the integration of the General Meeting of Shareholders and Return on Equity (ROE). The results indicated that increased shareholder involvement and transparency of information were associated with higher profitability for shareholders. This evidence offers valuable insights for supervisory authorities, stakeholders, and academics on the importance of governance practices in enhancing financial performance.

Zulfikar et al. (2020) investigated how board characteristics influence corporate governance compliance in the Indonesian banking industry. The study focused on board characteristics such as the size of the board of commissioners, the proportion of independent commissioners, the experience of commissioners, and the size of the audit committee. The research utilized a sample of 195 observations from banks listed on the Indonesia Stock Exchange between 2010 and 2015, employing purposive sampling and multiple regression analysis. The findings revealed that board characteristics significantly encouraged compliance with corporate governance regulations. Specifically, larger boards, a higher proportion of independent commissioners, more experienced commissioners, and a larger audit committee were associated with improved governance compliance. The study highlighted that effective board oversight reduces information asymmetry and promotes adherence to regulations, thus enhancing overall corporate governance compliance in the banking sector.

Aslam & Haron (2020) examined the impact of corporate governance mechanisms on the performance of Islamic banks (IBs). The study utilized a two-step system

Generalized Method of Moments (GMM) estimation technique, incorporating control variables sequentially into the model. The analysis covered data from 129 IBs across 29 Islamic countries, including regions such as the Middle East, South Asia, and Southeast Asia, for the period from 2008 to 2017. The findings indicated that the Audit Committee (AUDC) and Shariah Board (SB) had a positive impact on IBs' performance, measured by Return on Assets (ROA) and Return on Equity (ROE). In contrast, board size and the Risk Management Committee negatively affected performance. CEO duality and the presence of non-executive directors showed mixed effects on performance. These results underscore the need for IBs to enhance financial performance through effective governance mechanisms.

Tran et al. (2020) investigated the influence of corporate governance on corporate social responsibility (CSR) disclosure among Vietnamese commercial banks. The study analyzed time-series data from 31 banks between 2015 and 2019, employing Ordinary Least Squares (OLS) to test the model. The results highlighted that board size, the presence of foreign board members, and the audit committee positively impacted CSR disclosure. The study suggests that Vietnamese banks should enhance their focus on CSR, and the Central Bank of Vietnam should enforce stricter monitoring and sanctions for non-compliance with CSR disclosure regulations. This approach aims to improve the quality of information in the banking sector and align with global economic integration trends.

Budhathoki et al. (2020) analyzed the impact of liquidity, leverage, and total asset size on the profitability of Nepalese commercial banks using data from 28 banks over the period 2010/11 to 2016/17. The study employed three Ordinary Least Squares (OLS) regression models. It found that a higher loan-to-deposit ratio negatively affected Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM), though ROE and NIM effects were insignificant. A higher equity-to-assets ratio positively impacted ROA and NIM but had a negligible effect on ROE. Larger bank size was shown to positively influence all three profitability measures. The study highlights the importance of managing bank size, leverage, and liquidity to enhance profitability.

**Table 1***Summary of Empirical Review*

S.N.	Author (s)	Objectives	Variables	Methodology	Findings
1.	Temba et al. (2023)	To examine the impact of corporate governance on the financial performance of commercial banks in Tanzania	Dependent variables: EA, AQ, CA, EE, L. Independent variables: BG, BC, GD, BS, DS, BO, KBC.	Panel data from 15 banks over 17 years; multiple linear regression analysis	The findings indicate that corporate governance has a positive impact on Environmental Accountability (EA), Audit Quality (AQ), and Corporate Accountability (CA). This suggests that robust governance practices can enhance a bank's commitment to
2.	Boachie (2023)	To investigate the moderating role of ownership on the relationship between corporate governance and financial performance in Ghanaian banks	Dependent: Financial performance Independent: Audit independence, CEO duality, Non-executive directors, Bank size, Foreign ownership	Panel dataset of 23 banks over 18 years; multiple regression methods	The results show that audit independence, CEO duality, and bank size positively influence financial performance. Foreign ownership significantly moderates the relationship between corporate

					governance and profitability, emphasizing the importance of ownership structures.
3.	El-Chaarani et al. (2022)	To analyze the impact of internal and external corporate governance mechanisms on financial performance during the COVID-19 pandemic in MENA banks	Dependent: ROE Independent: Independent board members, Ownership concentration, Political interference, Legal protections, Performance-based compensation, Board gender diversity, Board size, Anti-takeover measures	Fixed effects regressions and two-stage least squares; data from bank reports and databases	The study found that independent board members, high ownership concentration, minimal political interference, and strong legal protections positively impacted bank performance during the crisis. Other mechanisms had no significant effect.
4.	Goet (2022)	To investigate the impact of specific bank characteristics on financial performance in Nepalese listed banks	Dependent: Financial performance (ROE) Independent: Board size, Firm size, Foreign ownership, Credit-to-deposit ratio	Panel data from 7 banks; correlational and causal research methodology	The analysis revealed a significant correlation between board size, firm size, foreign ownership, and credit-to-deposit ratio with financial

performance.  
Each of these factors significantly influences financial outcomes, underscoring their importance in strategic management.

- |    |                                   |  |  |   |  |
|----|-----------------------------------|--|--|---|--|
| 5. | Abebe<br>Zelalem et al.<br>(2022) | To conduct a comprehensive study on the effect of corporate governance on the financial performance of Ethiopian insurance companies | Dependent: ROA, ROE<br>Independent: Board size, Management soundness, Board remuneration, Financial disclosure, Debt policy, Dividend policy | Econometric panel data analysis; 9 insurance companies over 2012-2020 | The findings suggest that board size, management soundness, board remuneration, and financial disclosure positively impact the financial performance of insurance companies. In contrast, debt and dividend policies have a negative effect. |
| 6. | Herbert &<br>Agwor<br>(2021)      | To investigate the impact of Corporate Governance Disclosure   | Dependent: Financial performance<br>Independent: Board of directors, Risk management framework,  | Content analysis of 78 annual reports from 13 banks;                  | The results demonstrate a positive and significant relationship  |

		(CGD) on the financial performance of Nigerian commercial banks	Whistleblowing policy	disclosure checklist based on regulatory codes	between CGD and financial performance, particularly through disclosures related to the board of directors and whistleblowing policy. No significant relationship was found regarding the risk management framework.
7.	Musah & Adutwumwaa (2021)	To explore the impact of various corporate governance structures on the financial performance of rural banks in Ghana	Dependent: ROA, ROE Independent: Board size, Board independence, Board gender diversity, CEO duality	Secondary data from annual reports of 30 rural banks over 2010-2019; analyzed with STATA using descriptive statistics, correlation, and regression analysis	The study found a positive but statistically insignificant relationship between CEO duality and financial performance. Board size positively affected ROA and ROE, while board independence was a significant determinant. Gender diversity was negatively

					associated with financial performance.
8.	Jaishi & Poudel (2021)	To examine the impact of firm-specific factors on the financial performance of life and non-life insurance companies in Nepal	Dependent: ROA, EPS Independent: Debt ratio, Equity proportion, Firm size, Liquidity, Tangible assets	Descriptive and causal-comparative designs; panel data from 14 companies over 2009/10-2018/19	The findings reveal that higher debt ratios and tangible assets enhance ROA, while lower equity, firm size, and liquidity decrease ROA. Non-life insurance companies exhibited better financial performance compared to life insurance companies.
9.	Sapkota (2020)	To examine the relationship between corporate governance and financial performance of Nepalese commercial banks	Dependent: ROE Independent: Leverage ratio, Board meetings, Board size, Ownership concentration	Data from 9 banks over 2008/09-2017/18	The study revealed that a higher debt ratio, a larger net interest margin, and an increase in total assets were positively correlated with ROE. Conversely, frequent board meetings and higher liquidity

					levels negatively impacted ROE. BS and ownership concentration did not significantly influence financial performance as measured by ROE.
10.	Okoye et al. (2020)	To explore the relationship between governance practices and bank profitability in Nigeria	Dependent: ROA, ROE Independent: Board size, Directors' equity stake, Firm size	Generalized Method of Moments; included firm size as control variable	The research found that BS, directors ES, and FS significantly impact financial performance. Additionally, lagged ROE strongly impact current performance levels, underscoring the importance of effective governance practices.
11.	Vicente-Ramos (2020)	To determine the impact of good corporate governance variables on profitability by	Dependent: ROE Independent: General Meeting of Shareholders, Transparency	Regression analysis of panel data from 13 banks over 2009-2018	The findings reveal a significant positive relationship between

equity for  
Peruvian  
banks

increased  
shareholder  
involvement  
and  
transparency  
with higher  
Return on  
equity (ROE).  
This  
underscores the  
importance of  
shareholder  
engagement  
and  
transparency in  
enhancing  
profitability.

12. Zulfikar et al. (2020) To investigate how board characteristics influence corporate governance compliance in Indonesian banks
- Dependent: Governance compliance  
Independent: Board size, Proportion of independent commissioners, Commissioner experience, Audit committee size
- Data from 195 observations; purposive sampling and multiple regression analysis
- The study found that larger boards, a higher proportion of independent commissioners, more experienced commissioners, and a larger audit committee significantly improved governance compliance. Effective board oversight was crucial for

- adherence to regulations.
13. Aslam& Haron (2020) To examine the impact of corporate governance mechanisms on the performance of Islamic banks (IBs)
- Dependent: ROA, ROE  
Independent: Audit Committee, Shariah Board, Board size, Risk Management Committee, CEO duality, Non-executive directors
- Two-step system  
Generalized Method of Moments;  
data from 129 IBs across 29 countries over 2008-2017
- The findings suggest that the Audit Committee and Shariah Board positively affect performance. However, board size and the Risk Management Committee have a negative impact, while CEO duality and non-executive directors show mixed effects.
14. Tran et al. (2020) To investigate the effect of corporate governance on CSR disclosure among Vietnamese commercial banks
- Dependent:CSR disclosure  
Independent: Board size, Foreign board members, Audit committee
- Time-series data from 31 banks between 2015 and 2019;  
Ordinary Least Squares (OLS)
- The study found that board size, foreign board members, and the audit committee positively impact CSR disclosure. This suggests banks should prioritize CSR, and the Central Bank should enhance oversight.

15.	Budhathoki et al. (2020)	To examine the impact of liquidity, leverage, and total asset size on the profitability of commercial banks in Nepal	Dependent: ROA, ROE, NIM Independent: Loan-to-deposit ratio, Equity-to-assets ratio, Bank size	Data from 28 banks over 2010/11-2016/17; three Ordinary Least Squares (OLS) models	The study found that Loan-to-deposit ratio hurts ROA, ROE, NIM. Equity-to-assets ratio helps ROA, NIM. Larger banks perform better overall.
-----	--------------------------	--	---	--	---

---

### 2.3 Research Gap

The research gap between previous studies and the current research lies in several critical aspects. This study has addressed a longer time period, extending up to 2022/23, whereas earlier studies have focused on older periods, generally ending in 2020/21. Additionally, while previous studies have often limited their scope to a maximum of five years, this research has expanded the analysis to cover a full decade, allowing for a more comprehensive assessment of trends and performance. A broader range of financial and statistical tools has been employed in this study, offering deeper insights into the examined variables. The independent variables in this study include Board size, Firm size, Foreign ownership, leverage ratio, and loan to deposit ratio, with the dependent variable being Return on Equity (ROE). In contrast, many earlier researchers did not classify their variables with the same precision. This research relies on secondary data, which contrasts with the primary data-driven approaches of many prior studies. Moreover, it has specifically targeted top commercial banks, such as Nabil Bank Limited, Nepal Bank Limited, Himalayan Bank Limited, and Nepal SBI Bank Limited, to ensure a focused and meaningful analysis. By addressing these methodological enhancements, the study has successfully filled the research gap, providing a more detailed and up-to-date examination of corporate governance and financial performance in Nepalese banks.

## **CHAPTER – III**

### **RESEARCH METHODOLOGY**

The research methodology section outlines the methods, tools, and techniques used to analyze data and achieve the study's objectives. The researcher employed the following methodology to guide the investigation and determine the appropriate approach.

#### **3.1 Research Design**

Research design is a plan of the overall scheme or program of research. In this study, the descriptive and causal-comparative research designs have been used by the researcher to address issues related to the effect of corporate governance on financial performance. The descriptive research design has been utilized to analyze patterns of financial performance and their influencing factors, while the causal-comparative research design has been employed to explore the direction and strength of the relationship between the dependent variable (ROE) and the independent variables (Board size, Firm size, Foreign ownership, leverage ratio, and loan to deposit ratio).

#### **3.2 Population and Sample, and Sampling Design**

As of May 13, 2024, there are 20 commercial banks operating in Nepal, which constitutes the total population of commercial banks. For this study, the researcher has selected four banks as the sample: NABIL Bank Limited, Nepal Bank Limited, Himalayan Bank Limited, and Nepal SBI Bank Limited. These banks were chosen based on their prominence in the Nepalese banking sector, their significant influence, and their representation of a diverse range of ownership structures, including both private and public sector institutions. The selection of these banks allows for a thorough analysis of the impact of corporate governance on financial performance in Nepalese commercial banks, as they are known for their size, stability, and long-standing presence in the market, making them ideal representatives of the sector.

#### **3.3 Nature and Sources of Data, and the Instrument of Data Collection**

This study utilizes secondary data, encompassing information previously gathered by others, such as annual reports, financial statements from the selected banks, and

documents detailing the banks' strategic plans. Additionally, the study examines data from newspapers, magazines, economic journals, and reports from the Nepal Rastra Bank (NRB). By compiling this data, the study seeks to identify the factors that influence the lending behavior of top commercial banks in Nepal. This analysis aims to deepen the understanding of banking practices and inform better decision-making within the industry.

### **3.4 Method of Analysis**

To examine the effect of corporate governance on financial performance in Nepalese commercial banks, the study has utilized both descriptive and inferential statistical methods. Descriptive statistics have provided an overview of the data's central tendencies and dispersion. Inferential statistics, such as multiple correlation and regression analyses, have been employed to explore the relationships between corporate governance variables and financial performance, assessing how these factors collectively impact the banks' performance outcomes. This approach has enabled a comprehensive analysis of corporate governance's influence on financial performance in Nepalese commercial banks.

#### **A. Descriptive statistics**

Descriptive statistics have been essential for analyzing the key independent variables such as Board Size, Firm Size, Foreign Ownership, Leverage Ratio and Loan to Deposit Ratio as well as the dependent variable, Return on Equity (ROE). These statistics have provided a comprehensive view of the data by summarizing key aspects. The mean has offered the average value of each variable, indicating the central tendency. The minimum (min) and maximum (max) values have defined the range of the data, showing the lowest and highest values recorded for each variable. The standard deviation (SD) has measured the extent of variability or dispersion around the mean, reflecting how much the values deviate from the average. Together, these descriptive statistics have facilitated an understanding of the spread, distribution, and central tendencies of the variables, setting the stage for a more detailed analysis of how corporate governance factors impact financial performance in Nepalese commercial banks.

### Arithmetic mean

The arithmetic mean, often referred to as the average, represents the central tendency in a dataset and is computed by adding all values together and dividing by the total count of values. This metric is widely utilized as a descriptive statistic.

$$\text{Arithmetic mean } (\bar{x}) = \frac{\sum X}{N}$$

Where,

$N$  = Total number of values in the dataset

$\sum X$  = Sum of all values in the dataset

### Standard deviation

Standard deviation in descriptive statistics quantifies the dispersion or variability within a dataset, indicating how widely the values deviate from the mean.

Formula for standard is as follows:

$$\text{Standard deviation } (\sigma) = \sqrt{\frac{\sum (x - \bar{x})^2}{N - 1}}$$

Where,

$x$  Represents each individual data point in the dataset

$\bar{x}$  Represents the mean (average) of the dataset

$N$  is the total number of data points in the dataset

## B. Inferential statistics

Inferential statistics have employed various methods to infer relationships between independent variables and a dependent variable, providing insights beyond mere description. In this context, methods like correlation analysis and regression analysis have been utilized to explore how independent variables such as Board Size, Firm Size, Foreign Ownership, Leverage Ratio and Loan to Deposit Ratio affect the dependent variable Return on Equity (ROE). Correlation analysis has evaluated the strength and direction of relationships between these variables, indicating how closely they move together. Regression analysis, on the other hand, has assessed the extent to which changes in the independent variables predict changes in ROE. By applying these methods, the study has aimed to understand the influence of corporate

governance factors on financial performance, revealing how various governance aspects impact the profitability and efficiency of Nepalese commercial banks.

### **Correlation analysis**

Correlation analysis helps assess how strongly two variables are related and the direction of their relationship. A positive correlation means that when one variable increases, the other tends to increase as well, whereas a negative correlation shows that as one variable increases, the other tends to decrease. The correlation coefficient, which ranges from +1 (perfect positive correlation) to -1 (perfect negative correlation), quantifies this relationship. A coefficient of 0 indicates no correlation between the variables, making correlation analysis a useful tool for identifying patterns and relationships in data. By analyzing these relationships, correlation analysis can also highlight the degree to which changes in one variable may predict changes in another, providing valuable insights into underlying trends. It is widely used in fields such as finance, healthcare, and social sciences to understand and visualize the strength and direction of relationships between key factors, guiding decision-making and further research.

The Pearson correlation coefficient ( $r$ ) is calculated using the formula:

$$r = \frac{n(\sum XY) - (\sum X)(\sum Y)}{\sqrt{[n(\sum X^2) - (\sum X)^2][n(\sum Y^2) - (\sum Y)^2]}}$$

Where;

$n$  = the number of data pairs

$\sum XY$  = the sum of the product of each pair of scores

$\sum X$  And  $\sum Y$  = the sums of X and Y scores respectively

Karl Pearson's correlation analysis method has been applied using SPSS version 29.

### **Multiple Regression Analysis**

Multiple regression analysis is employed to quantify the relationship between two or more variables by estimating the value of the dependent variable based on the independent variables. This technique is instrumental in predicting how changes in predictor variables affect the dependent variable. By calculating regression coefficients ( $\beta$ ), the analysis reveals the extent and direction of the impact of each independent variable on the dependent variable. This method allows for a detailed

understanding of how each predictor variable contributes to variations in the response variable, thereby providing insights into the overall relationship between corporate governance factors and financial performance in Nepalese commercial banks.

### **Model specification**

In this model, the dependent variable is Return on Equity (ROE), which measures the financial performance of Nepalese commercial banks. The independent variables influencing ROE are Board Size (number of board members), Firm Size (total assets), Foreign Ownership (percentage of shares held by foreign investors), Leverage Ratio (debt relative to equity), and Loan to Deposit Ratio (loans relative to deposits). The regression model of this study is as follows:

$$\text{ROE} = \beta_0 + \beta_1 \text{BS} + \beta_2 \text{FS} + \beta_3 \text{FO} + \beta_4 \text{LR} + \beta_5 \text{LDR} + \epsilon_{it}$$

Where:

$\beta_0$  = Intercept/ constant term

ROE = Return on Equity (Financial Performance)

BS = Board Size

FS = Firm Size

FO = Foreign Ownership

LR = Leverage Ratio

LDR = Loan to Deposit Ratio

$\epsilon_{it}$  = error term of the stochastic model

Betas ( $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ ) are the parameters of the model

This regression model is crucial for quantifying the impact of various corporate governance factors on the financial performance (ROE) of Nepalese commercial banks.

### **3.5 Research Framework and Definition of Variables**

The research framework for examining corporate governance's effect on financial performance in Nepalese commercial banks integrates theoretical models with empirical literature. It focuses on the relationship between Return on Equity (ROE) and independent variables such as Board Size (BS), Firm Size (FS), Foreign Ownership (FO), Leverage Ratio (LR) and Loan to Deposit Ratio (LDR). This approach assesses how governance factors influence ROE and the broader impact on

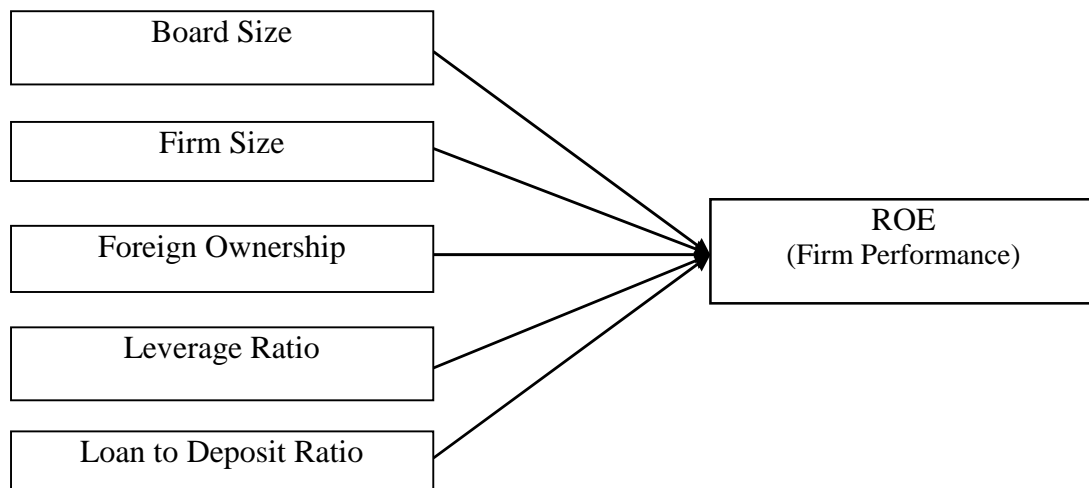
financial performance, offering insights into the interplay between governance practices and performance metrics in Nepalese banks. The research framework of this study has presented following figure:

**Figure 1**

*Research Framework*

**Independent Variables**

**Dependent Variable**



*(Source: Goet, 2022; Sapkota, 2020)*

**Table 2**

*Description and Measurement of Variables*

Variables	Description
Return on Equity (ROE)	Net income after taxes divided by Common Equity or shareholders equity
Board Size (BS)	Total number of board of directors in the banks
Firm Size (FS)	Total Assets of firm in the balance sheet at year end.
Foreign Ownership (FO)	Foreign ownership is when non-citizens or foreign entities control a company or resource in a country.
Leverage Ratio (LR)	Total liabilities of balance sheet divided by total assets of balance sheet at year end.
Loan to Deposit Ratio (LDR)	Total loan or credit amount of balance sheet divided by total deposit amount of balance sheet.

*(Source: Sapkota, 2020; Goet, 2022)*

## **Definition of all Research Variables**

### **A. Dependent Variable**

The dependent variable is the primary outcome or result that researchers measure or observe to understand how it changes in response to variations in the independent variables. In this study, the dependent variable is identified as "Return on Equity (ROE)," which represents the financial performance of Nepalese commercial banks. This variable is critically examined to evaluate how it is influenced by fluctuations in the independent variables. Essentially, this variable captures the degree to which corporate governance factors, such as Board Size, Firm Size, Foreign Ownership, Leverage Ratio, and Loan to Deposit Ratio, impact the financial performance of banks. Researchers aim to quantify and assess the influence of these governance factors on financial outcomes, which are essential for understanding the overall effectiveness and stability of the banks.

#### **a) Return on Equity**

Return on Equity (ROE) is a financial metric that measures the profitability of a company in relation to its shareholders' equity. It is calculated by dividing the net income of a company by its average shareholders' equity, typically expressed as a percentage. ROE indicates how effectively a company is using its equity base to generate profits, making it a key indicator of financial performance. A higher ROE suggests that the company is efficient at generating returns on investments made by its shareholders, whereas a lower ROE could indicate potential inefficiencies or underperformance. For banks, ROE is particularly important as it reflects how well they are managing their assets and liabilities to create value for their shareholders.

### **B. Independent Variables**

Independent variables are the elements that researchers manipulate or observe to assess their impact on the dependent variable. In this study, the independent variables that affect Return on Equity (ROE) in Nepalese commercial banks include Board Size, Firm Size, Foreign Ownership, Leverage Ratio, and Loan to Deposit Ratio. Each of these variables significantly influences the financial performance of the banks. By examining these variables, researchers can gain insights into the different ways corporate governance and financial management practices impact ROE. Understanding the role of these independent variables helps in evaluating the

effectiveness of governance structures in enhancing the financial performance of commercial banks.

#### **a) Board Size**

Board size refers to the total number of directors serving on a company's board. It plays a crucial role in corporate governance, influencing the decision-making process and overall effectiveness of the board. A larger board can bring diverse perspectives, expertise, and resources, potentially leading to more comprehensive oversight and strategic guidance. However, too large a board might lead to inefficiencies, slower decision-making, and challenges in coordination. Conversely, a smaller board may be more agile but could lack the diversity of thought and experience needed for well-rounded governance. The optimal board size varies depending on the organization and its specific needs, but it is generally considered an important factor in determining the quality of governance and, consequently, the financial performance of a company.

#### **b) Firm Size**

Firm size refers to the scale or magnitude of a company, typically measured by metrics such as total assets, revenue, or market capitalization. In the context of corporate governance and financial performance, firm size is an important variable as it often influences a company's resources, market power, and ability to implement effective governance practices. Larger firms usually have more complex organizational structures, greater access to capital, and more diversified operations, which can impact their financial performance. However, managing larger firms can also pose challenges, such as increased bureaucratic inefficiencies and slower decision-making processes. The size of a firm can therefore play a significant role in shaping its governance practices and financial outcomes.

#### **c) Foreign Ownership**

Foreign ownership refers to the proportion of a company's shares that are owned by investors or entities based outside the country where the company is headquartered. In the context of corporate governance, foreign ownership can have a significant impact on a company's practices and performance. Foreign investors often bring different perspectives, management practices, and expectations, which can lead to the adoption of international best practices in governance. This can enhance transparency,

accountability, and overall corporate performance. Additionally, foreign ownership can provide access to global capital markets and increase a company's credibility and competitiveness. However, it may also lead to challenges, such as potential conflicts between local and foreign interests or increased scrutiny from foreign regulators. In summary, foreign ownership is a critical factor that can influence the governance and financial performance of a company.

#### **d) Leverage Ratio**

The leverage ratio, calculated as total liabilities divided by total assets, is a financial metric that indicates the extent to which a company is financing its operations through debt compared to its own equity. In the context of a balance sheet (B/S), this ratio provides insight into a company's financial structure and risk profile. A higher leverage ratio suggests that a company is using more debt to finance its assets, which can amplify returns during good times but also increase financial risk during downturns. Conversely, a lower leverage ratio indicates a more conservative approach, with less reliance on debt. The leverage ratio is a key factor in assessing a company's financial health, stability, and its ability to manage debt obligations.

#### **e) Loan to Deposit Ratio**

The Loan to Deposit Ratio (LDR) is a financial metric used to assess a bank's liquidity by comparing its total loans to its total deposits. It indicates how much of a bank's deposits are being utilized to issue loans, essentially showing the bank's lending efficiency. A higher LDR suggests that a bank is using a larger portion of its deposits for lending, which can potentially increase profitability but also poses higher liquidity risk if too many loans are issued relative to deposits. Conversely, a lower LDR indicates that the bank is more conservative, keeping more deposits on hand, which may reduce profitability but enhances liquidity. This ratio is crucial for understanding a bank's risk management, lending practices, and overall financial stability.

## **CHAPTER – IV**

### **RESULTS AND DISCUSSION**

As has been discussed in previous chapters, the main objective of this study has been to investigate the effect of corporate governance on the financial performance of Nepalese commercial banks. This chapter has presented the results and discussion of the study. Both descriptive and inferential statistics have been employed to analyze the data. Descriptive statistics, including measures such as min and max, the mean and standard deviation have been used. Inferential statistics such as correlation analysis and multiple regression analysis have been conducted using SPSS version 29.

#### **4.1 Results**

In this section, the study has examined the effect of corporate governance on the financial performance of Nepalese commercial banks. Descriptive statistics have been employed to provide an overview of the dataset, including measures such as the arithmetic mean and standard deviation. Inferential statistics, including Karl Pearson's correlation analysis and multiple regression analysis have been used to explore the relationships between corporate governance factors and financial performance indicators. The results have been analyzed to determine how corporate governance practices have influenced the financial outcomes of these banks.

##### **A. Descriptive statistics**

This study has utilized descriptive statistics to provide a comprehensive overview of the data used in analyzing the effect of corporate governance on the financial performance of Nepalese commercial banks. The dependent variable ROE has been assessed alongside independent variables including BS, FS, FO, LR and LDR. Descriptive statistics such as the mean have been calculated to determine the average values of these variables, while the standard deviation has measured the variation or dispersion from the mean. The min and max values have defined the range of the data, helping to understand the extent of variation. This foundational descriptive analysis has facilitated a deeper comprehension of the data's central tendencies and spread, thereby setting the stage for more detailed inferential statistical analyses to explore the relationships and impacts of corporate governance factors on financial performance.

**Table 3***Descriptive Analysis for Size of Board* (In Member Number)

Variables	N	Min	Max	Mean	S.D.
Nabil Bank	10	7.00	7.00	7.0000	0.00000
Nepal Bank	10	5.00	7.00	6.0000	1.05409
Himalayan Bank	10	7.00	7.00	7.0000	0.00000
Nepal SBI Bank	10	5.00	5.00	5.0000	0.00000

*(Source: SPSS Version 29)*

Table 3 presents the descriptive analysis of the board size (in terms of member numbers) for four banks. The data shows that Nabil Bank and Himalayan Bank both have a consistent board size of 7 members, with no variation (S.D. = 0). Nepal Bank has a board size ranging from 5 to 7 members, with a mean of 6 members and a standard deviation of 1.05409, indicating some variation in the board size. Nepal SBI Bank has a fixed board size of 5 members (S.D. = 0). This analysis provides an overview of the board size distribution across the selected banks.

**Table 4***Descriptive Analysis for Firm Size* (In Billion Amounts)

Variables	N	Min	Max	Mean	S.D.
Nabil Bank	10	87.27	481.20	220.7120	130.58998
Nepal Bank	10	119.23	296.73	177.3210	63.76585
Himalayan Bank	10	74.72	345.43	152.9060	81.07463
Nepal SBI Bank	10	59.30	185.80	111.7670	40.31036

*(Source: SPSS Version 29)*

Table 4 presents the descriptive analysis of firm size (in billion) for four banks. Nabil Bank shows a wide range of firm sizes, from 87.27 billion to 481.20 billion, with a mean of 220.71 billion and a standard deviation of 130.59 billion, indicating significant variation. Nepal Bank has a mean firm size of 177.32 billion, with a range from 119.23 billion to 296.73 billion and a standard deviation of 63.77 billion, suggesting moderate variation. Himalayan Bank's firm size ranges from 74.72 billion to 345.43 billion, with a mean of 152.91 billion and a standard deviation of 81.07 billion. Nepal SBI Bank has the smallest firm size range, from 59.30 billion to 185.80 billion, with a mean of 111.77 billion and a standard deviation of 40.31 billion.

**Table 5***Descriptive Analysis for Foreign Ownership* (In Percentage)

Variables	N	Min	Max	Mean	S.D.
Nabil Bank	10	49.00	49.00	49.0000	0.00000
Nepal Bank	10	0.00	0.00	0.0000	0.00000
Himalayan Bank	10	20.00	20.00	20.0000	0.00000
Nepal SBI Bank	10	55.00	55.00	55.0000	0.00000

*(Source: SPSS Version 29)*

Table 5 presents the descriptive analysis of foreign ownership (in percentage) for four banks. Nabil Bank has a consistent foreign ownership of 49%, with no variation (S.D. = 0). Nepal Bank has no foreign ownership, as indicated by a percentage of 0% and a standard deviation of 0. Himalayan Bank has a fixed foreign ownership of 20%, with no variation (S.D. = 0). Nepal SBI Bank shows a foreign ownership of 55%, also with no variation (S.D. = 0). This analysis highlights the varying levels of foreign ownership across the banks, with some having fixed percentages and others having no foreign ownership at all.

**Table 6***Descriptive Analysis for Leverage Ratio* (In Times)

Variables	N	Min	Max	Mean	S.D.
Nabil Bank	10	0.87	0.92	0.8880	0.01549
Nepal Bank	10	0.80	0.88	0.8360	0.02366
Himalayan Bank	10	0.88	0.92	0.8950	0.01650
Nepal SBI Bank	10	0.87	0.92	0.8900	0.01563

*(Source: SPSS Version 29)*

Table 6 presents the descriptive analysis of the LR (in times) for four banks. Nabil Bank has a LR range from 0.87 to 0.92, with a mean of 0.8880 and a standard deviation of 0.01549, indicating minimal variation. Nepal Bank's leverage LR ranges from 0.80 to 0.88, with a mean of 0.8360 and a standard deviation of 0.02366, showing slightly more variation compared to the other banks. Himalayan Bank's LR ranges from 0.88 to 0.92, with a mean of 0.8950 and a standard deviation of 0.01650, reflecting a similar low variation. Nepal SBI Bank has a LR range from 0.87 to 0.92, with a mean of 0.8900 and a S.D. of 0.01563, also indicating minimal variation.

**Table 7***Descriptive Analysis for Loan to Deposit Ratio (In Times)*

Variables	N	Min	Max	Mean	S.D.
Nabil Bank	10	0.64	0.92	0.7810	0.09480
Nepal Bank	10	0.59	0.86	0.7420	0.07657
Himalayan Bank	10	0.71	0.92	0.8360	0.06736
Nepal SBI Bank	10	0.65	0.95	0.8250	0.09490

*(Source: SPSS Version 29)*

Table 7 presents the descriptive analysis of the LDR for four banks. Nabil Bank has a LDR ranging from 0.64 to 0.92, with a mean of 0.7810 and a SD of 0.09480, indicating moderate variation. Nepal Bank's ratio ranges from 0.59 to 0.86 with a mean of 0.7420 and a SD of 0.07657, showing slightly lower variation. Himalayan Bank's ratio ranges from 0.71 to 0.92, with a mean of 0.8360 and a standard deviation of 0.06736, reflecting low variation. Nepal SBI Bank's ratio ranges from 0.65 to 0.95, with a mean of 0.8250 and a SD of 0.09490, also indicating moderate variation.

**Table 8***Descriptive Analysis for Return on Equity (In Percentage)*

Variables	N	Min	Max	Mean	S.D.
Nabil Bank	10	9.80	27.97	18.7760	6.10943
Nepal Bank	10	7.57	14.61	9.6660	1.98310
Himalayan Bank	10	4.65	24.53	15.6450	5.49062
Nepal SBI Bank	10	6.26	22.85	14.0710	4.89306

*(Source: SPSS Version 29)*

Table 8 presents the descriptive analysis of ROE for four banks. Nabil Bank has a ROE ranging from 9.80% to 27.97%, with a mean of 18.7760% and a standard deviation of 6.10943%, indicating a significant variation in its return on equity. Nepal Bank's ROE ranges from 7.57% to 14.61% with a mean of 9.6660% and a SD of 1.98310% reflecting moderate variation. Himalayan Bank's ROE ranges from 4.65% to 24.53%, with a mean of 15.6450% and a SD of 5.49062% indicating moderate to high variation. Nepal SBI Bank has a ROE ranging from 6.26% to 22.85%, with a mean of 14.0710% and a SD of 4.89306%, showing moderate variation.

**Table 9***Descriptive Statistics of All Variables of Sample Banks*

Variables	N	Min	Max	Mean	SD
BS	40	5.00	7.00	6.2500	0.98058
FS	40	59.30	481.20	165.6765	91.4553
FO	40	0.00	55.00	31.0000	22.5434
LR	40	0.80	0.92	0.8773	0.02987
LDR	40	0.59	0.95	0.7960	0.08935
ROE	40	4.65	27.97	14.5395	5.75020
Valid N (listwise)	40				

*(Source: SPSS Version 29)*

Table 9 provides the descriptive statistics for various variables of the sample banks. BS the mean is 6.25 with a minimum of 5 and a maximum of 7 indicating a relatively consistent board size across the sample. FS has a mean of 165.68 with values ranging from 59.30 to 481.20 reflecting significant variability in the scale of operations among the banks. FO shows a mean of 31.00 with a range from 0 to 55, highlighting diverse levels of foreign investment. The LR has a mean of 0.88 and a narrow range (0.80 to 0.92) suggesting stable leverage practices among the banks. The LDR has a mean of 0.80, with values between 0.59 and 0.95, indicating moderate variability in loan financing relative to deposits. Return on Equity (ROE) has a mean of 14.54, with a wide range from 4.65 to 27.97, demonstrating substantial differences in profitability across the banks. The standard deviations (SD) reveal the extent of variability within each variable with ROE showing the highest dispersion, reflecting varied financial performance among the banks.

### **B. Inferential statistics**

Inferential statistics, including correlation and regression analysis, have been employed to understand the relationships among variables. Correlation analysis has assessed the strength and direction of relationships between independent variables (BS, FS, FO, LR and LDR) with the dependent variable (Return on Equity) revealing how changes in one variable relate to changes in another. Regression analysis has examined how these independent variables collectively impact Return on Equity determining their predictive influence on financial performance.

### Correlation analysis

Descriptive analysis has been performed on the independent variables and the dependent variable. Correlation analysis has been used to evaluate the relationships between independent variables such as Board Size, Firm Size, Foreign Ownership, Leverage Ratio and Loan to Deposit Ratio with the dependent variable Return on Equity. The study has examined the inherent relationships among these variables. Karl Pearson's correlation analysis method has been employed using SPSS version 29 and the results are presented in Table 4.

**Table 10**

*Karl Pearson's Correlation Analysis of Study Variables*

Variables	BS	FS	FO	LR	LDR	ROE
BS	1					
FS	0.421**	1				
FO	-0.197	-0.065	1			
LR	0.278	-0.110	0.603**	1		
LDR	0.100	0.363*	0.211	0.113	1	
ROE	0.236	-0.459**	0.403**	0.518**	-0.321*	1

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

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

(Source: SPSS Version 29)

Table 10 reveals the relationships between Return on Equity (ROE) and various independent variables. ROE has a moderate positive correlation with BSi (0.236), indicating that larger boards may weakly enhance ROE. The significant negative correlation with FS (-0.459) suggests that larger banks often exhibit lower ROE, potentially due to operational inefficiencies or scale-related challenges. ROE shows a notable positive correlation with FO (0.403) implying that greater foreign ownership is associated with improved financial performance. The positive correlation with LR (0.518) suggests that higher leverage often leads to higher ROE reflecting effective debt utilization. Conversely, ROE has a moderate negative correlation with LDR (-0.321) indicating that higher loan-to-deposit ratios may be linked to lower ROE, potentially due to increased risk or poor lending practices. Additionally, the weaker correlations with Board Size, Foreign Ownership, and Loan to Deposit Ratio highlight nuanced relationships where other factors may play a role in influencing ROE.

### Multiple regression analysis

Regression analysis has examined variable relationships, revealing how they influence each other and aiding in predictions. In this study, it has examined how BS, FS, FO, LR and LDR influence ROE.

**Table 11**

*Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.852 <sup>a</sup>	0.726	0.685	3.22556

a. Predictors: (Constant), BS, FS, FO, LR, LDR

b. Dependent variable: ROE

(Source: SPSS Version 29)

Table 11 shows that the R<sup>2</sup> value is 0.726, meaning the independent variables account for 72.6% of the variance in the dependent variable, ROE. The remaining 27.4% is due to other factors not included in the model. The Adjusted R<sup>2</sup>, which adjusts for the number of predictors, is 0.685. This indicates that 68.5% of the variance in ROE is explained by BS, FS, FO, LR, and LDR after accounting for degrees of freedom. The standard error of the estimate, measuring the average distance of the observed values from the regression line, is 3.22556, indicating that the data points deviate from the fitted regression line by this amount on average.

**Table 12**

*Analysis of Variance (ANOVA)*

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	935.782	5	187.156	17.988	0.001 <sup>b</sup>
	Residual	353.744	34	10.404		
	Total	1289.526	39			

a. Dependent variable: ROE

b. Predictors: (Constant), BS, FS, FO, LR, LDR

(Source: SPSS Version 29)

Table 12 presents the Analysis of Variance (ANOVA) for the regression model. The regression model has explained a significant portion of the variance in the dependent

variable, Return on Equity (ROE), with a Sum of Squares of 935.782 and an F-value of 17.988, which is statistically significant at  $p < 0.001$ . The Residual Sum of Squares is 353.744, indicating the variance not explained by the model, while the Total Sum of Squares is 1289.526. The Mean Square for the regression is 187.156, reflecting the average variance explained by each predictor. This analysis confirms that the independent variables (Board Size, Firm Size, Foreign Ownership, Leverage Ratio, and Loan to Deposit Ratio) collectively have a significant impact on ROE.

**Table 13**

*Regression Analysis for Dependent Variable ROE*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	13.713	21.435		0.640	0.527
BS	3.729	0.740	0.636	5.038	0.001
FS	-0.037	0.007	-0.589	-5.151	0.001
FO	0.146	0.035	0.573	4.236	0.001
LR	-6.974	27.243	-0.036	-0.256	0.800
LDR	-18.542	6.415	-0.288	-2.890	0.007

a. Dependent variable: ROE

(Source: SPSS Version 29)

$$\text{ROE} = 13.713 + 3.729\text{BS} - 0.073\text{FS} + 0.146\text{FO} - 6.974\text{LR} - 18.542\text{LDR} + \epsilon$$

Table 13 details the multiple regression analysis results for Return on Equity (ROE), highlighting the significance of various predictors at the 5% significance level. Board Size (BS) has demonstrated a positive coefficient of 3.729 with a p-value less than 0.05, indicating a significant positive effect on ROE, suggesting that larger boards are associated with higher financial performance. Firm Size (FS) shows a negative coefficient of -0.037 and a p-value less than 0.05, revealing a significant negative impact on ROE, which implies that larger firms may experience lower returns relative to equity. Foreign Ownership (FO) has a positive coefficient of 0.146 and a p-value less than 0.05, signifying a significant positive relationship with ROE, suggesting that higher foreign ownership is associated with better financial performance. Leverage Ratio (LR) presents a coefficient of -6.974 with a p-value of 0.800, which is not

significant, indicating that it does not have a meaningful impact on ROE at the 5% level. Finally, Loan to Deposit Ratio (LDR) has a negative coefficient of -18.542 and a p-value of 0.007, signifying a significant negative effect on ROE, implying that a higher LDR is associated with lower financial performance. In summary, BS, FS, FO, and LDR have shown significant effects on ROE, whereas LR does not significantly impact ROE at the 5% significance level.

**Table 14**

*Test the Significance of Relationship*

Sig. Value (p)	Correlation (r)	Results
p = 0.001 < 0.05 Significant	r = 0.236 Positive	There is significant positive relationship between BS and ROE
p = 0.001 < 0.05 Significant	r = - 0.459 ** Negative	There is significant negative relationship between FS and ROE
p = 0.001 < 0.05 Significant	r = 0.403 ** Positive	There is significant positive relationship between FO and ROE
p = 0.001 < 0.05 Significant	r = 0.518 ** Positive	There is significant positive relationship between LR and ROE
p = 0.001 < 0.05 Significant	r = - 0.321* Negative	There is significant negative relationship between LDR and ROE

Table 14 shows Test the significance of relationships, where all Sig. value (p) is less than the significance threshold of 0.05, indicating that BS, FO and LR have positive significant relationship with ROE as well as FS and LDR with ROE have significant negative relationship.

## 4.2 Discussion

The main objective of this study is to analyze the effect of corporate governance on the financial performance of Nepalese commercial banks. The sample comprises four prominent banks: NABIL Bank Limited, Nepal Bank Limited, Himalayan Bank Limited, and Nepal SBI Bank Limited, chosen for their significant roles and diverse ownership structures in the Nepalese banking sector. The study focuses on five bank-specific independent variables: Board Size (BS), Firm Size (FS), Foreign Ownership (FO), Leverage Ratio (LR), and Loan to Deposit Ratio (LDR), with Return on Equity (ROE) as the dependent variable. Data has been collected from the banks' annual

reports and economic surveys, spanning from 2013/14 to 2022/23. Both descriptive statistics (mean, standard deviation) and inferential statistics (correlation, regression) have been employed to analyze the data.

The descriptive statistics reveal substantial variability in the dataset. Board Size (BS) has a mean of 6.25, with a minimum of 5 and a maximum of 7, indicating a relatively consistent board size across the banks. Firm Size (FS) shows significant variability with a mean of 165.68 and a range from 59.30 to 481.20, reflecting differing scales of operations among the banks. Foreign Ownership (FO) has a mean of 31.00, ranging from 0 to 55, highlighting diverse levels of foreign investment. The Leverage Ratio (LR) has a mean of 0.88, with a narrow range (0.80 to 0.92), suggesting stable leverage practices. Loan to Deposit Ratio (LDR) exhibits a mean of 0.80, with values ranging from 0.59 to 0.95, indicating moderate variability in loan financing relative to deposits. Return on Equity (ROE) has a mean of 14.54, with a wide range from 4.65 to 27.97, demonstrating substantial differences in profitability across the banks. The standard deviations (SD) further illustrate the extent of variability within each variable, with ROE showing the highest dispersion, reflecting varied financial performance among the banks.

The correlation analysis reveals varied relationships between Return on Equity (ROE) and the independent variables. ROE has a moderate positive correlation with Board Size (BS) at 0.236, suggesting that larger boards may weakly enhance ROE. It exhibits a significant negative correlation with Firm Size (FS) at -0.459, indicating that larger banks often have lower ROE, potentially due to scale-related inefficiencies. ROE shows a notable positive correlation with Foreign Ownership (FO) at 0.403, implying that increased foreign ownership is associated with improved financial performance. The positive correlation with Leverage Ratio (LR) at 0.518 suggests that higher leverage may lead to higher ROE, reflecting effective debt use. Conversely, ROE has a moderate negative correlation with Loan to Deposit Ratio (LDR) at -0.321, indicating that higher LDRs could be linked to lower ROE, potentially due to increased risk or poor lending practices.

The multiple regression analysis reveals key predictors of Return on Equity (ROE). Board Size (BS) has shown a significant positive effect on ROE with a coefficient of

3.729 and a p-value less than 0.05, indicating that larger boards are associated with better financial performance. Firm Size (FS) has displayed a significant negative impact with a coefficient of -0.037 and a p-value less than 0.05, suggesting that larger firms might experience lower returns on equity. Foreign Ownership (FO) has had a significant positive relationship with ROE, evidenced by a coefficient of 0.146 and a p-value less than 0.05, implying that greater foreign ownership correlates with improved financial performance. Leverage Ratio (LR) has shown a coefficient of -6.974 with a p-value of 0.800, indicating it does not significantly affect ROE at the 5% level. Loan to Deposit Ratio (LDR) has revealed a significant negative effect on ROE, with a coefficient of -18.542 and a p-value of 0.007, suggesting that higher LDR is associated with reduced financial performance. In summary, BS, FS, FO, and LDR have demonstrated significant effects on ROE, whereas LR has not shown a significant impact at the 5% level.

The correlation analysis shows that Board Size (BS) has a moderate positive relationship with Return on Equity (ROE) consistent with findings by Sapkota (2022) but contrasting with Herbert & Agwor (2021); Abebe Zelalem et al. (2022). Firm Size (FS) exhibits a significant negative correlation with ROE indicating that larger banks often have lower ROE potentially due to scale-related inefficiencies, consistent with Boachie (2023) but differing from Goet (2022); Sapkota (2020). Foreign Ownership (FO) shows a notable positive correlation with ROE, suggesting that increased foreign investment is associated with better financial performance, aligning with Sapkota (2020) but opposing Boachie (2023). The Leverage Ratio (LR) has a positive correlation with ROE, indicating that higher leverage might improve ROE, consistent with Sapkota (2020) but differing from Jaishi & Poudel (2021). Conversely, the Loan to Deposit Ratio (LDR) has a moderate negative correlation with ROE suggesting that higher LDR may be linked to lower ROE aligning with Sapkota (2020) but contrasting with Goet (2022).

The regression analysis reveals a significant positive effect of Board Size (BS) on Return on Equity (ROE), consistent with findings by Goet (2022); Tran et al. (2020); Sapkota (2020); Musah & Adutwumwaa (2021). This suggests that larger boards tend to enhance financial performance. Firm Size (FS) exhibits a significant negative impact on ROE aligning with Okoye et al. (2020) but contradicting studies by Goet

(2022); Okoye et al. (2020) that found no significant relationship. Foreign Ownership (FO) has a positive coefficient indicating a significant positive relationship with ROE which corroborates Goet (2022) but diverges from Sapkota (2020). The Leverage Ratio (LR) shows an insignificant effect on ROE consistent with Sapkota (2020) but opposing Jaishi & Poudel (2021) who found a significant relationship. Finally, Loan to Deposit Ratio (LDR) has a significant negative impact on ROE aligning with Sapkota (2020); Goet (2022) but conflicting with Budhathoki et al. (2020).

## CHAPTER – V

### SUMMARY AND CONCLUSION

#### 5.1 Summary

The main objective of this study is to analyze the effect of corporate governance on the financial performance of Nepalese commercial banks with a focus on five bank specific independent variables: Board Size (BS), Firm Size (FS), Foreign Ownership (FO), Leverage Ratio (LR) and Loan to Deposit Ratio (LDR). Return on Equity (ROE) has been considered as the dependent variable. To achieve this, both descriptive and causal research designs have been employed. The descriptive research design has been utilized to analyze the status and patterns of corporate governance, while the causal research design has been applied to evaluate the effects of governance factors on financial performance. As of May 13, 2024, Nepal's banking sector consists of 20 commercial banks, representing the total population for this study. From this population, four banks have been selected for the sample: NABIL Bank Limited, Nepal Bank Limited, Himalayan Bank Limited, and Nepal SBI Bank Limited. This selection encompasses a diverse array of ownership structures, including both private and public sector institutions, ensuring a broad representation of the banking sector. The study utilizes panel data covering the period from 2013/14 to 2022/23, which has been sourced from the annual reports and financial results of these banks. By focusing on key corporate governance indicators, this study aims to provide valuable insights into how various governance structures have impacted financial performance within the Nepalese banking sector. The analysis has revealed how governance practices and structures can influence financial outcomes, offering a comprehensive view of their effectiveness in enhancing the performance of banks in Nepal.

The descriptive statistics have revealed substantial variability in the dataset. Board Size (BS) has had a relatively consistent structure across the banks, with a mean of 6.25 and values ranging from 5 to 7. Firm Size (FS) has shown significant variability, with a mean of 165.68 and a range from 59.30 to 481.20, indicating differing operational scales among the banks. Foreign Ownership (FO) has been diverse, with a mean of 31.00, spanning from 0 to 55. The Leverage Ratio (LR) has remained stable,

with a mean of 0.88 and a narrow range of 0.80 to 0.92. Loan to Deposit Ratio (LDR) has demonstrated moderate variability, with a mean of 0.80 and values between 0.59 and 0.95, reflecting differences in loan financing relative to deposits. Return on Equity (ROE) has had a wide range, from 4.65 to 27.97, with a mean of 14.54, showing substantial differences in profitability among the banks. The standard deviations (SD) have further illustrated the extent of variability within each variable, with ROE having shown the highest dispersion, indicating varied financial performance across the banks.

The correlation analysis has revealed varied relationships between Return on Equity (ROE) and the independent variables. ROE has shown a moderate positive correlation with Board Size (BS), suggesting that larger boards may enhance ROE slightly. A significant negative relationship with Firm Size (FS) indicates that larger banks often experience lower ROE, potentially due to inefficiencies related to their scale. Foreign Ownership (FO) has been positively correlated with ROE, implying that increased foreign investment improves financial performance. Higher leverage, as indicated by the Leverage Ratio (LR), appears to be linked with higher ROE, reflecting effective debt utilization. Conversely, a negative correlation with Loan to Deposit Ratio (LDR) suggests that higher LDRs may reduce ROE, possibly due to increased risk or inefficient lending practices.

The multiple regression analysis has identified key predictors of Return on Equity (ROE). Board Size (BS) has had a significant positive effect on ROE, indicating that larger boards are linked to better financial performance. Firm Size (FS) has shown a significant negative impact, suggesting that larger firms may experience lower returns on equity. Foreign Ownership (FO) has demonstrated a significant positive relationship with ROE, implying that higher foreign ownership correlates with improved financial performance. The Leverage Ratio (LR) has not significantly influenced ROE, as indicated by its nonsignificant result. However, Loan to Deposit Ratio (LDR) has had a significant negative effect on ROE, suggesting that higher LDR is associated with lower financial performance. Overall, BS, FS, FO, and LDR have had notable impacts on ROE, while LR has shown no significant effect at the 5% level.

## 5.2 Conclusion

The first objective of this study is to assess the current status of corporate governance in selected commercial banks in Nepal. This objective has been successfully achieved by examining various critical dimensions of corporate governance, including board size, firm size, foreign ownership, leverage ratios, and loan-to-deposit ratios across banks like NABIL Bank Limited, Nepal Bank Limited, Himalayan Bank Limited and Nepal SBI Bank Limited. The analysis has revealed notable variations in corporate governance structures, reflecting differences in board composition, the scale of operations, and levels of foreign investment. Larger boards and higher levels of foreign ownership have been associated with improved financial performance, while inconsistencies in governance practices have been identified, particularly concerning leverage management and risk-taking behavior reflected through loan-to-deposit ratios. These findings highlight areas where banks excel, such as robust board structures and effective foreign investment utilization, as well as areas requiring improvement, including better leverage management and refining governance frameworks to enhance overall performance and sustainability.

The second objective of this study is to examine the relationships between independent variables, such as Board Size (BS), Firm Size (FS), Foreign Ownership (FO), Leverage Ratio (LR) and Loan to Deposit Ratio (LDR) with the dependent variable, Return on Equity (ROE), of selected top commercial banks in Nepal. The analysis has revealed that BS and FO have positive relationships with ROE, suggesting that larger boards and higher foreign ownership contribute to improved financial performance. In contrast, FS and LDR exhibit negative relationships with ROE, indicating that larger firms and higher loan-to-deposit ratios tend to reduce profitability, possibly due to inefficiencies or increased risk. However, LR has not shown a significant relationship with ROE, implying that its effect on the financial performance of Nepalese banks is minimal. These findings offer insights into the impact of corporate governance and financial management on bank profitability.

The third objective of this study is to analyze the impact of independent variables such as Board Size (BS), Firm Size (FS), Foreign Ownership (FO) Leverage Ratio (LR) and Loan to Deposit Ratio (LDR) on the dependent variable, Return on Equity (ROE), of selected commercial banks in Nepal. The analysis has demonstrated that

BS and FO significantly impact ROE positively, indicating that larger boards and increased foreign ownership are associated with improved financial performance. Conversely, FS and LDR have shown significant negative impacts on ROE, suggesting that larger firms and higher loan-to-deposit ratios can lead to lower profitability, potentially due to scale inefficiencies or higher risk exposure. LR, however, has not exhibited a significant effect on ROE, implying that its influence on bank profitability is limited. These findings highlight the varying effects of corporate governance and financial metrics on the profitability of Nepalese banks.

### **5.3 Implications**

Based on the summary and conclusions of this study, several key implications can be drawn:

#### **a) Enhancing Corporate Governance**

The positive impact of Board Size (BS) and Foreign Ownership (FO) on Return on Equity (ROE) suggests that increasing board size and attracting foreign investment could improve financial performance. Commercial banks in Nepal should consider expanding their boards and seeking strategic foreign partnerships to enhance governance and profitability.

#### **b) Strategic Management of Firm Size and Leverage**

The negative effects of Firm Size (FS) and Loan to Deposit Ratio (LDR) on ROE highlight the need for banks to manage their scale and leverage more effectively. Banks should focus on optimizing their operational efficiencies and carefully balancing their loan-to-deposit ratios to avoid potential negative impacts on profitability.

#### **c) Revisiting Leverage Practices**

The lack of significant impact of the Leverage Ratio (LR) on ROE suggests that current leverage practices may not be influencing profitability as expected. Banks should reassess their debt strategies to ensure that they are leveraging resources effectively to support financial performance.

#### **d) Policy and Regulatory Adjustments**

Regulators and policymakers might consider providing incentives for improved corporate governance practices and foreign investment. Policies that encourage better

board structures and facilitate foreign ownership could be beneficial for enhancing the overall financial performance of the banking sector.

**e) Future Research Directions:** The study indicates areas for further research, such as the underlying reasons behind the negative impact of FS and LDR on ROE. Future studies could explore these dynamics in greater detail to provide deeper insights into optimizing bank performance.

## REFERENCES

- Abebe Zelalem, B., Ali Abebe, A., & Wodajo Bezabih, S. (2022). Corporate governance and financial performance in the emerging economy: The case of Ethiopian insurance companies. *Cogent Economics & Finance*, *10*(1), 111-117.
- Acharya, A., & Shrestha, A. (2017). Political connections and governance in commercial banks in Nepal. *Journal of Nepalese Business Studies*, *10*(2), 45-57.
- Acharya, M., & Shrestha, P. (2017). Political interference and its effects on the governance of Nepalese banks. *Journal of Banking and Finance*, *12*(2), 134-145.
- Adhikari, A. (2021). Factors influencing corporate governance in Nepalese commercial banks: Internal and external perspectives. *Nepal Journal of Management*, *4*(1), 89-102.
- Aslam, E., & Haron, R. (2020). Does corporate governance affect the performance of Islamic banks? New insight into Islamic countries. *Corporate Governance: The International Journal of Business in Society*, *20*(6), 1073-1090.
- Bista, R., & Sapkota, K. (2021). The influence of audit committees on financial performance: Evidence from Nepalese banks. *Journal of Accounting and Auditing*, *15*(3), 78-95.
- Bista, R., & Sapkota, N. (2021). Audit committees and their effectiveness in Nepalese commercial banks. *Journal of Management and Finance*, *8*(1), 60-74.
- Boachie, C. (2023). Corporate governance and financial performance of banks in Ghana: the moderating role of ownership structure. *International Journal of Emerging Markets*, *18*(3), 607-632.
- Donaldson, L., & Davis, J. H. (1991). Stewardship theory versus agency theory: Governance and shareholder returns. *Australian Journal of Management*, *16*(1), 49-64.

- El-Chaarani, H., Abraham, R., & Skaf, Y. (2022). The impact of corporate governance on the financial performance of the banking sector in the MENA (Middle Eastern and North African) region: An immunity test of banks for COVID-19. *Journal of Risk and Financial Management*, 15(2), 82.
- Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*. Boston: Pitman.
- Goet, J. (2022). The Impact of Corporate Governance on Nepalese Commercial Banks' Financial Performance. *Journal of Management*, 5(1), 24-38.
- Gyawali, B., & Joshi, R. (2020). The impact of board size on financial performance in Nepalese commercial banks. *International Journal of Financial Studies*, 5(3), 24-35.
- Gyawali, S., & Joshi, P. (2020). The relationship between corporate governance and financial performance in Nepalese banks. *Management Studies Journal*, 7(1), 45-58.
- Herbert, W. E., & Agwor, T. C. (2021). Corporate governance disclosure and corporate performance of Nigerian banks. *Journal of Research in Emerging Markets*, 3(3), 14-36.
- Jaishi, B., & Poudel, R. L. (2021). Impact of firm specific factors on financial performance: A comparative study of life and non-life insurance companies in Nepal. *Prithvi Academic Journal*, 4, 39-55.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, 3(4), 305-360.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, 3(4), 305-360.
- Koirala, D. (2022). The effect of board composition on corporate governance in Nepalese banks. *Journal of Business Governance*, 9(2), 101-115.

- Koirala, P. (2022). Board composition and financial performance: Insights from Nepalese banks. *Nepalese Journal of Corporate Governance*, 7(1), 20-32.
- Lestari, H. S. (2021). The Effect of Liquidity, Leverage and Bank's Size on Bank's Profitability of Indonesian Listed Bank. *Jurnal Manajemen (Edisi Elektronik)*, 12(2), 188-201.
- Musah, A., & Adutwumwaa, M. Y. (2021). The effect of corporate governance on financial performance of rural banks in Ghana. *International Journal of Financial, Accounting, and Management*, 2(4), 305-319.
- Nepal Rastra Bank. (2020). *Corporate governance guidelines for banks and financial institutions*. Kathmandu: Nepal Rastra Bank.
- Nepal Rastra Bank. (2020). *Corporate governance guidelines for financial institutions in Nepal*. Nepal Rastra Bank.
- Nepal Rastra Bank. (2021). *Annual report*. Kathmandu: Nepal Rastra Bank.
- Okoye, P., Nwoye, C., & Eze, A. (2020). The relationship between governance practices and bank profitability in Nigeria. *Journal of Banking and Finance*, 15(4), 123-138.
- Pant, S., & Manandhar, N. (2019). Aligning corporate governance in Nepalese banks with international standards. *Global Finance Journal*, 13(1), 57-73.
- Paudel, K., & Rana, M. (2020). The effects of ownership structure on financial performance: A case study of Nepalese commercial banks. *Asian Journal of Finance & Accounting*, 12(2), 89-104.
- Paudel, R., & Rana, S. (2020). Corporate governance and ownership structure in Nepalese commercial banks. *Journal of Corporate Finance*, 11(3), 89-104.
- Pfeffer, J., & Salancik, G. R. (1978). *The External Control of Organizations: A Resource Dependence Perspective*. New York: Harper & Row.
- Poudel, R. P. S., & Hovey, M. (2013). Corporate governance and efficiency in Nepalese commercial banks. *International Review of Business Research Papers*, 9(4), 53-64.

- Sapkota, M. P. (2020). Corporate governance and financial performance of Nepalese commercial banks. *PYC Nepal Journal of Management*, 13(1), 40-50.
- Sharma, B. (2019). Governance issues in Nepalese banking: Insights from recent financial challenges. *Nepal Economic Review*, 8(2), 41-59.
- Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. *Journal of Finance*, 52(2), 737-783.
- Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20(3), 571-610.
- Temba, G. I., Kasoga, P. S., & Keregero, C. M. (2023). Corporate governance and financial performance: Evidence from commercial banks in Tanzania. *Cogent Economics & Finance*, 11(2), 2247162.
- Thapa, D., & Neupane, S. (2018). Factors moderating the relationship between corporate governance and financial performance in Nepalese banks. *Asian Journal of Banking and Finance*, 5(2), 112-129.
- Thapa, S., & Neupane, P. (2018). CEO duality and performance in Nepalese commercial banks. *Journal of Banking & Financial Research*, 9(2), 12-23.
- Tran, Q. T., Lam, T. T., & Luu, C. D. (2020). Effect of corporate governance on corporate social responsibility disclosure: empirical evidence from Vietnamese commercial banks. *The Journal of Asian Finance, Economics and Business*, 7(11), 327-333.
- Vicente-Ramos, W., Reymundo, K., Pari, L., Rudas, N., & Rodriguez, P. (2020). The effect of good corporate governance on banking profitability. *Management Science Letters*, 10(9), 2045-2052.
- Zulfikar, R., Lukviarman, N., Suhardjanto, D., Ismail, T., Astuti, K. D., & Meutia, M. (2020). Historis Publikasi Artikel Utama: Corporate Governance Compliance in the Indonesian Banking Industry: Studying the Role of The Board.

## APPENDIX

### Data Collection Table for the Study Variables

Bank	Year	Board Size (Number)	Firm Size (Amount Billion)	Foreign Ownership (%)	LR (In Times)	LDR (In Times)	ROE (%)
<b>Nabil Bank Limited</b>	2022/23	7	481.20	49	0.88	0.84	11.7
	2021/22	7	419.82	49	0.87	0.92	9.8
	2020/21	7	219.24	49	0.88	0.89	15.2
	2019/20	7	237.98	49	0.89	0.79	13.6
	2018/19	7	201.14	49	0.88	0.81	17.8
	2017/18	7	169.07	49	0.88	0.82	20.94
	2016/17	7	144.08	49	0.88	0.65	22.41
	2015/16	7	131.34	49	0.89	0.71	25.61
	2014/15	7	115.98	49	0.92	0.64	22.73
2013/14	7	87.27	49	0.91	0.74	27.97	
<b>Nepal Bank Limited</b>	2022/23	7	296.73	0	0.88	0.72	9.55
	2021/22	7	260.1	0	0.86	0.86	8.51
	2020/21	7	222.64	0	0.85	0.82	9.36
	2019/20	7	191.16	0	0.84	0.72	7.87
	2018/19	7	171.52	0	0.83	0.78	9.95
	2017/18	5	133.47	0	0.83	0.75	14.61
	2016/17	5	130.23	0	0.82	0.79	7.57
	2015/16	5	127.02	0	0.81	0.71	8.73
	2014/15	5	121.11	0	0.84	0.68	9.91
2013/14	5	119.23	0	0.80	0.59	10.60	
<b>Himalayan Bank Limited</b>	2022/23	7	345.43	20	0.90	0.88	4.65
	2021/22	7	220.07	20	0.89	0.92	10.76
	2020/21	7	181.01	20	0.88	0.89	14.89
	2019/20	7	158.25	20	0.89	0.82	15.40
	2018/19	7	135.21	20	0.88	0.87	18.34
	2017/18	7	118.39	20	0.88	0.88	14.17
	2016/17	7	109.31	20	0.88	0.85	21.58
	2015/16	7	101.92	20	0.91	0.79	24.53
	2014/15	7	84.75	20	0.92	0.75	17.06
2013/14	7	74.72	20	0.92	0.71	15.07	
<b>Nepal SBI Bank Limited</b>	2022/23	5	185.80	55	0.90	0.81	10.17
	2021/22	5	152.95	55	0.88	0.92	9.57
	2020/21	5	137.80	55	0.89	0.95	6.26
	2019/20	5	121.21	55	0.87	0.85	10.44
	2018/19	5	118.31	55	0.88	0.90	16.20
	2017/18	5	102.53	55	0.87	0.89	15.81
	2016/17	5	99.95	55	0.89	0.78	14.87
	2015/16	5	78.74	55	0.90	0.72	17.46
	2014/15	5	59.30	55	0.90	0.78	17.08
2013/14	5	61.08	55	0.92	0.65	22.85	

*(Source: Annual Reports of Sample Bank from 2013/14 to 2022/23)*

# EFFECT OF CORPORATE GOVERNANCE ON FINANCIAL PER...

By: Shree Krishna Sapkota

As of: Dec 9, 2024 9:40:48 AM  
14,548 words - 74 matches - 7 sources

Similarity Index

7%

Mode:

## sources:

375 words / 2% - Internet from 26-Oct-2022 12:00AM  
[nepjol.info](http://nepjol.info)

112 words / 1% - Internet from 07-Aug-2022 12:00AM  
[www.researchgate.net](http://www.researchgate.net)

83 words / 1% - from 20-Apr-2023 12:00AM  
[www.researchgate.net](http://www.researchgate.net)

77 words / 1% - Internet from 28-Aug-2022 12:00AM  
[www.researchgate.net](http://www.researchgate.net)

202 words / 1% - Internet from 05-Jan-2022 12:00AM  
[www.nepjol.info](http://www.nepjol.info)

119 words / 1% - Internet from 13-Jan-2023 12:00AM  
[www.sciencegate.app](http://www.sciencegate.app)

80 words / 1% - from 27-Sep-2023 12:00AM  
[library.uniglobe.edu.np](http://library.uniglobe.edu.np)

## paper text:

### ABSTRACT

**This study** investigates **the effect of corporate governance on the financial performance of** Nepalese **commercial banks**, focusing on

five key variables:

**Board Size (BS), Firm Size (FS), Foreign Ownership (FO)**, Leverage **Ratio**

(LR) and Loan to Deposit Ratio (LDR) with Return on Equity (ROE) as the dependent variable. Employing both descriptive and causal research designs, the study analyzes the status of corporate governance and evaluates its impact on financial performance. The research utilizes panel data from 2013/14 to 2022/23, sourced from the annual reports of selected banks,