

**CORPORATE GOVERNANCE AND ORGANIZATIONS’  
PERFORMANCE IN NEPAL**

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

By

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July, 2024

## **CERTIFICATION OF AUTHORSHIP**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “CORPORATE GOVERNANCE AND ORGANIZATIONS PERFORMANCE IN NEPAL”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor. It has been proposed and presented as part of requirements for any other academic purposes.

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

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Sijan Shrestha

## REPORT OF RESEARCH COMMITTEE

Mr. Sijan Shrestha has defended research proposal entitled “CORPORATE GOVERNANCE AND ORGANIZATIONS PERFORMANCE IN NEPAL”, successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Kiran Thapa and submit the thesis for evaluation and viva voce examination.

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Dissertation Submitted Date:

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**APPROVAL SHEET**

We, the undersigned, have examined the thesis entitled “CORPORATE GOVERNANCE AND ORGANIZATIONS PERFORMANCE IN NEPAL” presented by Sijan Shrestha a candidate for the degree of master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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## ACKNOWLEDGEMENTS

This study entitled “CORPORATE GOVERNANCE AND ORGANIZATIONS PERFORMANCE IN NEPAL” has been prepared in partial fulfillment for the Degree of Master of Business Studies (MBS) under the Faculty of Management, Tribhuvan University is based on research models involving the management accounting of commercial banks in Nepal.

I have great satisfaction and pleasure to express my appreciation and sincerity to my thesis supervisor Kiran Thapa of Shanker Dev Campus, TU for his excellent and effective guidance and supervision. I will remain thankful for his valuable direction useful suggestion and comments during the course of preparing this thesis without his help this work would not have come in this form. I also would like to extend my debt of gratitude Asso. Prof. Dr. Sajeeb Kumar Shrestha, Head of Research Department and I owe a deep debt of gratitude to Asso. Prof. Dr. Krishna Prasad Acharya, Campus Chief of Shanker Dev Campus who provided me an opportunity to undertake this research work. Similarly, I would like to express my sincere to my friends for their support, encouragement and help for this study work.

I highly appreciate to all the staffs of respective banks, NRB Library, Shanker Dev Campus Library and TU Central Library for their valuable advices and support in collecting and presenting the necessary data. I would also like to express my thankfulness to my friends, my family members as well as all known people who supported as well as inspired me directly or indirectly to complete this thesis. With help and support, I have been able to complete this work. I would like to take the responsibility of any possible mistakes that may have occurred in the report. I would be delighted to welcome readers for their suggestion and recommendation to improve the report.

Sijan Shrestha

July, 2024

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the study

The term "corporate governance" refers to how companies are led and managed. Without corporate governance, businesses cannot be held accountable to their diverse stakeholders. Many academics define corporate governance as the very visible central element of company governance. Corporate governance, according to Amarnath (2014), is a tool for managing and directing companies and organisations.

Corporate governance is the process through which shareholders, the board of directors, and top management collaborate to determine the performance and course of the company (Wheelen & Hunger, 2006). It also discusses how the goals that direct the corporation's governance interact with its stakeholders. The primary stakeholders are the shareholders, management, and board of directors. Other stakeholders include, among others, the environment, the community at large, suppliers, customers, and regulators. Governance is the process through which an institution's management ensures that its operations are transparent, accountable, and effective while protecting the interests of its stakeholders. Modern corporate governance norms have evolved over time, and many organizations have produced their own unique codes of best practices. The OECD Code of company Governance and the Basel Code of Corporate Governance both contain descriptions of the fundamentals of sound company governance. These guidelines generally address the responsibilities of the board, directors, chairman, CEOs, senior management, auditors, shareholders, and regulators. Numerous challenges, like as accountability, internal control, related party transactions, conflicts of interest, and information disclosure, have been addressed and targeted by these governance principles (Cabraal, 2014).

Corporate governance is the process by which corporate bodies integrate corporate policies and best practices to achieve their objectives with respect to their stakeholders. Economics also encompasses the study of the different issues arising from the dissociation from ownership and control. The corporate governance structure delineates the protocols and guidelines for formulating decisions pertaining to corporate matters, along with the

distribution of rights and obligations among diverse stakeholders, such as shareholders, board managers, and other relevant parties (Pradhan & Adhikari, 2011).

Over time, the term "corporate governance" has come to mean both immoral and moral behaviour. Among its immoral applications are quick decision-making, efficient resource allocation, and strategic planning (Monks & Minow, 2011). But from an ethical perspective, good corporate governance is increasingly seen as promoting an atmosphere that is both logically appropriate—since moral business practices yield profitable outcomes—and morally acceptable in and of itself (Francis, 2003). The links made here are therefore related to due diligence, director responsibilities, and the general reinforcement of corporate responsibility. Corporate performance, or the efficient use of an organization's human, financial, and material resources to achieve its overall objectives, is a fundamental concept in business management. It keeps the business running and widens the window of opportunity for expansion in the future.

Stronger investor confidence in our national economy should result from effective corporate governance. Building credibility, ensuring accountability and transparency, and maintaining efficient channels for information disclosure are integral components of corporate governance that enhance business performance. Thus, a robust corporate governance framework is crucial for all sectors, including services. Today, corporate governance is widely recognized as a powerful tool for building trust in organizations. This is especially important for banks, which manage public funds; losing investments can lead to bank failures and negatively affect the national economy. Research by Grossman (2005) and Bernanke (2003) demonstrates that bank failures can significantly harm future economic activity, leading to lower income, slower compensation growth, higher poverty rates, and decreased employment. Being a good corporate citizen is not an end in itself but a means to achieve financial stability, sustainable growth, and economic efficiency. Strong governance, therefore, fosters strong performance.

While particularly crucial for the banking industry, corporate governance is essential for all economic sectors. The quality and nature of corporate governance in the banking sector not only impacts those within the industry but can also influence the entire national system, as noted by Hambrick et al. (2008). Katrodia (2016) asserts that the stability of a country's financial system directly affects its overall economic performance. The failure of major US

banks triggered the 2008 global financial crisis, affecting nearly every sector, including the management of pension holders' income security. Poor governance led to the collapse of the American financial system, causing a severe crisis that impacted the global economy. Mareinkowska (2017) indicates that inadequate financial institutions contribute to global crises.

To effectively monitor, manage, and evaluate corporate governance in the banking sector, specialized tools must be employed. According to the Bank for International Settlements, robust corporate governance is crucial for establishing and maintaining public confidence in the banking industry. Public trust is vital for deposit mobilization. However, implementing corporate governance remains a challenge in developing nations. There is a need for research focused on developing corporate governance frameworks, regulations, and institutions in these countries, where corporate governance has historically received less attention.

In recent years, corporate governance has drawn a lot of attention from around the world, especially in the wake of the previous economic crisis and the disastrous failure of many banks and businesses. However, there hasn't been much discussion of corporate governance or the performance of the global banking sector (Maria, 2010). Companies in Nepal who hold their annual general meetings (AGMs) on schedule, submit their financial statements on time, and designate a "A" class auditor to the company enjoy higher market prices per share and higher rates of return, per Pradhan and Adhikari's (2011) study.

## **1.2 Problem Statement**

Banks and financial intermediaries are now at the centre of the financial crisis that shook the USA, Brazil, Thailand, and other nations. The reduction in their asset portfolio, mostly caused by the poor credit management, was one of the structural causes of the crisis (Sanusi, 2010). Bad governance is largely to blame for this problem.

The potential for growth of developing economies is attributed to corporate governance, an issue that has garnered significant attention in recent times, as noted by Claessens and Yurtoglu (2012). It has also been demonstrated that noise trading has a greater impact on these economies' markets than fundamentals. Because these marketplaces are usually less efficient, they demand stricter corporate governance.

As Pradhan and Adhikari (2011) show, there is a great deal of disagreement over the effectiveness of governance structures even in developed market economies. The purpose of this study is to ascertain how corporate governance components and bank performance indicators are related. This case examines the relationship between the corporate governance parameters (bank size, earnings per share, capital adequacy ratio, board member size, and number of independent directors) and the company size and net interest margin.

Protecting domestic investors is as crucial as addressing the needs of global investors in the realm of good corporate governance. Unlike foreign investors, who can use sophisticated tools to diversify their portfolio risks, domestic investors are often tied to local markets and risk losing their life savings due to inadequate transparency and flawed governance systems. The principal-agent theory, highlighted by Jensen & Meckling (2003), is a foundational concept in discussions of corporate governance. Various mechanisms have been proposed to address the principal-agent issues between management and shareholders. According to agency theory, these mechanisms include shareholder rights, director ownership, CEO pay-performance sensitivity, and the size and composition of the board. Agency theory suggests that smaller boards are preferable to reduce agency costs through effective management control, whereas larger boards may increase the potential for conflicts and communication issues among members. However, there is an alternative viewpoint that is in favour of larger boards. From this angle, organisations with larger boards may be able to persuade managers to keep a closer eye on debt costs because creditors will view them as having stronger financial accounting procedures and overall performance (Poudel & Hovey, 2013).

According to Alabdullah, Ahmed, and Kanaan-Jebna (2022), enhancing corporate governance can assist Nepal and other developing countries in accomplishing several important public policy objectives. Effective corporate governance can reduce transaction and capital costs, strengthen property rights, diminish the vulnerability of emerging markets to financial crises, and foster the expansion of capital markets. On the other hand, inadequate corporate governance frameworks erode investor confidence and can discourage outside investment.

According to Balaputhiran (2016), the nation's central bank, Nepal Rastra Bank (NRB), has consistently strived to improve bank governance by revising and updating policies and procedures. A few of the suggestions meant to ensure better governance in banks include the most current comprehensive directive, stress test criteria, CEO remuneration guidelines, etc.

Corporate governance is challenging despite these laws and guidelines because dishonest people always find new methods to misappropriate public monies. Nepalese organisations continue to lack a culture of sound management practices and appropriate public interest consideration. Where ownership and management end is still a mystery. There is a serious issue with directors and staff members committing fraud in Nepal (Khatiwada, 2015). The CEOs of H & B Bank (2012) and KIST Bank (2013) were charged with embezzlement. Similarly, NABIL (2011) and Himalayan Bank (2012) faced allegations of employee pin-stealing from ATMs. These incidents have eroded the public's trust in banks to handle their money (Khatiwada, 2015). By focusing on effective governance, a stronger climate of safety and trust among the public must be ensured. When banks establish governance, both customer deposits and bank profitability can increase. Considering the study's context and the literature evaluation, the following research questions have been developed for the study:

- What are the status of corporate governance and banking performance?
- Does there any relationship between corporate governance and bank performance?
- What is the impact of corporate governance on bank performance of Nepalese commercial banks?

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

The primary objective of the study is to determine the relationship between governance components and bank performance. The purpose of this investigation might be stated as:

- To identify the status of corporate governance and banking performance in Nepal.
- To examine the relationship between corporate governance and bank performance in Nepal.

- To analyze the impact of corporate governance on bank performance of Nepalese commercial banks.

#### **1.4 Hypothesis**

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

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

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

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

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

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

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

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

Research on corporate governance and bank performance is important since they are linked to the economy. Several studies conducted by scholars have established a clear connection between good governance and an organization's performance. Thus, maintaining excellent governance will benefit the organization and vice versa. The many variables that define governance vary based on the industry and type of organization. These components also have different effects on the organization. For this reason, it is imperative that the banks know which factors affect them more and less. In Nepal, recent academic studies and policy conversations have largely centered on the topic of governance (Khatiwada, 2002; Rawal, 2003 & Kafle, 2004). Paudel and Hovey (2013) analyzed data from 20 banks to study the impact of corporate governance on the efficiency of Nepalese commercial banks. Their research found that banks operate more efficiently with larger boards and audit committees, fewer board meetings, and a lower proportion of institutional ownership. Consequently, this research aims to determine how different aspects of good governance influence bank performance. Independent variables such as bank size, earnings per share, capital adequacy ratio, gender representation on the board, and female directorship are used to assess their impact on ROA and net interest margin. By focusing on the relationship between corporate governance variables and performance metrics, this study aims to help banks optimize their

performance. The findings can guide banks to maintain an adequate number of board members and ensure the involvement of independent directors.

### **1.6 Limitation of study**

For the research, the necessary quantity of bank samples and duration were employed. There were certain shortcomings to this study, though. The limitations of the study are as follows:

- The country is home to twenty commercial banks in total, however not all of them are included in the study. For the purposes of the study, only 11 banks are taken into account. More reliable results would have been obtained if all 20 banks had been included in the research.
- The study's independent variables included bank size, earnings per share, capital adequacy ratio, ethnic group, and number of board members. Other variables that were left out included age, number of management team members, number of board meetings, and the number of female directors.
- Two dependent variables were employed in the study to establish a link. Return on assets is one of the numerous dependent variables that can be studied.
- Because only commercial banks were included in the study sample, there may be differences in the relationships between dependent and independent variables for development banks, microfinance, commercial banks, and other non-financial institutions.
- The data collected for the study were for the period of 2013/14 to 2022/23.
- It should be mentioned that only secondary data were taken into account for this study. The primary survey's data gathering is not taken into account. As a result, the study's conclusion is not inclusive and adaptable. It is restricted to the information included in the sample banks' annual reports.
- The study's entire component is based on publicly available information and secondary data. As a result, the validity of secondary data and information affects the consistency of the findings and conclusion.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1 Theoretical Literature**

Like the word government, governance is essentially derived from the Greek verb *Kubernao*, which meaning "to steer." The term "governance," which was first used in the 1990s by an economist and political scientist, was later supported by institutions such as the World Bank, IMF, and UNO. Many theories of governance as a process have their roots in neoclassical economics. These ideas created deductive models based on modern economic principles to explain how national actors may have created and sustained both formal organisations like states and companies and informal organisations like networks and commons governance practices (Al-Jafari, & Alchami, 2014).

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

Hawley and Williams (1998) reviewed the literature on corporate governance as a background investigation for the Organisation for Economic Cooperation and Development. Their study, carried out in the United States, found four categories of cooperative governance theories. These were the agency theories, also referred to as the political, stakeholder, stewardship, and simple finance models. Core to corporate governance were the notions of stewardship, agency, and stakeholders. Disagreements over concepts and viewpoints were the root cause of most corporate governance problems, which primarily affected shareholders and management. The four possibilities that Hawley and Williams identified are briefly described here (Banu, & Vepa, 2018).

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

According to this perspective, the primary challenge in corporate governance is establishing incentives and regulations that align managers' (agents') actions with the preferences of owners. Instead of being dictated by the legal or regulatory framework of the host nation, these rules and incentives are developed by the corporations themselves. The issue arises from managers acting opportunistically, prioritizing their own interests over those of shareholders, leading to what are known as agency issues. These conflicts between managers and owners result in poor governance and increased agency costs. Consequently, agency theory was developed to address problems within the agency

relationship, explaining the dynamics between principals and agents within an organization (Bhattarai, 2020).

#### **2.1.1.2 Stewardship theory**

The stewardship theory posits that managers aim to maximize corporate profits and returns to shareholders because they are committed stewards of the company. This theory values the prestige associated with management roles both socially and professionally. Managers are believed to be motivated by a desire for success and intrinsic fulfillment from tackling challenging tasks. They strive to earn respect from their superiors and peers by using their authority responsibly and performing their duties effectively. According to this perspective, having non-executive directors on the board is essential for ensuring strong governance (Bhayani, 2010).

#### **2.1.1.3 Stakeholder theory**

Operating within the broader framework provided by the host society's legal and commercial infrastructure, a firm is viewed as a system of stakeholders. The company's objective is to generate value or wealth for its investors by converting their investments into products and services. Therefore, the goal of managers and directors should be to optimize the firm's overall wealth. This concept focuses on increasing the firm's worth rather than the interests of individual managers or organizations. To achieve this, it is essential to align the interests of key stakeholders with those of external or passive shareholders and provide ownership-like incentives to employees who control or contribute vital specialized inputs. According to this notion, businesses should have long-term owners and encourage the representation of important clients, partners, employees, and community leaders on their boards (Charumati, 2012).

#### **2.1.1.4 Political theory**

The political model recognizes that the government determines how company profits, privileges, and power are distributed among owners, managers, and other stakeholders. The corporate sector influences stakeholders' ability to change the distribution of power at the micro level. The political paradigm has played a significant role in shaping the evolution of corporate governance (Kodithuwakku, 2015).

## **2.2 Empirical Literature**

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

Many research have been carried out by academics to ascertain the relationship between corporate governance and performance. The literature research of the relevant studies helped with the selection of the variables and the development of the hypothesis. The board of directors, being the top executive body of a firm, was responsible for formulating policies and plans in addition to supervising the day-to-day operations of the sixteen corporations. It was challenging to ascertain the optimum number of directors for a board of directors as several studies produced inconsistent results.

Dawood (2023) studied the impact of corporate governance on firm performance in Pakistan, specifically focusing on the commercial banking sector. The research analyzed studies from 1980 to 2021, finding that factors such as board size, long-term CEOs, the independence and size of audit committees, foreign ownership, institutional ownership, annual general meetings, and dividend coverage all enhance the financial performance of Pakistani banks. To protect investors and improve financial performance, banks have promoted robust corporate governance practices. Importantly, regulatory bodies should support the growth of Pakistan's commercial banks by enforcing appropriate penalties for noncompliance and ensuring adherence to proper corporate governance. The study also aims to strengthen corporate governance in areas such as the relationship between companies and their financial vendors, compliance with legal, ethical, and environmental standards, and the rights and responsibilities of various stakeholders. This contribution significantly enhances the understanding of corporate governance in relation to overall organizational success.

Jebran and Chen (2023) conducted a study examining lessons from past crises in corporate governance responses during the COVID-19 pandemic. The research focused on various corporate entities over the COVID-19 period to explore how corporate governance practices can support businesses during such crises. Drawing from articles in reputable business journals, the study identified key corporate governance practices that could be beneficial in addressing the challenges posed by the COVID-19 pandemic. The literature analysis highlighted several governance strategies that could assist businesses in navigating the COVID-19 crisis, including risk management committees, diverse boards, independent

directors, foreign and institutional ownership, ownership concentration, CEO roles, block ownership, and family ownership.

By reviewing the corporate governance literature, the study provides policy implications, suggesting that companies may benefit from adopting these governance mechanisms to effectively manage the COVID-19 emergency. The analysis compares various governance characteristics and underscores the effectiveness of independent risk management committees, institutional ownership, board independence, block holders, and family ownership as crucial governance practices during the COVID-19 crisis.

Khan (2023) investigated a study on Impact of corporate governance on firm performance: a case of Pakistan stock exchange by using the stock market of Pakistan for the period of 10 years. This study examines the influence of corporate governance on firm performance using eight specific indicators: firm size, firm age, firm leverage, CEO duality, ownership structure, independence of the audit committee, and firm growth. The performance metrics considered are Firm Size and Return on Assets. The research utilized data from 100 publicly traded non-financial companies listed on the Pakistan Stock Exchange over a period of ten years, from 2013 to 2022. Through rigorous statistical analysis, the study collected and evaluated data concerning these variables. The findings indicate that several factors contribute significantly to a company's performance, including its size, age, sustainable growth, the independence of audit committees, a lean board composition, low leverage, and the presence of CEOs serving on multiple boards. The study also reveals that high levels of leverage can negatively impact a company's profitability, particularly during periods of high interbank offered rates. These insights are pertinent for practitioners, corporate regulators, and researchers. The study suggests further research to comprehensively assess the impact of additional corporate governance indices on firm performance.

Khanal (2023) conducted a study on the impact of corporate governance on the financial performance of Nepalese commercial banks over a period of 10 years. The research aimed to explore how the structure of corporate governance influences bank performance. Drawing on previous research, the conceptual model of the study focused on the effects of board structure, processes, and audit committee procedures on bank performance.

Primary data was gathered through a questionnaire administered to bank employees and analyzed using percentages. Statistical methods such as regression analysis, correlation analysis, descriptive statistics, mean, and standard deviation were employed to analyze the data. The study considered bank performance measures such as Firm Size (SIZE) and Return on Assets (ROA) as dependent variables, while corporate governance variables including board size, board independence, audit committee independence and activity, and CEO duality were treated as independent variables. The findings indicate that board size, CEO duality, and adherence to corporate governance standards significantly enhance bank performance, with board independence, CEO duality, and audit committee independence identified as particularly influential. Increasing these variables is likely to improve bank performance. The study underscores the importance of enhancing corporate governance practices not only to boost individual bank performance but also to ensure the stability of the financial sector. It recommends that banks adopt transparent and robust corporate governance practices to enhance investor confidence and attract additional capital through clear and comprehensive disclosure.

Musa and Yahaya (2023) researched on corporate governance and firm value. This article explores the impact of corporate governance on enhancing firm value across 134 publicly listed firms on the Nigerian Exchange Main Board over a decade (2013–2022), using the Generalized Method of Moments. Panel data extracted manually from annual reports and accounts of the sampled firms was utilized. Data processing was conducted using STATA 15.1. The study finds that while factors such as concentrated ownership, board size, audit committee size, remuneration committee size, audit quality, and dividend yield do not significantly affect firm value, variables like risk committee size, leverage, asset tangibility, profitability, and firm size demonstrate significant impacts. The findings offer insights beneficial to market players, managers, shareholders, creditors, and regulators. The study acknowledges its limitation of focusing on a sample size of 134 companies and suggests future research encompassing all 156 listed companies on the Nigerian Exchange to broaden the scope. Further investigations are expected to uncover additional significant corporate governance characteristics.

Tasya and Kusumaning (2023) conducted a study investigating the influence of corporate governance and firm performance on waste and effluent disclosure in polluting industries in Indonesia. The research examined how corporate governance factors such as the audit

committee, gender diversity on the board, board independence, and board attentiveness impact the disclosure of waste and effluent by Indonesian companies that affect the environment. The study utilized secondary data from annual and sustainability reports spanning from 2017 to 2021 of companies listed on the Indonesia Stock Exchange in five polluting sectors: Paper and Pulp, Chemicals, Oil and Gas, Metals and Mining, and Infrastructure, Utilities, and Transportation. Waste and effluent disclosure was evaluated using a grading system based on the Global Reporting Initiative (GRI) Standard 306: Waste and Effluent. The findings indicate a significant relationship between waste and effluent disclosure and corporate governance practices, including the audit committee, gender diversity on the board, board independence, and board attentiveness. However, there was no clear correlation found between waste and effluent disclosure and firm performance measured by return on assets (ROA) among the polluting industry companies listed on the Indonesia Stock Exchange.

Alabdullah (2022) explored the relationship between corporate governance systems and firm financial performance. Building on concepts, theories, and evidence from previous studies in the literature, this research reviews the systematic understanding of how corporate governance systems impact companies' financial performance from both theoretical and practical perspectives. The study examines various aspects of corporate governance, such as CEO duality, board independence, and board size, and their influence on company financial performance. It emphasizes the necessity of robust internal control mechanisms and effective board characteristics for achieving strong corporate governance. Previous literature has recognized that corporate governance frameworks contribute positively to firms' financial performance. Thus, the study underscores the significance of internal control mechanisms in enhancing business performance.

Boachie and Mensah (2022) conducted a study on the relationship between earnings management and firm performance, focusing on the moderating role of corporate governance quality. The research employs a dynamic framework to analyze how financial performance and earnings management interact in Anglophone sub-Saharan African countries. The study illustrates how effective corporate governance practices and overall transparency mitigate the impact of earnings management on firm performance. The findings reveal that earnings management continues to influence performance even after considering factors like unobserved time-invariant heterogeneity, simultaneity, and

dynamic endogeneity inherent in this relationship. These results align with predictions from agency theory, highlighting the importance of robust internal governance systems based on best practices in reducing earnings management tactics and thereby enhancing firm performance. Moreover, the study highlights that in the African context, motivations for earnings management often stem from efficiency-driven considerations rather than opportunistic ones observed in other emerging markets. Regarding moderation effects, the research indicates that high-quality corporate governance tends to amplify the positive impact of earnings management on the financial performance of organizations.

Huynh (2022) conducted a study investigating the interplay between corporate governance, financial leverage, and firm performance using a sample of 150 firms from Pakistan's non-financial sector spanning from 2011 to 2021. The research aimed to explore whether financial leverage acts as a mediating factor in the relationship between corporate governance and firm performance. Data for the study was sourced from financial statements. The findings reveal a significant relationship between corporate governance practices and firm performance. Specifically, a larger board size correlates positively with firm performance, indicating that larger boards are associated with better performance outcomes. Board independence and the size of the audit committee also show favorable correlations with firm performance. Furthermore, the presence of female directors on the board is linked to enhanced business performance. Financial leverage was found to positively correlate with the size of the audit committee, female directorship, board independence, and board size. The study suggests that corporate governance practices influence firm performance by shifting risk from shareholders to debt holders while protecting shareholder interests. Specifically, corporate governance increases the cost of financial distress by elevating the proportion of debt in financial leverage. The analysis indicates that financial leverage partially mediates the relationship between board independence and size and firm performance. Conversely, the relationships between audit committee size, female directorship, and firm performance are fully mediated by financial leverage.

Jesuka (2022) conducted a study examining the impact of corporate governance and sovereign ratings on firm performance across 823 companies from 2004 to 2018 in Latin America. The research aimed to investigate how corporate governance practices and sovereign ratings influenced the success of Latin American companies during the specified

period. The study employed a multilevel model with fixed and random coefficients to analyze performance variations at the company, time, and country levels. Return on assets and Tobin's Q served as dependent variables, while governance measures such as board size, CEO/chairman duality, CEO/board member duality, a dummy variable indicating the chairman's past role as CEO, audit committee independence, and audit committee expertise were used to assess corporate governance. Findings revealed that Latin American firms performed better when their home countries implemented robust audit committee and board of directors practices and when their sovereign ratings were higher. The study underscored that the impact of sovereign ratings varied depending on the presence of specific governance characteristics. Governance practices and sovereign ratings were identified as important safeguards for investors. This study is notable for being the first to explore the influence of sovereign ratings on company performance within a Latin American context. Additionally, it introduced novel governance metrics such as audit committee experience and the dummy variable indicating a chairman who was a former CEO in Latin American research.

Guluma (2021) examined a study on the impact of corporate governance measures on firm performance: the influences of managerial overconfidence. The study focuses on a Chinese listed company to explore how corporate governance (CG) metrics influence business performance and how managerial behavior mediates this relationship. Internal CG mechanisms such as independent boards, dual board leadership, ownership concentration, and debt financing, along with external processes like product market competition and debt financing, are examined. Managerial overconfidence is assessed using corporate earnings estimates, while return on assets (ROA) and Tobin's Q (TQ) serve as measures of business success. Panel data spanning 2010 to 2018 from 11,634 Chinese listed enterprises is utilized to achieve the study's objectives. The researchers employ a system Generalized Method of Moments (GMM) model to test their hypotheses. Results indicate a positive and significant association between ownership concentration, product market competitiveness, and firm performance (ROA and TQ). Conversely, debt financing shows a negative relationship with both measures of company performance, while dual leadership exhibits a negative correlation with Tobin's Q. Furthermore, empirical findings suggest that managerial overconfidence negatively impacts the relationships between ownership concentration, dual leadership, board independence, and firm performance. Interestingly, high managerial confidence mitigates the negative effect of debt financing on firm performance measured

by Tobin's Q, while exacerbating its impact on operational firm performance. Overall, these findings contribute significantly by shedding light on how managerial behavior influences the link between CG practices and business performance in emerging market economies. They offer practical insights for decision-makers aiming to enhance corporate governance in developing market contexts.

In Khatib's (2021) study, 188 non-financial organisations from Malaysia were used to gather data on the effects of corporate governance on firm performance during the COVID-19 epidemic. The purpose of this study is to evaluate how COVID-19 has affected corporate governance features and company performance. For the 2019–2020 study period, a sample of 188 non-financial enterprises from the Malaysian market was employed. It has been seen how the COVID-19 epidemic has affected a number of corporate attributes, including as performance, dividends, governance, liquidity, and debt level. Between the pre- and post-pandemic years, there hasn't been a statistically significant difference, though. The investigation also demonstrated that the company's performance is much enhanced by the size of the board. However, when we split the sample year by year, we found that board size is irrelevant during the uncertain phase of the current crisis, even though board diversity appeared to be significantly improving firm performance in the crisis compared to the previous year, when it had an inverse association with firm performance in both indicators. Board and audit committee meetings seemed to have a major detrimental influence on the company's performance before and before COVID-19. This study contributes to the limited literature by providing the first empirical evidence on the impact of coronavirus on corporate governance association and company performance.

Koutoupis (2021) investigated on corporate governance and COVID-19: a literature review. This study aims to explore the literature concerning corporate governance (CG), corporate social responsibility (CSR), and environmental, social, and governance (ESG) issues amidst the COVID-19 pandemic. It addresses three key research questions: What are the distinguishing features of the COVID-19 literature in relation to CG? What are the prevalent themes in CG during the COVID-19 era? And what are the primary areas for future research on COVID-19 and CG? The authors conducted a comprehensive review of 62 studies published in 2020, employing three criteria to identify major themes in CG literature during the pandemic and four criteria to characterize the literature on CG and COVID-19. They synthesized responses to their research questions and recommendations

from the reviewed studies to guide future research directions. Findings indicate that the majority of research on CG during COVID-19 has been conducted in industrialized nations and within theoretical frameworks. There is a recognized need for more research across all types of nations—developed, emerging, and others—due to limited accounting data availability. Additionally, there are conflicting findings regarding the significance of CSR and ESG practices on financial performance during the pandemic. To comprehensively understand the impact of COVID-19 on CG, future studies should explore alternative approaches and utilize diverse data sources.

Muharam and Atyanta (2021) conducted a study on the relationship between corporate governance and firm performance. The research aimed to investigate how corporate governance practices influence business performance using a sample of companies listed on the Indonesia Stock Exchange (IDX) between 2016 and 2019. The study included 100 companies selected through purposive sampling, and data were extracted from their annual reports. Using IBM SPSS Statistics 25 for data analysis, the study employed multiple regression analysis. The findings indicated that the presence of independent commissioners, the effectiveness of the audit committee, and institutional ownership significantly and positively impacted Adjusted Tobin's Q. However, the study found no significant impact of management ownership and board size on Adjusted Tobin's Q. Additionally, leverage was found to have no significant effect on Adjusted Tobin's Q, while firm size and firm age, included as control variables, showed a positive effect.

Haron (2020) analyzed a study on corporate governance and firm performance in an emerging market: The case of Malaysian firms. This study investigates the influence of Malaysian corporate governance (CG) practices on business performance. In response to the 1997–1998 financial crisis, there has been heightened attention on CG issues to enhance the flexibility and adaptability of CG structures in varying economic conditions. Drawing on a comprehensive dataset spanning 16 years of observations, the study reveals that Malaysian firms have closely followed the Malaysian Code on Corporate Governance (MCCG) as a framework to enhance their performance. The study identifies several CG practices that significantly impact company performance. Firms with larger boards tend to exhibit better performance, indicating a positive correlation between board independence and performance outcomes. Moreover, the study finds a negative relationship between CEO duality (the CEO also serving as the board chair) and performance, which supports the

positive effects of ownership structure and board independence on performance. Agency theory appears to be a predominant theoretical framework influencing CG practices in Malaysian firms.

Hermuningsih (2020) conducted a study on corporate governance and firm performance: An empirical study from Indonesian manufacturing firms. The varying outcomes in previous studies may stem from the use of multiple proxies to measure good corporate governance (GCG). Therefore, to enhance consistency in empirical investigations, a new unified metric is proposed. This study aims to explore the relationship between corporate governance and firm performance. A purposive sample was selected, focusing on all manufacturing firms listed on the Indonesia Stock Exchange (IDX) from 2014 to 2016. Out of 144 eligible companies, 110 were included in the study based on predetermined criteria, as their financial statements for the research period provided comprehensive data available via IDX's official websites. Innovatively, this study introduces a novel metric for corporate governance effectiveness (GCG). It calculates GCG by relating corporate governance inputs to outputs such as sales, assets, and firm equity capital. Analyzing financial data from firms listed on the Indonesian Capital Market, the study concludes that effective corporate governance significantly enhances firm performance. Importantly, the study validates and advocates for the adoption of this new unified measure of GCG, aiming to streamline the evaluation process by avoiding the complexity of multiple corporate governance indicators.

Bhagat and Bolton (2019). Corporate governance and firm performance: The sequel. Director stock ownership consistently and positively correlates with future corporate performance, a significant finding for long-term investors and policymakers concerned with sustained company success. It is crucial for scholars studying corporate governance to include director stock ownership as a metric, enabling cross-study comparisons. In our earlier 2008 study, "Corporate Governance and Firm Performance," we analyzed data up to 2002. This publication extends our analysis through 2016, providing an additional 14 years of data to robustly test director stock ownership as a proxy for corporate governance efficacy beyond our initial sample. By expanding the timeline, we gain deeper insights into dynamics such as the financial crisis, the Great Recession, and regulatory impacts like Sarbanes-Oxley (2002) and Dodd-Frank (2010). Through various estimation methods, sub-sample analyses, and criteria, our findings consistently show that director stock ownership

remains strongly linked to future company success during the out-of-sample period from 2003 to 2016. Notably, in sub-samples including the top 100 financial firms in the United States in 2008, we observe that ownership of bank director shares is positively associated with future bank performance and negatively associated with future bank risk, including during periods of financial crisis. These insights are particularly relevant to senior bank regulators seeking to understand governance structures that impact financial stability.

Bista (2019) examined a study on impact of corporate governance on dividend policy of Nepalese enterprises by using 14 commercial banks and seven Commercial banks in Nepal for the period of five years. The primary objective of this research is to assess the relationship between corporate governance and dividend policies of Nepalese companies. More specifically, it examines how variables including firm size, liquidity, CEO duality, ROA, foreign ownership, gender diversity on board, management ownership, and leverage impact the dividend policies of Nepalese companies. In this study, seven to fourteen Nepalese commercial banks provided the secondary data. The main sources of information are the annual reports that banks and commercial banks provide. The data shows that the dividend payout ratio, dividend yield, company size, and foreign ownership all have positive relationships with one another. The size of the business and the percentage of foreign ownership both raise the dividend payment ratio. It also demonstrates how the dividend yield falls when company size and the proportion of foreign ownership both decline. Regression analysis results show that institutional ownership negatively impacts payout ratio and dividend yield.

Danoshana and Ravivathani (2019) researched on the impact of the corporate governance on firm performance: A study on financial institutions in Sri Lanka. Scholars have given corporate governance a lot of attention because the global economic crisis has been getting worse for more than thirty years. This research project's main objectives are to investigate the relationship between corporate governance and listed financial institutions' performance in Sri Lanka and to provide effective corporate governance practices that can improve listed financial institution performance. In order to achieve these objectives, the researcher used return on equity and return on assets as the main metrics that assessed the firm's success. On the other hand, the audit committee of the business, the size of the board, and the frequency of meetings are used to gauge corporate governance. Twenty-five listed financial institutions were selected as the sample size for the 2008–2012 sample period.

The procedure for gathering data will make use of secondary sources. The analysis demonstrates that corporate governance factors have a significant impact on the performance of the firm and that the size of the board and audit committee has a positive effect on the company's performance. On the other hand, the company's operations suffer from the frequency of meetings.

Mohan (2018) researched a study on impact of corporate governance on firm performance: empirical evidence from India by using 30 firms for the period of 10 years. The need for corporate governance compliance has led to an increase in the popularity of corporate governance research. Corporate governance issues are becoming more commonplace even though they have become crucial. Notable scandals like World Com, Enron, and the Satyam fraud in India have also energised investors, scholars, policy leaders, and other interested parties. The approach considers company governance elements including CEO duality, board composition, and size, in addition to business success measures like SIZE and the Price to Book ratio (PB ratio). The research model also includes a few firm-specific components. These firm-specific traits include revenue growth, asset turnover, and financial leverage. The study looked at the association between corporate governance structure and company performance for a sample of thirty companies listed on the Bombay Stock Exchange using a panel data OLS regression model. According to the results of the panel data analysis, CEO duality and board size, in particular, have a major negative impact on company performance, although board composition did not significantly affect firm performance. It demonstrates that organisations should keep the CEO and chair roles distinct in order to ensure optimal performance and that process monitoring is essential to achieving greater corporate performance. Additionally, a considerable positive correlation between asset turnover, leverage, and business performance is indicated by the studies. The results might not be conclusive because more corporate governance and performance standards would also be considered. Additionally, an additional topic for investigation is the potential differences in impact that corporate governance may have on the success of firms across different industries.

Bulley (2017) analyzed a study on corporate governance and firm performance: evidence from Saudi Arabia by using of 171 listed companies by using the period of 2012 to 2014. This study set out to evaluate the relationship between corporate governance and the success of Saudi stock exchange-listed companies. The methodology of the analysis was

based on pooled data from the Saudi stock exchange (TADAUWL) for the years 2012–2014. The study sample consists of 171 listed companies. Investigated independent variable is corporate governance standards. The dependent variable is firm performance, which was evaluated using SIZE, ROA, and Tobin's Q. The study also included five control variables to help evaluate the relationship between corporate governance and firm performance. The study's findings showed that the Saudi stock exchange has a high governance level—61.4%—in comparison to past research. The study test results demonstrate that the adoption of corporate governance has little effect on the financial and operational performance of listed companies on the Saudi stock exchange. Using the Tobin's Q model, the study also discovered that neither the independence of the board of directors nor the ownership of the largest shareholder had any appreciable impact on the company's market performance. It was found that the board of directors' size and ownership had a big influence on the company's performance.

Ahmed and Hamdan (2015) conducted a study on the impact of corporate governance on firm performance: Evidence from Bahrain Bourse. Corporate governance is generally recognised as having one of the most important roles in building investor trust in the company and the economy as a whole. It is believed that promoting good standards of corporate governance is essential to attracting investment capital, reducing risk, and enhancing a company's performance. The purpose of this study was to investigate the relationship between corporate governance practices and Bahrain Bourse firm performance. Previous literature reviews conducted by the study have demonstrated that corporate governance significantly improves a firm's performance. 42 of the 48 Bahraini companies listed between 2007 and 2011 on Bahrain Bourse were part of the study sample. Overall, our sample organisations meet 61.2% of the corporate governance criteria, according to the descriptive data. The empirical results demonstrate a significant correlation between performance indicators such as return on equity (ROE) and return on assets (ROA) and corporate governance in Bahrain. However, profits per share (EPS) was not significantly affected by corporate governance as a performance metric. Overall, the study found that all of the companies on the Bahrain Bourse list performed better when their corporate governance rules were followed.

Pradhan (2015) examined a study on corporate governance and bank performance in Nepal by using Nepalese commercial banks for the period of 8 years. This essay examines the

importance of corporate governance and how it affects company performance. The dependent variables in this study are company size and return on assets, which are indicative of the bank's performance. The size of the board, the company's total assets, and the CEO's position are the independent variables in corporate governance. The Bank and Financial Institution Act of 2063, NRB Directives, corporate governance-related bylaws, Companies Act of 2063, Banking and Financial Statistics published by Nepal Rastra Bank, and the Bank and Financial Statistics supervision report were the sources from which the data was compiled. In addition to these, a range of published papers, reports, books, and magazines are also reviewed. Information regarding compliance with legal requirements pertaining to corporate governance can be obtained from the relevant bank, the Regulation and Supervision Department of Nepal Rastra Bank, and the Company Registrar Office. Multiple regression models are used to examine the significance and importance of corporate governance in Nepalese commercial banks.

Danoshana (2013) conducted a study on the impact of the corporate governance on firm performance: A study on financial institutions in Sri Lanka. utilizing twenty-five listed financial institutions between 2008 and 2012. Scholars have given corporate governance a lot of attention because the global economic crisis has been getting worse for more than thirty years. This research project's main objectives are to investigate the relationship between corporate governance and listed financial institutions' performance in Sri Lanka and to provide effective corporate governance practices that can improve listed financial institution performance. In order to achieve these objectives, the researcher mostly used return on assets and company size to determine the firm's success. On the other hand, the audit committee of the business, the size of the board, and the frequency of meetings are used to gauge corporate governance. Twenty-five listed financial institutions were selected as the sample size for the 2008–2012 sample period. The procedure for gathering data will make use of secondary sources. The analysis demonstrates that corporate governance factors have a significant impact on the performance of the firm and that the size of the board and audit committee has a positive effect on the company's performance. On the other hand, the company's operations suffer from the frequency of meetings.

Heenetigala (2011) researched a study on the impact of corporate governance on firm performance in an unstable economic and political environment: Evidence from Sri Lanka. By using the 37 companies for the period of 30 years. Corporate governance is considered

to have a major impact on an economy's economic prospects. Efficient corporate governance practices are believed to be essential for attracting capital, reducing investor risk, and improving business performance. However, many countries have diverse corporate governance organisational structures due to their unique political, social, and economic contexts. The thirty-year civil strife in Sri Lanka ended in 2007. It was expected that the war's severe economic impacts would have caused the capital market to decline during this period. That was not accurate. Share prices did, in fact, rise dramatically.

The government established corporate governance standards for listed companies in 2003. This essay argues that there was a positive relationship between the corporate governance programme and improved business performance between 2003 and 2007. The relationship between corporate governance practices and firm performance was examined in this study. Information was obtained from the annual reports of 37 companies selected at random from The Lanka Monthly Digest 50 (LMD)'s top 50 listed companies in 2003 and 2007. The data were analysed using Spearman's correlations and analysis of variance.

This study confirmed the favourable correlation between governance practices (separate leadership, board composition, board committee, and company performance) and business size, board composition, board committees, and performance as measured by Tobin's Q. These relationships imply that businesses have embraced corporate governance principles, which have enhanced their profitability and success in terms of share price.

Wu (2009) investigated a study on the effects of corporate governance on firm performance through the use of eight financial institutions during an eleven-year span. The main objective of this study is to look into the relationship between corporate governance and business performance. The factors employed in this study to evaluate the company's success are Tobin's Q, stock return, and return on assets. The empirical results show that the CEO's dual position, the size of the board, the stock pledge ratio, and the distinction between cash flow and voting rights all have a negative and substantial effect on the company's performance. On the other hand, there is a positive and substantial correlation between insider ownership and board independence and business performance.

Table 1

*Summary of Empirical Review*

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

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

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

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

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19	Mohan (2018)	ROA, board size, CEO duality,	ROE,	OLS regression Method	The panel data analysis's findings indicate that while board composition did not significantly affect firm performance, the CG factor—specifically, CEO duality and board size—has a substantial detrimental effect on company performance.
20	Bulley (2017)	Corporate Governance principals, ROA, ROE		Correlation Analysis	The study test results show that the operational and financial performance of listed companies on the Saudi stock exchange is not significantly impacted by the implementation of corporate governance. The study also found that the ownership of the largest shareholder and the independence of the board of directors had no discernible effects on the market performance of the company by testing the Tobin's Q model. The ownership and size of the board of directors were discovered to have a significant impact on the performance of the company.
21	Ahmed and Hamdan, (2015)	ROA, board size, CEO duality,	ROE,	Regression analysis	The empirical findings show a substantial relationship between corporate governance in Bahrain and performance metrics like return on equity (ROE) and return on assets (ROA). Corporate governance, as a performance metric, did not, however, significantly alter earnings per share (EPS). Overall, the study discovered that corporate governance practices had a favorable impact on the performance of every company on the Bahrain Bourse list.
22	Danosha na (2013)	Corporate governance practice,	ROA, ROE	Regression analysis	The analysis shows that the size of the board and audit committee has a beneficial effect on the performance of the company, and that corporate governance variables have a major impact on the performance of the company. Meeting frequency, however, has a detrimental effect on the operation of the company.
23	Heenetig ala (2011)	Board structure and Performance		Regression analysis	These connections suggest that companies have adopted corporate governance practices, leading to improved profitability and share price success.
24	Wu (2009)	Corporate governance and performance		Regression analysis	According to the empirical findings, the size of the board, the CEO's dual role, the stock pledge ratio, and the difference between the voting and cash flow rights all have a negative and significant impact on the

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performance of the company. However, insider ownership and board independence have a favorable and significant relationship with corporate performance.

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### **2.3 Research Gap**

The term "research gap" refers to the discrepancy in research between previous and current studies. The performance and corporate governance of Nepalese commercial banks were previously examined by Boone et al. (2019) & Boachie & Mensah (2022). This case study has only had three banks included in previous studies. For this study, ten commercial banks are selected as a sample. There are also differences in the case study's duration. Unlike the brief time periods in Fanta (2019), the study's time period spans from 2013/14 to 2022/23. Return on equity (ROE) and return on assets (ROA) have been used as a basis in previous research. In this analysis, net interest margin (NIM) and return on equity (ROE) were used. The following are the points that distinguish my case from the preceding one. The research on corporate governance and financial performance in the context of Nepalese banks has been beneficial to a number of organisations, including the central bank of Nepal, commercial banks and other financial institutions, emerging academics, and other non-financial groups. The relationship between the independent and dependent variables was ascertained with the use of regression and correlation analysis of the data. This result might be helpful to the individuals and groups mentioned above.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

Research methodology explains the strategy and procedure applied in every section of the investigation. One of the most important components of any study is its research approach because every study should be methodically planned out. To achieve the main objective of the study, a variety of research approaches, including population and sample, research design, data sources, and data collection techniques, have been employed.

#### **3.1 Research Design**

A descriptive, causal research design was used in this investigation. To describe the relationship between multiple factors or features and their causes, a casual research design is used. The performance of the organisation is influenced by variables including the size of the board, earnings per share, capital adequacy ratio, female director, and ethnic group. Other statistical techniques have also been analysed, including regression analysis of sampled banks, correlation coefficient analysis, and standard deviation analysis. The three primary focuses of research design are data collection methods, research instruments, and sample plan.

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

The necessary statistics and information are provided via secondary sources. The data was taken from publications, trade reports, and annual reports of each bank. More details on pertinent websites, national and international magazines, and the NRB.

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

The banking sector, Nepal's commercial banks, manufacturing and processing, hotels, commerce, hydropower, and other businesses are all separated out on the stock market. This survey includes 19 commercial banks. Out of the total nineteen commercial banks, ten have been chosen for the research. The data analysis in the study employed the random sampling method.

### **3.4 Data Collection Procedure**

Most of the information needed for the study was gathered from secondary sources and questionnaires. A few particular investors, pertinent authorities within the organisations, SEBON and NEPSE employees, and other pertinent individuals were also asked for their opinions. The trading report that NEPSE provided contained data on market capitalization, share prices, and volatility of the NEPSE index, among other things. Additional details regarding related companies were gathered from the companies themselves and the pertinent websites.

The collection procedure is summarized below:

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

### **3.5 Method of analysis**

It includes an explanation of the data collected along with all of it. Data on ethnic groups, board size, earnings per share, capital adequacy ratio, and female directors were presented and analysed in the study. The analysis's findings are clearly displayed in the study's Tables and Figures.

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

Descriptive statistics are short informational coefficients that are used to give a summary of a certain data collection, which could be a sample or a representative sample of the entire population. Descriptive statistics can be divided into two categories: measurements of variability (spread) and measurements of central tendency. While the mean, median, and mode are indicators of central tendency, the standard deviation, variance, minimum and maximum variables, kurtosis, and skewness are assessments of variability.

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

Correlation analysis is a statistical technique that describes the degree to which one variable is linearly connected to another (Levin & David, 1994). Determining the strength and magnitude of a linear relationship between two variables is aided by it. When the values of the variables are directly proportional to one another, there is a positive correlation. On the other hand, when the values of the variables show inverse proportionality, the correlation is regarded as negative; yet, the correlation coefficient is always between +1 and -1. The

correlation coefficients (r) between two versions, x and y, can be found using the following formula.

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

Where,

r = coefficient of correlation

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

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

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

n = number of years

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

### c. Regression Analysis

Regression analysis is a set of statistical methods used to assess the relationships between one or more independent variables and a dependent variable. It can be used to assess how strongly variables are related to one another and to simulate the relationship between variables in the future.

#### The study Model

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

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

Where,

ROA/NIM = Firm Size/ net interest margin

BS = Board Size

FD = Female Director

EG = Ethnical Group

EPS = Earnings per Share

CAR = Capital adequacy Ratio

a = Intercept

b<sub>1</sub>, b<sub>2</sub>.... = Slope of Independent variables

e = Error

### 3.6 Research framework

The conceptual framework of the current study is constructed in accordance with the research objectives and the literature review. The conceptual framework of the study offers a methodical explanation of the relationship between the independent and dependent variables. It is advantageous to accomplish the research goal and maintain concentration on the research problem. A description of the framework aids in the identification of the research variables and clarifies their linkages, both of which are beneficial to a research report. In relation to the problem statement, the conceptual framework sets the scene for presenting the specific research question that is the central focus of the study. The conceptual framework for the research is shown in the image below.

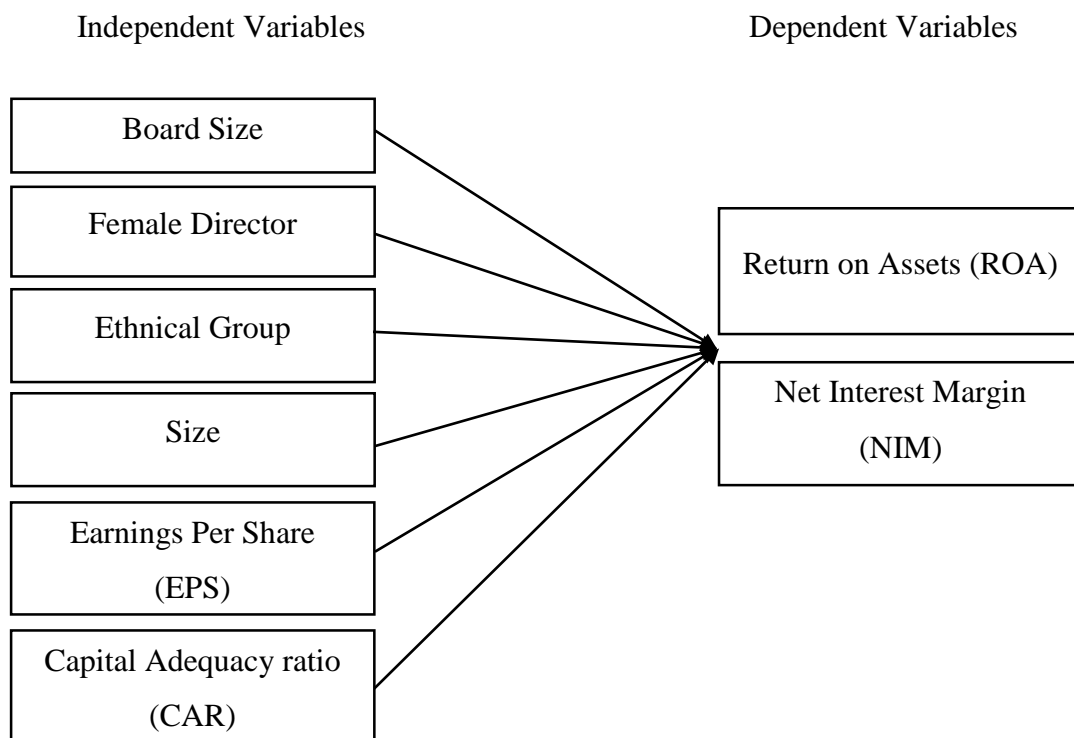


Figure 1

*Research Framework*

#### **Definitions of Variables**

##### **Board Size**

The performance of the corporation is significantly impacted by the number of directors on the board. It is the responsibility of directors to guarantee that management is operating effectively and following the procedures and guidelines that it has established. On behalf of the corporation, directors create policies, rules, and regulations as well as make significant decisions. Large boards can cause agency issues and delays in decision-making,

according to Jensen (1996) and Lipton & Lorsch (1995). These issues can have a detrimental effect on a bank's performance.

### **Female Director**

When it comes to board tasks, women usually contribute positively, especially when the assignments are qualitative in character. Numerous studies demonstrate their efficacy in overseeing oversight, addressing corporate social responsibility concerns, and promoting the formulation of plans (Katrodia, 2012).

### **Ethnic Group**

A population type or social group that is identified and brought together by common racial, linguistic, national, or cultural traits within a larger society is called an ethnic group. Ethnic variety is one way that the social complexity found in most modern civilizations manifests itself (Gull, 2013).

### **Size**

The size of a corporation is a scale that may be used to categorise it as either large or small depending on a variety of characteristics, such as the total assets, stock market value, and/or typical sales level. Asset size is used as a proxy for firm size because total assets are believed to be more stable and properly reflect the size of the organisation. Large firms are perceived as less risky due to their increased access to the financial market (2018, Nugraha).

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

Earnings per share is the portion of a company's profit allocated to each outstanding share of common stock. It is one of the factors that determines the profitability of a company. Higher earnings are a sign of increased profitability and better money mobilisation by financial institutions, and vice versa. This study's independent variable is EPS (Wijerathna 2018).

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

Through the use of the capital adequacy ratio, or CAR, a bank's risk-weighted assets are compared to its available capital. The ratio offers a rapid indication of a bank's ability to maintain its solvency and cover losses in trying financial times (Niraula, 2015).

The model is

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

Where,

ROA/NIM = Return on Assets / Net Interest Margin

BS = Board Size

LM = Female Director

EG = Ethnical Group

EPS = Earnings per Share

CAR = Capital adequacy Ratio

a = Intercept

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

e = Error

## CHAPTER – IV

### RESULTS AND DISCUSSIONS

The data gathered in relation to the study's variables is presented in this chapter. Every variable's data is shown in a different figure. A variety of statistical techniques have been used to evaluate the data in order to determine the responses for the research subjects. The components that determine an insurance company's profitability have been calculated using descriptive statistics such as mean, maximum, minimum, and standard deviation.

#### 4.1 Descriptive Analysis

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

Table 2

##### *Descriptive statistics*

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

*Source* Appendix – I and SPSS Output

Table 2 indicates that, across the time, the average board size was 8.32, with a high value of 11 and a low of 8. For the given time, the board size standard deviation is 0.0587. The number of female directors varies from 1 to 4, with an average value of 3.00 and a standard deviation of 0.014. Throughout the time, the average earnings per share was 4.39, with a top of 8.98 and a minimum of -2.37. For the time period, the standard deviation is 3.424. Ethnical Group, on the other hand, has a mean value of 8.157, a maximum of 10.68, and a minimum of 5.51. For the given period, the standard deviation is 1.876. The capital adequacy ratio ranges from a low of 0.19 to a maximum of 0.94. The average is 0.692. For the time period, the standard deviation is 0.261. The mean value of Firm Size is 17.56, with a maximum of 62.75 and a minimum of 4.67. For the time period, the standard deviation is

14.311. Over the time, the average return on assets was 2.135, with a top of 17.15 and a minimum of 0.17. For the time period, its standard deviation is 3.455.

#### 4.2 Correlation Analysis

Table 2 displays the correlation between the variables used in the investigation. It makes sense to presume that at least one of the variables influences the other if there is a correlation between them. The Karl-Pearson correlation coefficient between the variables in the analysis is shown in this table. The P-value is shown in between additions. The variables are shown in the following manner.

Table 3

##### *Pearson's Correlation Analysis*

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

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

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

Source: Appendix II and SPSS Output

Table 3 demonstrates that, at the 1% level of significance, the board size of a company has a substantial positive relationship with the ethnic group and a significant negative relationship with the female director, return on assets, and firm size, respectively. Ethnic group and capital adequacy ratio, on the other hand, had positive statistical relationships with NIM at the 0.01 and 0.05 significance levels, respectively.

In a similar vein, the correlation coefficient between Female Director and Ethnical Group, as a proxy for Ethnical Group, is -0.474 at the five percent significance level, indicating a statistically significant negative link ( $P < 0.05$ ). It implies that CR falls as Ethnical Group rises. Similarly, there is a strong and positive correlation between the Ethnical Group and the capital adequacy ratio. There exists a considerable positive correlation between Size and ROA.

### 4.3 Regression Analysis

The main purpose of regression analysis was to determine how the independent factors affected the dependent variable. The investigation's goals were to assess the theories and examine the factors affecting company performance.

Table 6

#### *Regression Coefficient of ROA*

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

*Source:* Appendix III and SPSS Output

According to Table 6, 'a' has a  $t_{cal}$  of 6.669 and a P-value of 0.716, or 71.60%. At the 10% significance level, it demonstrates that computed "a" is statistically significant. The three factors that have a negative impact on ROA are earnings per share, board size, and female directors. While board size is statistically significant at the 5% level of significance, earnings per share and female directors are not, even at the 10% level of significance.

Ethnical Group and capital adequacy ratio also have a positive effect on ROA; at the 5% significance level, the capital adequacy ratio is statistically significant, and at the 10% significance level, the Ethnical Group is significant, with coefficients of 4.878 and 0.695, respectively. The dependent variable, ROA, is significantly affected by the independent variables, operating earnings per share, ethnic group, capital adequacy ratio, female director, board size, and firm size. This effect is statistically significant even at significance level 0.05, or 0.000. The r-square value is 71.60%. Hence, there is a linear link between ROA and the following factors: board size, earnings per share, ethnic group, capital adequacy ratio, and female directors.

Table 9

*Regression Coefficients of NIM*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Board size	1.272	0	1.226	.232
Female Director	1.182	0	0.56	.018
Ethnical Group	3.217	0	1.019	.318
Capital Adequacy Ratio	-6.181	0	-1.489	.149
Earnings Per Share	-7.091	.236	-1.138	.266
Firm Size	-3.668	.256	-.3778	.052
C	0.132	0.042	3.126	.004
	R-squared		0.282	
	Adjusted R-squared		0.167	
	F-statistic		2.449	
	Prob(F-statistic)		0.007	

Source: Appendix IV

**Regression analysis output: coefficient**

The linear equation of this model is,

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

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

The estimated regression result of NIM for earnings per share, business size, board size, adequacy ratio, female director, and ethnic group is displayed in Table 9. The positive coefficients for board size, gender diversity, and ethnic group are 1.272, 1.182, and 3.217, respectively. This means that for every rupee increase in board size, gender diversity, and ethnic group, NIM falls by 12.72%, 11.82%, and 11.82%. It suggests that the NIM of Nepalese commercial banks would increase with increasing board size, female director, and ethnic group membership. The board size, female director, and ethnic group all have positive beta coefficients. It suggests that the profitability of Nepalese commercial banks would decrease with increasing board size, female directors, and ethnic group representation.

28.20%, or 0.282, is the coefficient of determination ( $r^2$ ). This table shows that, at significance level 0.05, or 0.007, the relationship between the independent variables—Earnings Per Share, Ethnical Group, Adequate Ratio, Female Director, and Board Size—and the dependent variable, NIM, is statistically significant. Board size, Female Director, Ethnical Group, capital adequacy ratio, and earnings per share are all significant independent variables, as shown in the above table; however, only Female Director with NIM and a p-value of 0.018 is significant on its own. Others with NIM are unimportant.

#### 4.4 Discussion

The study's goal is to find out how corporate governance affects Nepali banks' performance. The mean, median, maximum, minimum, and standard deviation were all used in this investigation. Profit is preferred in terms of ROA and NIM since higher values are preferred over lesser ones. The average value of every variable is denoted by the term "Mean". Take the mean ROA, which shows the average return on assets for all of the mutual funds under investigation.

The size of the board and the ethnic group have a statistically significant correlation with profitability, according to Jebran and Chen's study performance from 2023. However, there doesn't seem to be a meaningful correlation between any of the other study variables and profitability. The study's conclusions also show that commercial banks' growth rate, fixed assets, and liquidity have minimal negative influence on their business success. The results of the study are consistent with those of investigations conducted by Jigeer and Koroleva (2023) and Brogi et al. (2022).

Correlation analysis ( $P > 0.5$ ) at the one percent significance level led Dawood (2023) to conclude that there is a negative and statistically significant association between liquidity and board size, as a proxy for assets. It shows that board size increases in tandem with increased liquidity, which is consistent with Khan's findings (2023). Similarly, there is a statistically significant inverse relationship between the ethnic group and the female director. The results of Guluma (2021) and Boachie and Mensah (2022) contradict one other, but corroborate this. Koutoupis's (2021) study came to the conclusion that there is a decrease in female directors as ethnic groups increase. Additionally, there is a strong and negative correlation between SIZE and board size. There is also a positive link between ROA and SIZE. This outcome is consistent with the findings of Abdeljawad, Dwaikat, and Oweida (2022). The study's conclusions support the pecking order theory, which holds that there is a negative correlation between profitability and liquidity. This shows that among the sample commercial banks, a fall in ROA is linked to an increase in the number of female directors on the board, earnings per share, and firm size. The other independent variables' coefficients, capital adequacy ratio and ethnic group, on the other hand, are linked to an increase in sample commercial banks' return on assets (ROA), suggesting that these associations were not statistically different from zero.

The results of this regression analysis, as reported by Ahmeti and Iseni (2023), show that ROA is negatively impacted by board size, earnings per share, and female directors. The results of Vojinovi et al. (2022) contradict the findings of Sah and Magar (2021) and Morara and Sibindi (2021), but board size is statistically significant at the 5% level of significance. Earnings per share and female directors are statistically insignificant even at the 10% level of significance.

Both the capital adequacy ratio and the ethnic group have a positive impact on ROA; the capital adequacy ratio is statistically significant at the 5% significance level, and the ethnic group is significant at the 10% significance level, with coefficients of 4.878 and 0.695, respectively. Ahmeti and Iseni's (2023) findings are comparable to this. Therefore, the following variables have a linear relationship with ROA: female directors, capital adequacy ratio, earnings per share, board size, and ethnic group.

This indicates that there is insufficient data to draw the conclusion that these variables and ROA have a meaningful linear connection. It suggests that there are additional variables that our regression model did not take into account and that also affect how different commercial banks in Nepal have different ROAs. This is comparable to the findings of Al-Matari (2023) and Tsvetkova et al. (2021), but not to the findings of Tegegn, Sera, and Merra (2020) and Sah and Magar (2021).

# **CHAPTER – V**

## **SUMMARY AND CONCLUSION**

### **5.1 Summary**

The study's main objective was to ascertain whether corporate governance has an impact on bank performance. The study's history and topic matter are covered in this chapter. It includes the research introduction, which provides an explanation of the study's history, problem description, aims, justification, and limitations. In the second chapter, the relevant material has been reviewed with regard to the theoretical foundations of banking principles, as well as journals, papers, and previous theses. The research techniques utilised to evaluate the profitability and liquidity of the development banks under examination are covered in the third chapter. The fourth chapter presents, assesses, and interprets the data using statistical and financial techniques. Ultimately, the study's summary, conclusion, and recommendations are provided in the fifth and final chapter.

This is shown by looking at independent influences on the net interest margin, the dependent variable. An important part of the organization's decision-making process is played by the board members. The board of directors decides on items such as dividend payments, acquisitions and mergers, new policy implementation, business operations expansion or contraction, and other things. Increasing the proportion of independent directors on boards can also lead to better performance.

Apart from advocating for the interests of minority shareholders, independent directors play a crucial role in management by providing the board with impartial and objective perspectives and guiding the banks towards sound financial and governance practices. In the absence of independent directors, aggressive and profit-driven directors may make decisions that endanger stakeholders and common shareholders. Since increasing earnings per share is correlated with better bank performance as demonstrated by rising return on equity and net interest margin, banks should also be aware of their earnings per share. It is assumed that companies are operating profitably and considering the interests of their shareholders when they distribute profits to general shareholders. The analysis also showed that a bank does not need to have larger capital and reserves in order to achieve financial performance. The study addressed the question of whether banks managed to function effectively in spite of many operational difficulties throughout the period of national

transition. The data show that the average return on assets is 1.7% and the average net interest margin is 23.4%. This demonstrates that the bank was prosperous despite the country's unfavourable political, economic, and technological circumstances. The research on corporate governance and financial performance in the context of Nepalese banks has been beneficial to a number of organisations, including the central bank of Nepal, commercial banks and other financial institutions, emerging academics, and other non-financial groups. The relationship between the independent and dependent variables was ascertained with the use of regression and correlation analysis of the data.

There is a positive association between the independent directors and bank performance measures like ROE and NIM. However, there is a shaky positive correlation. This finding suggests that in order to achieve greater performance, the number of independent directors should be raised to the maximum. Return on equity and net interest margin have a positive correlation with the capital adequacy ratio. There is a strong positive correlation with ROE but no discernible relationship with the net interest margin. Earnings per share are positively correlated with return on equity and net interest margin.

However, there is a shaky positive correlation. This finding suggests that in order to achieve greater performance, the number of independent directors should be raised to the maximum. Return on equity and net interest margin have a positive correlation with the capital adequacy ratio. There is a strong positive correlation with ROE but no discernible relationship with the net interest margin.

## **5.2 Conclusion**

The primary objectives of this study were to determine the corporate governance of the commercial bank in Nepal and the relationship between perceived performance and other characteristics such as responsibility, accountability, discipline, transparency, and fairness. The analysis that was done indicates that there is a relationship between the corporate governance parameters and perceived performance. The results indicated that giving corporate governance a priority could improve a commercial bank's overall performance.

The study's result also shows that Female Directors, Size, and EPS have a modestly negative impact on the success of Commercial banks' enterprises. Size, a proxy for assets, and Female Director have a negative and statistically significant link ( $P > 0.5$ ), according to

a correlation research, with a correlation value of -0.508 at the one percent significance level. It suggests that Size increases in tandem with the number of female directors.

Female Director also has a statistically significant negative correlation with revenue as a proxy for revenue. It suggests that when revenue increases, liquidity decreases. Additionally, there is a strong and negative correlation between SIZE and Size. There is also a positive link between ROA and SIZE. Similarly, ROA is negatively impacted by liquidity, firm size, and growth rate; yet, even at the 10% significance level, ROA is not significant. Additionally, size and revenue have a positive impact on ROA; at the 5% and 10% significance levels, respectively, size and revenue are statistically significant. As a result, there is a linear relationship between SIZE and business growth rate, fixed asset value, revenue, and liquidity.

The most common problems with corporate governance in businesses are basically the lack of a board of directors, comparable problems with management, and employee discontent with the efficiency of the audit committee. The bank employee also thinks that rules are not followed when conducting board meetings. Even though the bank has a documented code of conduct, it is not performing up to par. The study that has been provided demonstrates the importance of corporate governance, particularly for banks as it grants them considerable control over information dissemination.

Firm size is significant at the 5% level, whereas GDP and Female Director have a statistically insignificant effect even at the 10% level of significance, much as company size has a negative impact on SIZE. Similar to each other, revenue and leverage both positively affect SIZE; however, at a 10% significance level, revenue does not alter statistically substantially, although leverage does. As a result, there is a linear relationship between SIZE and corporate leverage ratios, GDP, sales, and size, as well as female directors.

### **5.3 Implications**

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

- The sole focus of this investigation was the five corporate governance categories and/or variables. Further investigation into this relationship may reveal other variables that

potentially impact perceived performance and corporate governance in addition to those examined in this study.

- This study's sample, which came from a commercial bank, cannot be applicable to manufacturing firms, financing corporations, or other development banks.
- Because this is purely an academic study, the sample size is small. For professional research, a higher sample size is advised to reduce error and improve the findings' generalizability.
- The Kathmandu Valley was the sole study area. Research may be conducted nationwide in order to increase its validity and utility. To effectively ascertain the effects of the banking sector in Nepal, it is recommended that future studies utilize a larger sample of participants that includes members of the whole banking business.
- Firm size and capital volume have a negative effect on the life insurance premium for commercial banks, indicating that avoiding excessive debt is a good way to maximize asset return.
- The research endeavors will analyze their risk and resource allocation strategies, thereby influencing the variables that affect life expectancy. Commercial banks' effects on risk-management strategies.

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## **Abbreviations**

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

## Abstract

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

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

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## APPENCIDES

### APPENDIX- I

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

(Rs.in Million)

Fiscal Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
EPS	46.2	40.7	30.9	29.3	29.3	35.7	26.4	17	22	20.7
NIM	1.91	1.77	1.25	0.68	0.83	1.36	2.78	2.91	2.46	1.49
CAR	11.49	11.27	11.9	14.92	13.02	12.66	13.26	13.54	14.71	15.96
LN Size	42.4	44.8	45.6	46.4	48.8	63.6	59.1	56.3	60.3	60.8
Ethnical	12	10	9	8	9	11	10	10	8	8
Female Dir.	4	2	1	3	3	4	1	2	2	2
ROA	2.6	2.3	1.9	2	2.1	2.13	1.79	1.19	1.56	1.55
Board Size	9	9	7	7	11	9	9	8	8	8

(Source: Annual Report of Nepal Investment Mega Bank)

#### Essential Information of Laxmi Sunrise Bank Limited

(Rs.in Million)

Fiscal Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
EPS	15.46	11.03	19.27	23.94	16.76	18.13	20.94	15.16	15.25	19.39
NIM	3.74	4.94	2.9	1.22	1.37	1.24	1.03	1.86	1.39	1.3
CAR	11.8	11.49	11.11	12.05	14.47	13.38	13.22	14.38	13.41	12.35
LN Size	38.21	42.26	43.27	45.5	45.25	55.99	59.84	61.13	63.43	67.34
Ethnical	12	11	8	7	10	12	13	12	8	11
Female Dir.	0	1	1	2	2	2	4	3	2	2
ROA	1.19	0.83	1.26	1.62	1.61	1.78	1.8	1.17	1.05	1.15
Board Size	9	9	9	9	8	8	9	9	8	7

(Source: Annual Report of Laxmi Sunrise Bank Limited)

## Essential Information of Rastra Banijya Bank Limited

(Rs.in Million)

Fiscal Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
EPS	21.79	21.38	54.07	27.42	32.32	30.26	56.04	48.61	37.27	34.85
NIM	5.32	6.38	5.35	4.25	3.77	4.75	4.59	4.08	3.23	2.09
CAR	2.94	4.62	10.16	10.46	10.39	11.46	13.39	12.64	13.46	13.29
LN Size	43.89	44.98	50.95	52.88	46.96	31.48	30.57	24.53	22.45	18.92
Ethnical	10.22	9.1	8.23	8.32	7.78	9.2	8.97	9.63	6.99	7.93
Female Dir.	15.78	19.38	14.48	14.09	9.6	5.29	6.44	7.32	3.54	7.32
ROA	1.26	1.47	3.22	1.42	1.6	1.42	2.23	1.64	1.1	1.3
Board Size	7	7	7	9	11	11	10	8	8	8

(Source: Annual Report of Rastra Banijya Bank Limited)

## Essential Information of Agricultural Development Bank Limited

(Rs.in Million)

Fiscal Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
EPS	45.09	59.03	35.19	78.83	52.79	36.91	42.88	31.45	29.13	14.41
NIM	8.98	5.85	5.46	5.35	4.36	3.5	3.29	2.84	1.88	2.09
CAR	19	16.34	14.93	13.9	17.16	20.33	20.37	19.29	16.94	15.59
LN Size	42.11	40.45	42.19	42.28	42.47	28.88	24.72	21.87	33.67	28.07
Ethnical	4	7	7	9	11	13	13	13	11	10
Female Dir.	4	4	5	2	2	2	2	3	2	2
ROA	2.9	2.97	1.76	0.93	0.58	2.71	2.77	1.86	1.59	0.9
Board Size	7	7	7	7	8	8	8	9	7	7

(Source: Annual Report of Agricultural Development Bank Limited)

## Essential Information of Kumari Bank Limited

(Rs.in Million)

Fiscal Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
EPS	18.89	-33.46	17.27	17.24	8.71	15.19	28.38	13.94	14.93	19.4
NIM	6.6	6.01	5	5.1	5.56	4.38	4.05	4.38	3.45	3.19
CAR	16.42	11.67	13.93	13.83	16.07	17.18	16.54	14.2	13.26	11.72
LN Size	2.65	-3.2	8.97	8.82	8.95	9.61	6.94	12.99	39.18	17.58
Ethnical	10	10	10	10	9	9	8	8	8	8
Female Dir.	2	2	2	3	2	1	0	0	1	1
ROA	3.22.4	2.8	2.7	2.41	2.62	3.11	1.49	1.87	2.11	2.31
Board Size	7	7	9	9	9	11	8	9	9	9

(Source: Annual Report of Kumari Bank Limited)

## Essential Information of Sanima Bank Limited

(Rs.in Million)

Fiscal Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
EPS	6.04	15.13	19.28	24.47	32.55	26.31	21.22	28.22	20.18	23.94
NIM	5.72	12.58	15.09	18.19	22.69	14.39	18.67	23.2	16.09	18.54
CAR	37.25	17.18	33.09	22.68	23.04	16.38	15.27	12.33	16.35	20.26
LN Size	2.44	4.05	2.47	3.79	2.11	3.71	4.32	6.05	4.12	3.69
Ethnical	8	8	8	11	11	9	9	9	10	10
Female Dir.	1	0	3	3	1	0	0	2	2	2
ROA	0.89	1.39	1.46	1.55	1.78	1.86	1.85	2.07	1.41	1.44
Board Size	7	7	7	7	9	9	8	9	9	9

(Source: Annual Report of Sanima Bank Limited)

## Essential Information of Nabil Bank Limited

(Rs.in Million)

Fiscal Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
EPS	83.23	91.05	76.12	57.24	59.27	59.86	51.84	50.57	36.16	33.57
NIM	7.38	5.79	4.34	2.29	2.56	4.33	6.08	7	4.84	3.12
CAR	30.25	32.78	27.97	22.73	25.61	26.65	20.94	17.76	13.61	15.19
LN Size	11.05	11.2	11.38	11.66	11.76	11.85	12.04	12.21	12.38	12.58
Ethnical	8	8	7	9	9	8	8	9	7	9
Female Dir.	1	1	2	2	1	1	1	0	2	1
ROA	3.25	2.89	2.06	2.32	2.69	2.61	2.11	1.58	1.71	1.2
Board Size	9	9	9	7	9	7	7	9	11	11

(Source: Annual Report of Nabil Bank Limited)

## Essential Information of Nepal Bank Limited

(Rs.in Million)

Fiscal Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
EPS	198.53	18.08	7.48	44.59	38.77	39.98	26.99	20.68	23.43	17
NIM	22.53	9.6	11.55	17.46	18.81	4.06	4.53	4.19	3.49	4.17
CAR	-0.59	4.55	7.49	10.2	14.47	16.8	17.01	16.8	15.05	16.81
LN Size	10.98	11.17	11.26	11.39	11.55	11.63	11.83	12.05	12.16	12.31
Ethnical	7	8	7	8	8	9	9	8	7	7
Female Dir.	2	2	1	3	2	2	1	1	2	3
ROA	0	0.01	0.01	0.01	0.03	0.03	0.02	0.02	0.01	0.01
Board Size	7	7	8	7	8	9	9	9	8	8

(Source: Annual Report of Nepal Bank Limited)

## Essential Information of Himalayan Bank Limited

(Rs.in Million)

Fiscal Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
EPS	34.19	33.1	33.37	43.03	33.55	23.11	32.44	27.6	28.07	18.26
NIM	-338.98	43.96	13.35	29.41	13.82	11.90	5.88	5.95	13.29	17.85
CAR	11.55	11.23	11.14	10.84	12.15	12.46	12.6	14.89	13.89	11.75
LN Size	2.45	2.42	2.41	2.38	2.5	2.52	2.53	2.7	2.63	2.46
Ethnical	7	9	9	10	9	9	8	10	10	9
Female Dir.	4	4	2	2	3	3	3	2	3	4
ROA	1.54	1.3	1.34	1.94	2.03	1.67	2.21	1.79	1.68	1.09
Board Size	8	8	8	8	8	9	9	9	7	9

(Source: Annual Report of Himalayan Limited)

## Essential Information of Everest Bank Limited

(Rs.in Million)

Fiscal Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
EPS	88.55	91.88	86.04	78.04	40.33	32.48	32.78	38.05	29.71	19.91
NIM	15.19	16.91	24.27	16.16	16.52	17.75	18.56	14.43	18.5	6.5
CAR	11.67	17.32	30.58	27.17	83.94	41.66	20.23	17.5	22.72	37.06
LN Size	10.93	11.09	11.16	11.5	11.64	11.67	11.88	12.04	12.13	12.26
Ethnical	8	8	9	9	9	8	8	8	9	9
Female Dir.	2	2	2	4	4	3	4	3	3	3
ROA	2.39	2.25	1.85	1.85	1.83	1.97	1.94	1.42	0.89	1.13
Board Size	7	7	7	8	7	9	9	9	10	10

(Source: Annual Report of Everest Bank Limited)

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Abstract The interaction between

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

direction is known as corporate governance. It also covers the interactions between the stakeholders and the objectives that guide

the corporation's governance. The study mainly aims