

CORPORATE GOVERNANCE AND FIRM PERFORMANCE

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment
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by

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Corporate Governance and Firm Performance**”. 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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Ujjwal Nepal

REPORT OF RESEARCH COMMITTEE

Mr. Ujjwal Nepal has defended research proposal entitled “**Corporate Governance and Firm Performance**”, 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 Dr. Pitri Raj Adhikari and submit the thesis for evaluation and viva voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled “**Corporate Governance and Firm Performance**” presented by Ujjwal Nepal 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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This study entitled “**Corporate Governance and Firm Performance**” 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 profitability of commercial banks in Nepal.

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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
ROE	:	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

Corporate governance refers to the dynamics among shareholders, the board of directors, and top management in determining a corporation's performance and strategic direction. It also includes the relationships with stakeholders and the guiding objectives for governance. This study primarily aims to identify the dimensions that represent corporate governance and banking performance, and to explore the relationship between them. Specifically, it seeks to analyze how corporate governance influences the performance of commercial banks in Nepal. A descriptive and informal research design was utilized for this study, along with a causal research design to elucidate the relationships between various variables and their causes.

The survey includes 20 commercial banks, with 10 selected for the study. Findings indicate that board size, earnings per share, and the presence of female directors negatively influence ROA and ROE. While board size shows statistical significance, earnings per share and the number of female directors do not. Additionally, ethnic group and the capital adequacy ratio positively affect ROA and ROE, with the latter demonstrating a statistically significant positive impact on performance. Therefore, the ethnic group is also significant. Consequently, a linear relationship exists between ROA, ROE, and the factors of board size, earnings per share, ethnic group, capital adequacy ratio, and female directors.

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

CHAPTER I

INTRODUCTION

1.1 Background of the study

The concept of corporate governance refers to how businesses are led and managed. Without it, companies would struggle to be responsible to their diverse stakeholders. Many scholars consider corporate governance to be a crucial, central element of business leadership. Amarnath (2014), corporate governance serves as a framework for directing and managing organizations and companies.

The relationship between shareholders, the board of directors, and top management in shaping a corporation's performance and strategic direction is referred to as corporate governance (Wheelen & Hunger, 2006). It also involves the interactions between stakeholders and the objectives that drive the corporation's governance. The primary stakeholders are the board of directors, management, and shareholders, while other stakeholders include employees, suppliers, customers, regulators, the environment, and the broader community. Governance can be described as the effectiveness, accountability, and transparency of an institution's operations, ensuring the protection of stakeholders' interests. Over time, modern corporate governance standards have evolved, with various organizations establishing specific codes of best practices. The principles of effective corporate governance are defined by frameworks such as the Basel Code of Corporate Governance and the OECD Code of Corporate Governance. These principles generally encompass the responsibilities of the board, directors, chairpersons, CEOs, senior management, auditors, shareholders, and regulators, addressing key issues such as accountability, internal control, related party transactions, conflicts of interest, and information disclosure (Cabraal, 2014).

For corporate entities to achieve their objectives concerning their stakeholders, they integrate best practices and company policies, a process referred to as corporate governance. Economics also encompasses the analysis of challenges arising from the division of ownership and management. The framework of corporate governance defines the guidelines and processes for decision-making in corporate matters, as well as the

distribution of rights and duties among different stakeholders, such as shareholders, board members, and others (Pradhan & Adhikari, 2011).

The term "corporate governance" has developed to represent both ethical and unethical dimensions. Its non-ethical aspects encompass strategic planning, efficient resource distribution, and timely decision-making, among other things (Monks & Minow, 2011). From an ethical perspective, robust corporate governance is now seen as fostering an environment that is inherently moral and, at the same time, practically beneficial, as ethical business practices lead to favorable commercial outcomes (Francis, 2003). The linkages here include due diligence, the duties of directors, and the overall enhancement of corporate responsibility. Corporate performance, a central concept in business management, refers to the effective use of an organization's material, financial, and human resources to achieve its key objectives. This sustains the company's operations while increasing the potential for future growth.

Enhanced investor confidence in the nation's economy is likely to result from robust corporate governance. This governance involves building credibility, ensuring accountability and transparency, and maintaining effective communication of information, all of which contribute to better business performance. Consequently, upholding strong corporate governance principles is crucial for every sector, including services. Today, corporate governance is widely seen as a key factor in cultivating trust within organizations. This is particularly significant for banks, which manage public funds; losing investments can lead to bank failures, severely affecting the national economy. Studies by Grossman (2005) and Bernanke (2003) demonstrate that bank collapses can have lasting negative consequences on economic activity, including reduced income, slower wage growth, higher poverty rates, and increased unemployment. Corporate citizenship is not an end in itself but a means to achieve financial stability, sustainable growth, and economic efficiency. Strong governance can, in turn, drive strong performance.

Corporate governance holds a pivotal position across all economic sectors, particularly within the banking industry. The effectiveness of corporate governance in banking not only affects individuals working in the sector but also has the capacity to drive or impede the national economy (Hambrick et al., 2008). Katrodia (2016) emphasizes that a nation's

economic performance is closely tied to the stability of its financial system. The 2008 global financial crisis, triggered by the collapse of major US banks, had far-reaching effects, including disruptions in the management of pension holders' income security. Inadequate governance led to the downfall of the American financial system, sparking a crisis that impacted economies worldwide. Mareinkowska (2017) adds that weak financial institutions are a key factor in triggering global crises.

This study explores the connection between the size of the board, female representation, earnings per share, capital adequacy ratio, ethnicity, and bank size. Additionally, it investigates how board size, female directors, earnings per share, capital adequacy ratio, ethnicity, bank size, return on assets, and net interest margin influence return on assets and net interest margin.

1.2 Problem statement

After the financial crisis impacted the USA, Brazil, Thailand, and several other nations, banks and financial intermediaries have become central to the discussion. A key structural cause of the crisis was the deterioration of their asset portfolios, primarily due to ineffective credit management (Sanusi, 2010). Poor governance plays a significant role in this problem.

Recent literature has highlighted corporate governance in developing nations, recognizing its significance for the growth potential of these economies. Additionally, research indicates that noise trading affects the markets in these regions more than fundamental factors do (Claessens & Yurtoglu, 2012). Given that these markets are generally less efficient, there is a greater need for robust corporate governance.

The significance of corporate governance is widely acknowledged. There is considerable debate regarding the effectiveness of governance structures, even within developed market economies (Pradhan & Adhikari, 2011). This study aims to explore the connections between corporate governance factors and those affecting bank performance. Specifically, it investigates the relationship between corporate governance variables such as bank size, earnings per share, capital adequacy ratio, board member size, and the number of independent directors and the firm size and net interest margin.

Safeguarding domestic investors is equally crucial as addressing the needs of global investors in the realm of effective corporate governance. Unlike foreign investors, who possess advanced strategies to mitigate overall portfolio risk, domestic investors are often tied to local markets and face the potential loss of their life savings when transparency is lacking and governance systems are ineffective. The principal-agent theory, highlighted by Jensen and Meckling (2003), is commonly viewed as a foundational aspect of discussions surrounding corporate governance. Various mechanisms have been proposed to tackle the principal-agent dilemma between management and shareholders. These governance strategies, rooted in agency theory, encompass shareholder rights, director ownership, CEO pay-performance sensitivity, as well as board size and composition. The agency theory suggests that smaller boards are preferable to minimize agency costs through effective management control; however, larger boards may lead to a greater potential for conflicts and disputes among members. Conversely, an alternative viewpoint favors larger boards, arguing that they can motivate managers to more diligently oversee debt costs since creditors view these companies as having superior financial accounting practices and performance (Poudel & Hovey, 2023).

Enhancing corporate governance can enable Nepal and other developing countries to reach several important public policy objectives. Effective corporate governance leads to strong property rights, reduced transaction and capital costs, decreased vulnerability to financial crises in emerging markets, and the encouragement of capital market growth. On the other hand, ineffective corporate governance undermines investor confidence and may discourage foreign investment.

Nepal Rastra Bank (NRB), the nation's central bank, has consistently aimed to improve bank governance by revising and modifying rules and guidelines. Among the recent comprehensive directives are recommendations intended to ensure better governance in banks, which include guidelines for stress testing and CEO compensation.

Despite the presence of rules and regulations, effective corporate governance remains challenging, as unscrupulous individuals continually discover new methods to embezzle public funds. Organizations in Nepal still do not foster a culture of effective administration and often disregard the public's interests. The boundaries between ownership and management remain ambiguous. There is a notable issue in Nepal with

directors and employees participating in fraudulent activities (Khatriwada, 2015). For instance, the CEOs of KIST Bank (2013) and H & B Bank (2012) faced allegations of misappropriation. Similarly, NABIL (2011) and Himalayan Bank (2012) were implicated in employee theft involving ATM PIN numbers. Such incidents have undermined public trust in banks regarding the safety of their funds (Khatriwada, 2015). To cultivate a greater sense of safety and trust within the community, a focus on strong governance is essential. Effective governance in banks can lead to increased consumer deposits and enhanced profitability. The following research questions have been formulated for this study, reflecting the background and literature reviewed:

- i. What is the status of corporate governance and banking performance?
- ii. Is there any relationship between corporate governance and bank performance?
- iii. How does the corporate governance impact on bank performance of Nepalese commercial banks?

1.3 Objectives of the study

Finding the relationship between governance elements and bank performance is the study's main goal. This study's goal can be expressed as

- i. To assess the status of corporate governance and banking performance in Nepal.
- ii. To examine the relationship between corporate governance and bank performance in Nepal.
- iii. 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:

H₁: Female Director (BM) significant negative relation to the bank performance.

H₂: Board directors is significant positive relation to the bank performance.

H₃: ROA is significant negative relation to the bank performance.

H₄: Bank size is significant positive relation to the bank performance.

H₅: There is significant positive relationship between capital adequacy ratio and bank performances.

H₆: There is significant positive relationship between EPS and bank performances.

1.5 Rationale of the study

Research into corporate governance and bank performance is essential due to their connection with the economy. Numerous studies have revealed a direct relationship between an organization's performance and the effectiveness of its governance. Consequently, strong governance contributes to an organization's success, while poor governance can hinder it. The factors influencing governance vary based on the type of organization and its industry, and these factors also have differing impacts on the organization. Thus, it is vital for banks to recognize which variables exert a greater or lesser influence on their performance. Recent academic research and policy debates in Nepal have concentrated significantly on governance issues.

For instance, Paudel and Hovey (2013) analyzed the impact of corporate governance on the productivity of 20 Nepalese commercial banks. The research indicates that commercial banks function more effectively when they have larger boards and audit committees, hold board meetings less frequently, and have a lower share of institutional ownership. Consequently, a secondary objective of this study is to examine how different elements of good governance influence bank performance. To evaluate their effects on return on assets (ROA) and net interest margin, independent variables such as bank size, earnings per share, capital adequacy ratio, gender diversity on the board, and the presence of female directors are analyzed. By focusing on the connection between corporate governance factors and performance metrics, this study aims to ensure that banks can achieve optimal performance. The findings can help banks maintain an adequate number of board members and ensure the inclusion of an independent director.

1.6 Limitations of study

The following are the limitations of this study:

- As of May 2024, the country has a total of 20 commercial banks, but this study focuses on only 10 of them, excluding the rest.
- The study includes independent variables such as board member size, the presence of female directors, earnings per share, capital adequacy ratio, ethnic group, and bank size. However, it omits other factors like the number of board meetings, the count of female directors on the board, the age period, and the number of members in the management team.

- The study use two dependent variables to develop a relationship. There are other dependent variables such as return on assets that can be taken for study.
- The sample banks selected for the study consist solely of commercial banks, which means that the relationship between the dependent and independent variables may differ for development banks, microfinance institutions, and other non-financial organizations.
- The data collected for the study are for the period of 2013/14 to 2022/23.
- It is important to highlight that the study exclusively relied on secondary data. Primary survey data were not included, resulting in findings that lack breadth and flexibility. The study's conclusions are confined to the information found in the annual reports of the selected banks.
- The entire study relies on secondary data and available information. Consequently, the reliability of the findings and conclusions hinges on the dependability of the secondary data and information utilized.

CHAPTER II

LITERATURE REVIEW

This chapter focuses on a review of the theoretical, conceptual, and empirical studies conducted by various scholars over time related to this topic. It emphasizes the literature available on the subject based on my understanding, previous research, and relevant studies, including articles and theses. Consequently, the first section addresses the theoretical review, the second section covers the conceptual review, and the third section pertains to the empirical review, concluding with a discussion of the research gap.

2.1 Theoretical review

The term governance, like "government," is derived from the Greek word "kubernao", meaning "to steer." In the 1990s, a political scientist and economist introduced the term "governance," which gained traction through support from institutions such as the World Bank, IMF, and UNO. The foundations of numerous governance theories as a process can be traced back to neoclassical economics. These theories developed deductive models based on the principles of the modern economy, aimed at elucidating how national actors have formed and sustained both informal entities, such as networks and commons governance practices, and formal organizations, including states and corporations.

Assimilation theory

Hawley and Williams (1998) conducted a literature review on corporate governance as part of a background study for the Organization for Economic Cooperation and Development. Their research identified four types of cooperative governance theories in the United States: political, stakeholder, stewardship, and simple finance models, commonly referred to as agency theories. Among these, stakeholder, agency, and stewardship theories were essential and fundamental to corporate governance. Most issues in corporate governance centered on shareholders and management, with differing ideas and viewpoints leading to governance challenges. Below is a brief overview of the four theories identified by Hawley and Williams.

Simple finance model / agency theory

This perspective suggests that the primary challenge in corporate governance is establishing incentives and regulations that effectively align the actions of managers

(agents) with the preferences of owners. Instead of being dictated by the legal or regulatory framework of the host country, the rules and incentives within the financial model are shaped by the corporations themselves. It is presumed that managers tend to prioritize their own interests over those of shareholders, acting opportunistically, which gives rise to this problem. The conflicts between managers and owners have been termed agency issues, which contribute to poor governance within the organization and increase agency costs. Consequently, agency theory emerged to address potential problems in the agency relationship and to explain the interactions between principals and agents within the organization.

Stewardship theory

The stewardship theory posits that managers aim to maximize corporate profits and returns for shareholders because they act as responsible stewards of the company. This perspective highlights the social and professional prestige associated with management. Here, managers are seen as motivated by a drive for success and a sense of intrinsic satisfaction from overcoming challenges. To earn respect from their superiors and peers, they leverage their authority and fulfill their responsibilities effectively. From this standpoint, having non-executive directors on the board is essential for ensuring strong governance within the organization.

Stakeholder theory

Operating within the larger context of the host society, which provides the necessary legal and commercial framework for its activities, the firm consisted of a network of stakeholders. The primary objective of a company was to create value or wealth for its investors by converting their investments into products and services. Therefore, maximizing the overall wealth of the firm should be the focus of managers and directors. The central aim of this concept is to enhance the firm's value, rather than prioritizing the interests of managers or organizations themselves. To achieve this, it was essential to align the interests of key stakeholders with those of external or passive shareholders and to provide ownership-like incentives to employees who played a crucial role in delivering specialized contributions. This perspective suggests that businesses should have long-term owners and encourage the involvement of key clients, partners, staff members, and community leaders on their boards (Freeman, 1984).

Political theory

The political model recognizes that the government determines how company profits, privileges, and power are allocated among owners, managers, and other stakeholders. Additionally, the corporate sector influenced the capacity of corporate stakeholders to change the distribution of micro-level power among themselves. The development of corporate governance was greatly shaped by the political governance paradigm.

2.2 Empirical review

Dawood (2023) researched on contribution the effect of corporate governance on firm performance in Pakistan. The research investigates the impact of corporate governance on the performance of businesses within Pakistan's commercial banking sector. Analyzing prior studies conducted between 1980 and 2021 reveals that factors such as board size, long-tenured CEOs, the independence and size of audit committees, foreign ownership, institutional holdings, annual preferred meetings, and dividend coverage positively influence the financial performance of Pakistani banks. To safeguard investors and enhance overall financial outcomes, banks have advocated for the adoption of robust corporate governance practices. Furthermore, the regulatory authority should facilitate the growth of commercial banks in Pakistan by implementing appropriate penalties for noncompliance and ensuring adherence to sound corporate governance principles. The study also aims to enhance corporate governance in other domains, such as the relationships between companies and their financial partners, compliance with societal demands regarding legality, ethics, and environmental standards, as well as the rights and responsibilities of different stakeholders in a company's management. This aspect represents a significant contribution to the existing body of knowledge, greatly enhancing the study's understanding of the interpretations of corporate governance in relation to organizational success.

Jebran and Chen (2023) conducted a study on Can we learn lessons from the past? COVID-19 crisis and corporate governance responses, by using various corporate houses for the period in COVID-19. The research examines how corporate governance practices can assist businesses during the COVID-19 pandemic. To accomplish this, it evaluates articles from leading business journals to extract insights from previous crises and identifies key governance practices that can be beneficial in addressing the current

situation. A comprehensive literature review uncovers several governance strategies that may help businesses tackle the challenges posed by COVID-19. Examples of these governance elements include risk management committees, diverse boards, independent directors, foreign investors, institutional ownership, ownership concentration, the CEO's multiple roles, block ownership, and family ownership. Following the review of the corporate governance literature, the analysis presents several policy implications. The findings indicate that companies could be influenced by at least one of the identified governance mechanisms and may recognize the value of these characteristics during the COVID-19 crisis. By comparing different governance attributes throughout the pandemic, the study highlights independent risk management committees, institutional ownership, board independence, block holders, and family ownership as critical and effective governance practices.

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, utilizing eight indicators: firm size, age, leverage, CEO duality, ownership structure, audit committee independence, and firm growth. The evaluation of firm performance also considers firm size and return on assets. The research was conducted using data from the Pakistan Stock Exchange, focusing on a sample of 100 publicly traded non-financial companies. Data spanning ten years, from 2013 to 2022, was collected and analyzed using appropriate statistical methods. The results reveal that a firm's success is influenced by several factors, including its size, age, sustainable growth, strong audit committee independence, streamlined board composition, low leverage, and the presence of CEOs who hold multiple board positions. Additionally, high leverage negatively impacts profitability, particularly during periods of elevated interbank offered rates. These insights are important for practitioners, corporate regulators, and researchers. It is also suggested that further investigation is necessary to fully comprehend how additional corporate governance index indicators affect firm success.

Khanal (2023) examined a study on corporate governance and its impact on financial performance of Nepalese commercial banks by using commercial banks in Nepal for the period of 10 years. This research seeks to explore the connection between corporate governance structure and the performance of banks. The conceptual model of the study,

grounded in assessments of previous research, focuses primarily on the impact of board structure and processes, along with audit committee practices, on bank performance. To gather primary data, a questionnaire was distributed to employees, and the results were analyzed using percentage calculations. Further examination was conducted using regression analysis, correlation analysis, and descriptive statistics to assess the mean and standard deviation. The dependent variables considered include banks' Firm Size (SIZE) and Return on Assets (ROA), while independent variables encompass corporate governance factors such as board size, board independence, audit independence and activity, and CEO duality. Board size, CEO duality, and corporate governance requirements are significant techniques that enhance banks' performance, ranked by their relative importance. There is substantial evidence supporting these findings. Specifically, corporate governance practices that tend to boost performance include board independence, CEO duality, and audit committee independence. This indicates that enhancing any of these factors is likely to lead to improved bank performance. Additionally, the research advocates for banks to elevate their corporate governance standards to ensure the financial industry's stability. It further suggests that by implementing transparent and high-quality disclosure, banks can establish equitable corporate governance practices, thereby increasing investor confidence and attracting more capital.

Musa and Yahaya (2023) researched on corporate governance and firm value. This article examines how corporate governance influences the maximization of firm value among 134 companies listed on the Nigerian Exchange Main Board over a decade (2013–2022) utilizing the Generalized Method of Moments. The study employed panel data manually sourced from the annual reports and accounts of the selected firms. Data processing was conducted using STATA 15.1. The results reveal that factors such as concentrated ownership, board size, audit committee size, remuneration committee size, audit quality, and dividend yield do not significantly impact firm value; however, risk committee size, leverage, asset tangibility, profitability, and firm size do have significant effects. These findings are beneficial for market participants, managers, shareholders, creditors, and regulators. The study is limited by the sample size of 134 firms, and it is hoped that future research will encompass all 156 listed companies on the Nigerian Exchange. Further studies are also expected to identify additional significant corporate governance characteristics.

Tasya and Kusumaning (2023) conducted a study on the impact of corporate governance and firm performance on waste and effluent disclosure: Evidence from polluting industries in Indonesia. This study examined the influence of business performance and corporate governance—specifically factors like the audit committee, gender diversity on the board, board independence, and board focus—on waste and effluent disclosure in Indonesian companies that contribute to environmental pollution. The research utilized secondary data sourced from the annual and sustainability reports of these corporations from 2017 to 2021. A grading system aligned with the Global Reporting Initiative (GRI) Standard 306: Waste and Effluent was employed to assess waste and effluent disclosures. The focus was on companies listed on the Indonesia Stock Exchange across five polluting sectors: Paper and Paper Products, Chemicals, Oil and Gas, Metals and Mining, and Infrastructure, Utilities, and Transportation. The findings reveal that corporate governance significantly affects waste and effluent disclosure, influenced by factors such as the audit committee and board diversity. In contrast, no significant relationship was found between the waste and effluent disclosures of companies in polluting industries listed on the Indonesia Stock Exchange and their performance, as indicated by return on assets (ROA).

Alabdullah (2022) investigated on corporate governance system and firm financial performance. Drawing on the concepts, theories, and evidence from prior studies presented in the literature review on corporate governance and its mechanisms as an internal control system, this study examines the relationship between corporate governance systems and companies' financial performance from both theoretical and practical perspectives. The current research outlines several factors influencing corporate governance processes, such as CEO duality, independence, and board size, and their effects on financial performance. It emphasizes that effective corporate governance relies on robust internal control mechanisms and specific board characteristics. Previous literature has recognized that corporate governance frameworks contribute to improved financial performance. Consequently, this study highlights the crucial role of internal control mechanisms in enhancing business performance.

Boachie and Mensah (2022) examined a study on the effect of earnings management on firm performance: The moderating role of corporate governance quality. This research employs a dynamic framework to analyze the connection between financial performance

and earnings management in businesses across Anglophone sub-Saharan African countries. It reveals that effective corporate governance practices and overall transparency mitigate this relationship. The findings indicate that the effects of earnings management on performance persist even when considering unobserved time-invariant heterogeneity, simultaneity, and the dynamic endogeneity that are intrinsic to the relationship between earnings management and performance. The findings once again support the predictions of agency theory regarding the positive effects of adhering to internal governance systems based on best practices, which help to limit firms' earnings management techniques and enhance their performance. Additionally, the study reveals that the advantageous effects of earnings management on performance, highlighting efficiency-driven motivations for such practices in Africa, underscore the unique characteristics of the African context compared to other emerging markets that exhibit opportunistic motives. In terms of moderating factors, our research shows that high-quality corporate governance often strengthens the positive relationship between earnings management and the financial performance of organizations.

Huynh (2022) researched a study on does financial leverage mediates corporate governance and firm performance? This study examines the relationship between corporate governance and firm performance, factoring in financial leverage as a mediating variable, utilizing data from 150 firms over the period from 2011 to 2021. The data was obtained from financial statements within Pakistan's non-financial sector. The results reveal a connection between corporate governance and firm performance. Specifically, there is a positive correlation between board size and firm performance, indicating that a larger board is associated with better performance. Additionally, there is a strong positive correlation between board independence and company performance, as well as a favorable correlation between audit committee size and firm performance. The presence of female directors on the board is associated with enhanced business performance. There is a positive relationship between financial leverage and factors such as audit committee size, female directorship, and board independence. Corporate governance reallocates risk from shareholders to debt holders while protecting shareholder interests. The results suggest that corporate governance increases the cost of financial distress by elevating the debt ratio within financial leverage. Additionally, the connection between board independence and size with business performance is partly

influenced by financial leverage, whereas the link between audit committee size, female directorship, and firm performance is completely mediated.

Jesuka (2022) analyzed a study on corporate governance and firm performance: does sovereign rating matter? By using the 823 companies for the period of 2004 to 2018. This research examines the impact of corporate governance and sovereign ratings on the performance of Latin American companies between 2004 and 2018. A multilevel model with fixed and random coefficients was applied to analyze 823 companies, assessing how factors such as company characteristics, time, and country contribute to variations in performance. The study utilized return on assets and Tobin's Q as dependent variables, while governance was measured through board size, the dual role of the CEO and chairman, the dual role of the CEO and board member, a dummy variable for chairpersons who were former CEOs, as well as the presence of an audit committee, its independence, and the expertise of committee members. Latin American corporations demonstrated better performance when their home countries established more robust audit committee and board of directors protocols, as well as when their sovereign ratings were elevated. The role of sovereign rating varies based on the presence or absence of governance characteristics. Both governance and ratings could act as protective measures for investors. To the authors' knowledge, this study is the first to examine the influence of sovereign ratings on corporate performance within a Latin American framework. Additionally, incorporating governance metrics like the audit committee's expertise and the dummy chairman who previously served as CEO is a novel approach in Latin American research.

Guluma (2021) examined a study on the impact of corporate governance measures on firm performance: the influences of managerial overconfidence. By examining a Chinese publicly listed company as a case study, this research aims to explore the impact of corporate governance (CG) metrics on business performance and the influence of managerial behavior on this relationship. The study utilized various internal CG mechanisms, such as independent boards, dual board leadership, ownership concentration, and debt financing. Additionally, external CG processes included product market competition and debt financing. Corporate earnings estimates were employed to assess the degree of managerial overconfidence, while return on assets (ROA) and total quality (TQ) served as indicators of a company's performance. The researcher utilized

panel data from 11,634 samples of Chinese listed companies spanning from 2010 to 2018 to achieve the study's objectives. A system Generalized Method of Moments estimation model was employed to evaluate the proposed hypotheses. The findings revealed a significant positive relationship between ownership concentration and both product market competitiveness and firm performance, as indicated by ROA and TQ. Additionally, debt financing was found to have a significant negative association with both performance metrics (ROA and TQ), while dual leadership negatively impacted TQ. The empirical findings revealed that management overconfidence negatively affected the relationships among ownership concentration, dual leadership, and board independence with company performance. Conversely, excessive management confidence adversely influenced the connection between operational firm performance and debt financing, while also positively moderating the effect of debt financing on firm performance as measured by Tobin's Q. These findings contribute significantly to the existing literature. Thus, by shedding light on how managerial behavior influences the relationship between corporate governance practices and business performance in emerging markets, the study enriches the theoretical framework. As a result, the empirical outcomes of this study hold substantial managerial implications and are vital for decision-makers aiming to improve corporate governance in developing market economies.

Khatib (2021) conducted a study on the impact of corporate governance on firm performance during the covid-19 pandemic: evidence from Malaysia by using the 188 non-financial organization for the period of 2019 to 2020. This study focuses on evaluating how COVID-19 affected company performance and the characteristics of corporate governance. It utilized a sample of 188 non-financial firms from the Malaysian market during the 2019–2020 timeframe. The pandemic's influence on different business aspects, such as performance, governance structure, dividends, liquidity, and leverage levels, was observed. However, no statistically significant differences were found between the periods before and after the pandemic. The analysis revealed that the size of the board has a notable positive effect on the company's performance. However, when we divided the sample by year, it became evident that board diversity significantly enhanced firm performance during the crisis compared to the previous year, which had shown a negative correlation with performance across both indicators. In contrast, board size did not play a significant role during the uncertain period of the current crisis. Before and during the COVID-19 pandemic, company performance was adversely affected by the

frequency of board and audit committee meetings. This study contributes valuable empirical data regarding the impact of the coronavirus on business performance and its relationship with corporate governance, addressing a gap in the existing literature.

Koutoupis (2021) investigated on corporate governance and COVID-19: a literature review. This study seeks to examine the existing literature on corporate governance (CG), corporate social responsibility (CSR), and environmental, social, and governance (ESG) issues during the COVID-19 pandemic. It also addresses three research questions: What characteristics differentiate the CG literature related to COVID-19? What themes are prevalent in CG during the COVID-19 period? What are the primary future research areas concerning COVID-19 and CG? To achieve this, the authors undertook a comprehensive evaluation of 62 studies published in 2020, using three criteria to identify key themes in the literature on CG and the pandemic, as well as four criteria to discern the literature's distinctive features related to CG and COVID-19. To guide future research, the authors analyzed responses to the previously mentioned research topics along with recommendations from the studies they reviewed. Conclusions indicate that most of the research on corporate governance (CG) related to COVID-19 has taken place in industrialized countries and within specific theoretical frameworks. There is a need for more research across all nations—developed, emerging, and others—due to the inadequacy of accounting data. Additionally, there are inconsistent results regarding the significance of corporate social responsibility (CSR) and environmental, social, and governance (ESG) factors on financial performance. To gain a comprehensive understanding of the impact of COVID-19 on CG, future studies should employ diverse approaches and data sources.

Muharam and Atyanta (2021) researched on the effect of corporate governance on firm performance. The aim of this research is to analyze the effects of corporate governance practices on business performance. The sample for the study consisted of companies listed on the Indonesia Stock Exchange (IDX) from 2016 to 2019, totaling one hundred samples. Purposive sampling was utilized to select the participants. Data for the research was obtained from the companies' annual reports. The analysis was conducted using multiple regression techniques facilitated by IBM SPSS Statistics 25, a data processing software. The study's findings indicated that the number of independent commissioners, the audit committee, and institutional ownership positively and significantly influenced

Adjusted Tobin's Q. In contrast, management ownership and board size were found to have no effect on Adjusted Tobin's Q. Although leverage did not impact Adjusted Tobin's Q, firm size and age, as control variables, had a positive effect.

Haron (2020) analyzed a study on corporate governance and firm performance in an emerging market: The case of Malaysian firms. This research examines corporate governance practices in Malaysia and their influence on business performance. In response to the financial crisis of 1997–1998, there has been significant focus on corporate governance issues to enhance the flexibility and adaptability of the governance framework to various economic conditions. The study revealed that Malaysian companies have been heavily utilizing the MCCG as a guide to enhance their performance, drawing from a comprehensive dataset covering 16 years of observations. The company's performance is greatly influenced by certain corporate governance (CG) methods. It seems that businesses operate with a large board, indicating a positive link between board independence and performance. Additionally, the negative correlation between CEO duality and the separation of roles reinforces the positive connection between ownership structure and performance, along with the effects of board independence. Agency theory seems to be the dominant concept shaping the CG structures of Malaysian companies.

Hermuningsih (2020) conducted a study on corporate governance and firm performance: An empirical study from Indonesian manufacturing firms. The varying results may stem from employing multiple proxies to assess good corporate governance (GCG). Therefore, to enhance the comparability of empirical studies, a new unified metric should be utilized. This research aims to investigate the relationship between corporate governance and firm performance. A purposive sampling method, based on specific criteria, was used to include all manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2014 to 2016. Out of 144 qualifying organizations, 110 were processed because their financial statements from the research period contained complete financial data. This information was obtained from IDX's official websites. The study introduces a new corporate governance metric: the effectiveness of Good Corporate Governance (GCG). To calculate corporate governance, the outputs related to sales, assets, and firm equity capital are analyzed alongside the inputs of the corporate governance components. Utilizing financial data from companies listed on the Indonesian Capital Market, the study concludes that corporate governance significantly contributes to the company's

success. Importantly, the research substantiates and reinforces the new singular measure of GCG, making it essential to avoid the complications of various corporate governance indicators.

Bhagat and Bolton (2019) researched on Corporate governance and firm performance: The sequel. Director stock ownership is most consistently and positively related to future corporate performance. This discovery is highly relevant for long-term investors and public policymakers, who are deeply concerned with sustained company performance. It is crucial for researchers in corporate governance to consider director stock ownership as a measure of governance, as this will allow for better comparisons across studies. Our 2008 research, *Corporate Governance and Firm Performance*, analyzed data up to 2002, but this publication extends the sample period through 2016. With the addition of 14 more years of data, we conduct a rigorous test of the validity and strength of director stock ownership as an indicator of corporate governance beyond the original sample. This extended timeline also provides a deeper understanding of significant events such as the financial crisis, the Great Recession, Sarbanes-Oxley (2002), and Dodd-Frank (2010). Using a range of measures, estimation techniques, and sub-samples, we observe that during the out-of-sample period (2003–2016), director stock ownership consistently aligns with better future company performance. Particularly noteworthy for public interest are the top 100 U.S. financial firms in 2008. The findings that bank director ownership is positively linked to future bank performance and negatively linked to future bank risk, both before and during the financial crisis, are of special interest to senior bank regulators.

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 study is to assess the relationship between the dividend policies and corporate governance of Nepalese firms. Specifically, it explores how various factors—such as firm size, liquidity, CEO duality, return on assets (ROA), foreign ownership, board gender diversity, management ownership, and leverage—impact the dividend policies of Nepalese companies. The study utilizes secondary data from seven and fourteen commercial banks in Nepal, with the main sources of information being the annual reports of these banks. The analysis reveals a positive correlation between the dividend payout ratio and yield with both firm size and

foreign ownership. As firm size and foreign ownership increase, so does the dividend payout ratio, while smaller firms and lower foreign ownership percentages are linked to a decline in dividend yield. Additionally, the regression results indicate that institutional ownership negatively influences both the dividend yield and payout ratio.

Danoshana and Ravivathani (2019) researched on the impact of the corporate governance on firm performance: A study on financial institutions in Sri Lanka. Due to the worsening global economic crisis over the past three decades, scholars have extensively examined corporate governance issues. This research project aims to explore the influence of corporate governance on the performance of listed financial institutions in Sri Lanka and to recommend effective governance strategies to improve their performance. The study evaluates firm performance using return on equity and return on assets, while corporate governance is assessed through variables like the size of the board, the audit committee, and meeting frequency. Data from twenty-five listed financial institutions during the period 2008–2012 were analyzed, relying on secondary sources. The findings reveal that the size of the board and the audit committee positively impact firm performance, while governance factors significantly influence overall company outcomes. However, frequent meetings appear to negatively affect operations.

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. Due to the necessity of corporate governance compliance, research in this area is gaining increasing attention. Even though corporate governance has become mandatory, issues related to it are on the rise. Major scandals, such as those involving Enron, WorldCom, and the Indian Tata-Mistry dispute and Satyam fraud, have sparked interest among policymakers, investors, scholars, and other stakeholders. The model evaluates business performance indicators like the Price to Book ratio (PB ratio) and business size (SIZE), along with governance factors such as CEO duality, board size, and board composition. Additionally, certain firm-specific variables were included in the study, namely financial leverage, asset turnover, and sales growth. The research utilized a panel data OLS regression model to analyze the connection between corporate governance structures and business performance for a sample of thirty companies listed on the Bombay Stock Exchange. The results from the panel data analysis reveal that while board composition had no notable impact on firm performance, certain corporate governance elements—

specifically, CEO duality and board size—exert a significantly negative influence on company performance. The analysis highlights the need for effective monitoring processes to enhance company outcomes, suggesting that separating the CEO and chair roles is crucial for optimal performance. Additionally, the findings demonstrate a strong positive correlation between asset turnover, leverage, and company performance. However, the results may not be conclusive, as other corporate governance and performance factors should also be considered. Furthermore, it is worth exploring how the effects of corporate governance on firm performance may vary 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. The aim of this study was to evaluate the influence of corporate governance on the performance of firms listed on the Saudi stock exchange. The methodology involved using pooled data from the Saudi stock exchange (TADAUWL) covering the period from 2012 to 2014, with a sample of 171 listed companies. The study examined corporate governance principles as the independent variable, while firm performance, measured by Tobin's Q, SIZE, and ROA, served as the dependent variable. Additionally, five control variables were included to help analyze the relationship between corporate governance and firm performance. The study revealed that the governance level in the Saudi stock exchange was 61.4%, which is relatively high compared to previous studies. The test results indicated that corporate governance did not significantly affect the operational and financial performance of the listed companies. Furthermore, testing the Tobin's Q model showed that neither the largest shareholder's ownership nor board independence had a notable influence on market performance. However, board ownership and size were found to significantly impact firm performance.

Ahmed and Hamdan (2015) conducted a study on the impact of corporate governance on firm performance: Evidence from Bahrain Bourse. It is widely recognized that corporate governance plays a pivotal role in building investor confidence in both businesses and the broader economy. Promoting strong corporate governance standards is seen as essential for attracting investment capital, reducing risks, and enhancing a company's overall performance. This study aimed to analyze the influence of corporate governance practices on the performance of firms listed on the Bahrain Bourse. A review of previous literature

indicated that corporate governance positively impacts a company's performance. The study examined 42 out of 48 Bahraini firms listed on the Bahrain Bourse between 2007 and 2011. Descriptive findings showed that the sample firms adhered to 61.2% of corporate governance characteristics. Empirical results revealed a strong correlation between corporate governance and performance measures such as return on equity (ROE) and return on assets (ROA). However, corporate governance did not significantly affect earnings per share (EPS). Overall, the study found that corporate governance practices had a positive impact on the performance of all companies included in the Bahrain Bourse list.

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 explores the impact of corporate governance on business performance. The bank's performance is measured using return on assets and firm size as dependent variables. Corporate governance is represented by independent variables such as board size, total company assets, and the executive CEO. Data was sourced from the Bank and Financial Institution Act of 2063, NRB Directives, corporate governance-related bylaws, the Companies Act of 2063, as well as the Banking and Financial Statistics published by Nepal Rastra Bank, and the Bank and Financial Statistics supervision report. In addition, various published papers, reports, books, and magazines were reviewed. Information on compliance with corporate governance regulations was obtained from the Regulation and Supervision Department of Nepal Rastra Bank, the Company Registrar Office, and the relevant bank. The study uses multiple regression models to assess the significance 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. Due to the worsening global economic crisis over the past thirty years, scholars have extensively examined corporate governance issues. This research project aims to investigate the impact of corporate governance on the performance of listed financial institutions in Sri Lanka and propose suitable strategies to improve their performance. To achieve this, the study uses return on assets and company size as the key performance indicators. Corporate governance is assessed based on factors such as the audit committee, board size, and the number of meetings. A

sample of twenty-five listed financial institutions was selected for the period from 2008 to 2012, with data collected from secondary sources. The findings indicate that both board size and audit committee size positively influence company performance, while governance factors have a significant impact overall. However, frequent meetings negatively affect company operations.

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. The growth potential of an economy is believed to be greatly influenced by corporate governance. Implementing effective corporate governance practices is considered essential for reducing investor risk, attracting capital, and improving business outcomes. However, corporate governance structures vary across countries depending on their political, social, and economic contexts. Sri Lanka's thirty-year civil war ended in 2007. Despite expectations that the capital market would decline due to the war's harsh economic impact, this was not the case. In fact, stock prices rose significantly. In 2003, the government introduced corporate governance standards for listed companies. This essay argues that there was a connection between the corporate governance initiative and improved business performance from 2003 to 2007. This study examined the relationship between firm performance and corporate governance practices. Data were collected from the annual reports of 37 companies, selected from The Lanka Monthly Digest 50 (LMD)'s list of the top 50 listed companies, for the years 2003 and 2007. Variance analysis and Spearman's correlations were utilized to evaluate the data. The findings confirmed that factors such as company size, board composition, board committees, and performance—as measured by Tobin's Q—were all positively correlated with governance practices, including separate leadership, board structure, and firm performance. These relationships indicate that companies have embraced corporate governance practices, resulting in enhanced profitability and successful share prices.

Wu (2009) investigated a study on the effects of corporate governance on firm performance. This study examines the influence of corporate governance on business performance by analyzing eight financial institutions over an eleven-year period. To assess company performance, it utilizes return on assets, stock return, and Tobin's Q as key metrics. The empirical findings reveal that factors such as board size, CEO duality,

stock pledge ratio, and the discrepancy between voting rights and cash flow rights negatively and significantly impact company performance. In contrast, insider ownership and board independence are positively and significantly associated with corporate 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 revealed a notable enhancement in understanding corporate governance in relation to a company's overall success.
2	Jebran and Chen (2023)	Risk management committees, Board diversity, Independent directors, Foreign investors, Institutional investors, Concentrated ownership	Literature Review Method	It was found that businesses may be influenced by one or more identified governance mechanisms and could realize the benefits of these governance traits during the COVID-19 crisis. By examining different governance attributes throughout the pandemic, our research indicates that key and effective governance practices include independent risk management committees, institutional ownership, board independence, block holders, and family ownership.
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 findings demonstrate that factors such as larger company size, younger firms, sustainable growth, strong independence within audit committees, a streamlined board size, moderate leverage, and CEOs serving on multiple boards positively impact a firm's success. However, high levels of leverage have been shown to adversely affect a company's profitability, especially in periods of elevated interbank offered rates.

4	Musa & Yahaya (2023)	Risk committee size, leverage, asset tangibility, profitability and firm size	Regression Analysis	The results highlight that firm value is strongly influenced by factors such as the size of the risk committee, leverage, asset tangibility, profitability, and the overall size of the firm. In contrast, no significant effects were observed for concentrated ownership, board size, audit and compensation committee sizes, audit quality, or dividend yield on the company's value.
5	Tasya & Kusumaning (2023)	board diversity, independence, board attention, and audit committee – and firm performance.	gender scoring method based and Regression	The study's outcomes reveal that waste and effluent disclosures are meaningfully affected by corporate governance factors, including the audit committee, gender diversity, board independence, and board focus. On the other hand, the company's performance, gauged by return on assets (ROA), does not notably influence the waste and effluent disclosures of polluting companies listed on the Indonesia Equity Exchange.
6	Alabdullah (2022)		Regression analysis	The research presents various reasons behind corporate governance processes, including how CEO duality, board independence, and board size shape a company's financial performance.
7	Boachie and Mensah (2022)		Correlation analysis	The results indicate that the effects of earnings management on performance persist even after considering the unobserved time-invariant differences, simultaneity, and dynamic endogeneity that are inherent in the relationship between earnings management and performance.
8	Huynh (2022)	Corporate governance, Capital structure, Financial Performance	Regression analysis	The results suggest that corporate governance increases the cost of financial distress by elevating the level of debt in financial leverage. The connection between board independence and size and business performance is somewhat influenced by financial leverage, while the link between audit committee size, female directorship, and firm performance is entirely influenced by it.
9	Jesuka (2022)	ROA, Firm size, ROE, size,	A multilevel	Latin American countries with elevated sovereign ratings and more robust procedures

		Market to Book Ratio	regression with fixed and random coefficients	for audit committees and boards of directors tend to see improved business performance. The role of sovereign ratings varies based on the presence or absence of governance characteristics. Both governance and ratings may act as alternative protections for investors.
10	Guluma (2021)	independent board, board leadership, ownership concentration, performance ROA and TQ	Regression analysis	The study's findings revealed a strong and significant connection between ownership concentration and both product market competitiveness and firm performance, as measured by ROA and TQ.
11	Khatib (2021)	Governance structure, Dividend, liquidity, leverage, ROA	Regression analysis	The analysis indicated that a larger board size notably enhances a company's performance. The pandemic has affected all facets of a company, such as performance, governance, leverage, dividends, liquidity, and return on assets (ROA). However, there has been minimal variation in these areas when comparing the periods before and after the pandemic.
12	Koutoupi s (2021)	ROA, Firm Market to Book Ratio, ROE, size, Book	Literature review Method	Most studies on corporate governance (CG) related to COVID-19 have taken place in industrialized countries and relied on theoretical frameworks. Additional research is necessary across all nations, including developed, emerging, and others, as existing accounting data are inadequate. Furthermore, there are inconsistent results regarding the significance of corporate social responsibility (CSR) and environmental, social, and governance (ESG) factors on financial performance. To gain a comprehensive understanding of the impact of COVID-19 on corporate governance, future research should incorporate diverse approaches and data sources.

13	Muharam and Atyanta (2021)	independent commissioner, audit committee, and institutional ownership, size of board, firm size ROA and ROE.	Multiple Regression analysis	The study's findings indicated that the number of independent commissioners, audit committees, and institutional ownership positively and significantly influenced Adjusted Tobin's Q. Conversely, management size did not have an effect on Adjusted Tobin's Q, nor did ownership. While leverage did not impact Adjusted Tobin's Q, firm size and firm age, used as control variables, showed a positive effect.
14	Haron (2020)	ROA, Firm size, Market to Book Ratio, Liquidity	Regression analysis	The adverse connection between CEO duality and role separation reinforces the positive association between ownership structure and performance, along with the effect of board independence. It seems that agency theory is the dominant paradigm shaping the corporate governance structures of Malaysian businesses.
15	Hermuningsih (2020)	Corporate Governance principals, ROA, ROE	Correlation Analysis	More importantly, the research confirms and backs the GCG's new unified measure. This result is essential for circumventing the complexities of multiple corporate governance indicators.
16	Bhagat and Bolton (2019)	ROA, board size, CEO duality,	Regression analysis	Senior bank regulators are especially focused on the findings indicating that ownership of shares by bank directors is positively associated with future bank performance and negatively associated with future bank risk, both prior to and during the financial crisis.
17	Bista (2019)	firm size, liquidity, CEO duality, ROA	Regression analysis	The data indicates that institutional ownership has a negative effect on the dividend payout ratio and dividend yield.
18	Danosha and Ravivathani (2019)	ROA, board size, CEO duality,	Regression analysis	The analysis indicates that the size of both the board and the audit committee positively influences the company's performance, while corporate governance factors significantly affect performance as well. Additionally, frequent meetings have a negative effect on the company's performance.
19	Mohan (2018)	ROA, board size, CEO duality,	OLS regression Method	The results of the panel data analysis show that although board composition had little impact on firm performance, the corporate governance factor—particularly CEO duality and board size—exerts a significant negative influence on company performance.
20	Bulley (2017)	Corporate Governance	Correlation Analysis	The results from the study indicate that the implementation of corporate governance

		principals, ROA, ROE		does not significantly affect the operational and financial performance of companies listed on the Saudi stock exchange. Additionally, the research revealed that neither the largest shareholder's ownership nor the board of directors' independence had any noticeable influence on the company's market performance when evaluated using the Tobin's Q model. However, it was found that both the ownership structure and the size of the board of directors significantly impact the company's performance.
21	Ahmed and Hamdan, (2015)	ROA, ROE, board size, CEO duality,	Regression analysis	The empirical evidence indicates a strong connection between corporate governance in Bahrain and performance metrics such as return on equity (ROE) and return on assets (ROA). However, corporate governance did not significantly influence earnings per share (EPS) as a performance metric. Overall, the study found that corporate governance practices positively affected the performance of all companies listed on the Bahrain Bourse.
22	Danosha na (2013)	Corporate governance practice, ROA, ROE	Regression analysis	The analysis reveals that both the size of the board and the audit committee positively influence the company's performance, while corporate governance factors significantly affect performance as well. Conversely, the frequency of meetings negatively impacts the company's operations.
23	Heenetig ala (2011)	Board structure and Performance	Regression analysis	These connections indicate that companies have implemented corporate governance practices, resulting in enhanced profitability and increased share prices.
24	Wu (2009)	Corporate governance and performance	Regression analysis	The empirical findings indicate that the size of the board, the CEO's dual role, the stock pledge ratio, and the disparity between voting and cash flow rights negatively and significantly affect the company's performance. In contrast, insider ownership and board independence are positively and significantly related to corporate performance.

2.3 Research gap

The distinction between previous research and the current study is referred to as the research gap. Various experts, scholars, and students have conducted earlier investigations into the corporate governance and performance of Nepalese commercial banks. Previous case studies have focused on only three banks, while this study selects a sample of ten commercial banks. Furthermore, the time frame of this case study differs from those of earlier research. This study covers the period from 2012/13 to 2021/22, which contrasts with the shorter durations considered in previous studies. Earlier research has relied on return on equity (ROE) and return on assets (ROA) as their metrics. The analysis utilized return on equity (ROE) and net interest margin (NIM). The distinguishing factors in my case compared to the previous one are as follows. Research on corporate governance and financial performance in the context of Nepalese banks has provided advantages to the central bank of Nepal, commercial banks, other financial institutions, emerging scholars, and various non-financial entities. By employing regression and correlation analysis of the data, the relationship between the independent and dependent variables was established. This outcome may prove beneficial for the individuals and organizations mentioned above.

CHAPTER III

RESEARCH METHODOLOGY

This study has six sections to determine methodology for the study. The first section is research design, second is source of data and followed by population and sample, data collection procedure, method of analysis and research framework respectively.

3.1 Research design

This study utilizes a descriptive and causal comparative research design. The casual research design is used to elucidate the relationships between various variables or characteristics and their underlying causes. Factors including board size, earnings per share, capital adequacy ratio, presence of female directors, and ethnic group impact organizational performance. Additionally, analyses using other statistical methods such as standard deviation, correlation coefficient, and regression analysis have been performed on sampled banks. Key aspects of the research design focus on data collection methods, research tools, and sampling strategies.

3.2 Population and sample

The stock market comprises various industries, such as banking, Nepal's commercial banks, manufacturing and processing, hotels, commerce, hydropower, and more. This study focuses on 20 commercial banks in Nepal, with ten of these banks chosen for analysis. A purposive sampling method has been employed for data analysis.

Table 2

Sample of the Study

S.N.	Name of Bank	ROA (2080/81)	ROE (2080/81)
1	Nepal Investment Mega Bank Limited	1.55	6.69
2	Laxmi Sunrise Bank Limited	1.15	17.20
3	Rastra Banijya Bank Limited	1.3	10.99
4	Agricultural Development Bank Limited	0.9	3.91
5	Kumari Bank Limited	2.31	9.57
6	Sanima Bank Limited	1.44	17.55
7	Nabil Bank Limited	1.20	11.66

8	Nepal Bank Limited	0.01	9.41
9	Himalayan Bank Limited	1.09	4.65
10	Everest Bank Limited	1.13	13.05

3.3 Sources of data

Secondary sources supply the necessary information and data. The information was collected from the annual reports, trade reports, and publications of each bank, along with additional details from the NRB, pertinent websites, and national and international periodicals.

3.4 Data collection procedure

Most of the data needed for the study was gathered from surveys and secondary sources. Insights were also gathered from certain investors, pertinent authorities within the organizations, staff from SEBON and NEPSE, and other relevant individuals. Details regarding share prices, market capitalization, and the volatility of the NEPSE index were sourced from NEPSE's trading report. Additional information about related businesses was acquired directly from the companies and their respective 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 all the collected data along with an explanation. The research showcased and analyzed information regarding terms associated with ethnic groups, board size, earnings per share, capital adequacy ratio, and female directors. The tables and figures in the study clearly illustrate the analysis results.

a. Descriptive analysis

Descriptive statistics, which are brief informational coefficients, are utilized to summarize a particular dataset, whether it be a sample or a representation of the entire population. These statistics can be categorized into two types: measurements of central tendency and measurements of variability (spread). Measures of variability include the standard

deviation, variance, minimum and maximum values, kurtosis, and skewness, while measures of central tendency consist of the mean, median, and mode.

b. Correlation analysis

Correlation analysis is the statistical method employed to assess the linear relationship between two variables (Levin & David, 1994). This method aids in understanding the strength and extent of the linear association between the variables. A positive correlation indicates that the values of the variables are directly proportional to each other. In contrast, a negative correlation arises when the values of the variables show inverse proportionality; however, the correlation coefficient remains confined within the range of +1 to -1. The following formula can be utilized to calculate the correlation coefficients (r) between two variables, x and y.

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

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

The value of this coefficient cannot fall below -1 or exceed +1, which means its limits are -1 and +1. A value of r = +1 signifies a positive correlation between variables, while the opposite is true for -1. A value of zero indicates a complete lack of association.

c. Regression Analysis

Regression analysis is a set of statistical methods employed to assess the relationships between a dependent variable and one or more independent variables. This approach can also forecast future relationships among variables and determine the strength of their associations.

The study Model

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

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

Where,

ROA/ROE = Firm Size/ net interest margin

BS = Board Size

FD = Female Director

EG = Ethnical Group

EPS = Earnings per Share

CAR = Capital adequacy Ratio

a = Intercept

b₁, b₂... = Slope of Independent variables

e = Error

3.6 Research framework

The present study develops a conceptual framework grounded in the research objectives and literature review. Focusing on achieving the research goal and addressing the research challenge is advantageous. This conceptual framework, linked to the problem statement, sets the stage for articulating the specific research question that is central to the investigation. The figure below illustrates the conceptual framework of the research.

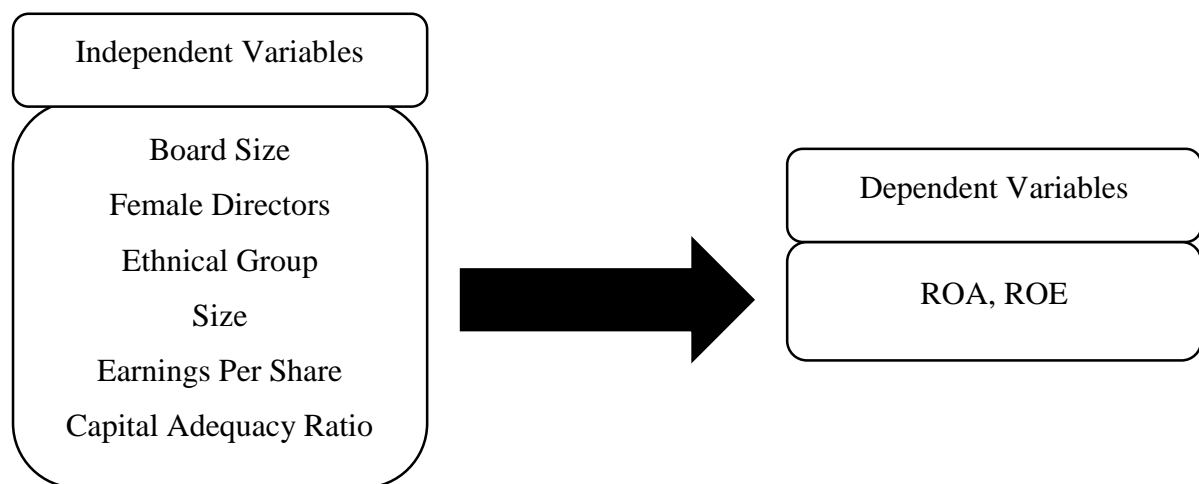


Figure 1

Research Framework

Source: Ali and Anwar (2021)

Definitions of Variables

Board Size

The size of the board of directors significantly influences the company's performance. Directors are responsible for ensuring that management operates effectively and complies

with established policies and procedures. They play a crucial role in making key decisions and formulating policies, rules, and regulations for the organization. Research by Jensen (1996) and Lipton and Lorsch (1995) indicates that a large board can create agency issues and slow down decision-making, both of which may adversely affect a bank's performance (Karray & Chichti, 2013).

Female Director

Women generally provide valuable contributions to board activities, especially those that involve qualitative aspects. Multiple studies demonstrate their effectiveness in overseeing management, tackling CSR issues, and promoting strategy development (Ajanthan et al., 2013).

Ethnic Group

An ethnic group refers to a social group or population type that is differentiated and united within a larger community through common racial, linguistic, national, or cultural traits. Ethnic diversity is one way in which the social complexity found in most contemporary cultures is expressed (Dawood et al., 2023).

Size

A company's size serves as a criterion for categorizing it into large and small enterprises, determined by various factors such as total assets, market value, and average sales. Asset size is often preferred as a measure of company size because it is seen as more stable and accurately reflective of the organization's scale. Large corporations are considered to be less risky due to their presumed better access to financial markets (Nugraha, 2018).

Earnings per Share (EPS)

Earnings per share (EPS) refers to the portion of a company's profit allocated to each share of common stock. It is one of the factors that influence a company's profitability. Higher earnings suggest increased profitability and better fund mobilization by financial institutions, while the opposite is also true. In this study, EPS serves as the independent variable (Wijerathna, 2018).

Capital Adequacy Ratio (CAR)

The capital adequacy ratio (CAR) evaluates a bank's risk-weighted assets in relation to its available capital. This ratio serves as a swift measure of the bank's ability to absorb losses and maintain solvency in challenging financial situations (Haron et al., 2020).

CHAPTER – IV

RESULTS AND DISCUSSIONS

This chapter presents the data collected in respect to the study's variables. The data for each variable is displayed in a separate figure. To find the answers to the research subjects, data have been assessed using a range of statistical methods. Descriptive statistics like mean, maximum, minimum, and standard deviation have been utilized to compute the elements that ascertain the profitability of an insurance organization.

4.1 Descriptive Analysis

Table 2 presents the descriptive statistics for all variables included in the study. It outlines the statistics for each variable in the analysis, displaying the mean, maximum, minimum, and standard deviation values in sequence.

Table 3

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 3 indicates that the average board size during the period is 8.32, with a maximum of 11 and a minimum of 8. The standard deviation for board size is 0.0587. The number of female directors ranges from a minimum of 1 to a maximum of 4, with an average of 3.00 and a standard deviation of 0.014. The average Earnings per Share for the period stands at 4.39, with a maximum of 8.98 and a minimum of -2.37, resulting in a standard deviation of 3.424. Additionally, the Ethnic Group has a mean value of 8.157, with a maximum of 10.68 and a minimum of 5.51, and a standard deviation of 1.876. The capital adequacy ratio averages 0.692, with a maximum of 0.94 and a minimum of 0.19, and a standard deviation of 0.261 for the period. The average Firm Size is 17.56, with a maximum of 62.75 and a minimum of 4.67. The standard deviation during this period is

14.311. The mean return on assets for the same period is 2.135, with a maximum of 17.15 and a minimum of 0.17. Its standard deviation for the period is 3.455.

4.2 Correlation Analysis

The relationship between the variables used in the study is illustrated in Table 2. If a correlation exists between the variables, it is reasonable to infer that at least one variable impacts the other. This table presents the Karl-Pearson correlation coefficient for the variables analyzed, along with the P-value displayed between the entries. The variables are organized as follows.

Table 4

Pearson's Correlation Analysis

Variables	Board	Female	Ethnical	CAR	EPS	SIZE	ROA	ROE
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			
Size	-.635**	.180	-.200	.189	.134	1		
ROA	-.635**	.097	-.158	.217	.055	.862**	1	
ROE	.032	.418	.336*	.142**	.118	.347	.054	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 4 indicates that the size of a firm's board is significantly negatively correlated with Female Directors, return on assets, and Firm Size at significance levels of 0.05 and 0.01, respectively. Additionally, it shows a significant positive correlation with Ethnic Group at a 1% significance level. Furthermore, both the capital adequacy ratio and Ethnic Group demonstrate a positive significance with ROE at levels of 0.01 and 0.05, respectively.

In a similar vein, the presence of a Female Director shows a negative and statistically significant association with the Ethnical Group as a proxy for the Ethnical Group ($P < 0.05$), with a correlation coefficient of -0.474 at a 5 percent significance level. This indicates that as the Ethnical Group increases, the CR decreases. Additionally, the Ethnical Group demonstrates a positive and significant relationship with the capital adequacy ratio. Moreover, Size and ROA are positively and significantly correlated.

4.3 Regression Analysis

Regression analysis was mainly employed to determine how the independent factors affect the dependent variable. The study sought to test the hypotheses and examine the factors impacting business performance.

Table 5

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
Firm Size	-.003	.003	-.726	.473
Earnings Per Share	-.211	.130	-1.623	.120
Capital Adequacy Ratio	4.878	2.030	2.403	.026
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

Table 5 indicates that the t-cal for 'a' is 6.669, with a P-value of 0.716 or 71.60%. This suggests that the computed 'a' is statistically significant at the 10% significance level. The Return on Assets (ROA) is negatively affected by board size, the presence of female directors, and earnings per share, with board size being significant at the 5% significance level. In contrast, earnings per share and female directors are statistically insignificant even at the 10% significance level.

ROA is positively influenced by the Ethnical Group and the capital adequacy ratio, with the latter being statistically significant at a 5% significance level and the former at a 10% significance level, showing coefficients of 4.878 and 0.695, respectively. The R-squared value is 71.60%, indicating that the independent variables operating Earnings Per Share, Ethnical Group, capital adequacy ratio, Female Director, board size, and Firm size have a statistically significant effect on the dependent variable, ROA, with a significance level of 0.05 (p-value of 0.000). This suggests a linear relationship between ROA and the Female Director, capital adequacy ratio, Ethnical Group, board size, and Earnings per Share of firms.

Table 6

Regression Coefficients of ROE

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Board size	1.272	0	1.226	.232
Female Director	1.182	0	0.56	.018
Ethnic Group	3.217	0	1.019	.318
Firm Size	-3.668	.256	-.3778	.052
Earnings Per Share	-7.091	.236	-1.138	.266
Capital Adequacy Ratio	-6.181	0	-1.489	.149
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,

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

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

Table 6 presents the estimated regression results of Earnings Per Share, Ethnic Group, adequacy ratio, Female Director, board size, and firm size on ROE. The positive coefficients for board size, Female Director, and Ethnic Group are 1.272, 1.182, and 3.217, respectively, suggesting that an increase of Rs.1 in board size, Female Director, and Ethnic Group leads to a decrease in ROE by 12.72%, 11.82%, and 11.82%. This implies that a larger board size, more Female Directors, and a higher representation of Ethnic Groups correlate with an increased ROE for Nepalese commercial banks. Additionally, the beta coefficients for board size, Female Director, and Ethnic Group are positive, indicating that greater values in these areas would result in lower profitability for Nepalese commercial banks.

The coefficient of determination (r^2) is 0.282, or 28.20%. This table shows that the independent variables—Earnings Per Share, Ethnic Group, adequacy ratio, Female Director, and board size—have a statistically significant effect on the dependent variable, ROE, at a significance level of 0.05 (p -value = 0.007). As indicated in the table, while board size, Female Director, Ethnic Group, capital adequacy ratio, and Earnings Per Share collectively are significant, only the Female Director variable is individually

significant with ROE, having a p-value of 0.018. The other variables do not show significance with ROE.

4.4 Discussion

The study aims to examine how corporate governance affects bank performance in Nepal. Various statistical measures were utilized, including mean, median, maximum, minimum, and standard deviation. A higher return on assets (ROA) and return on equity (ROE) are more desirable than lower figures, indicating that profit is prioritized in relation to these metrics. The "mean" refers to the average value of each variable; for example, the mean ROA reflects the average return on assets for the mutual funds analyzed.

The research revealed a statistically significant link between board size, ethnic group, and profitability; however, no notable connections were found between the other variables and profitability, aligning with the results of Jebran and Chen (2023). Additionally, the findings indicate that the growth rate, fixed assets, and liquidity of commercial banks have minimal negative impacts on their overall performance, which is consistent with the results from studies conducted by Brogi et al. (2022) and Jigeer and Koroleva (2023).

The study revealed that liquidity and board size, used as a proxy for assets, have a negative and statistically significant correlation, with a significance level of one percent ($P < 0.05$). This aligns with the results from Dawood (2023). The findings indicate that as liquidity increases, board size also increases, echoing the conclusions of Khan (2023). Furthermore, there is a significant negative correlation between Female Directors and Ethnic Groups. This is consistent with the research of Boachie and Mensah (2022) but contradicts the results of Guluma (2021). Additionally, Koutoupis (2021) found that an increase in Ethnic Groups leads to a decline in the number of Female Directors. The size of the board shows a significant negative correlation with SIZE. Additionally, there is a positive relationship between ROA and SIZE. These findings align with those reported by Abdeljawad, Dwaikat, and Oweida (2022). The results support the pecking order theory, which asserts that profitability and liquidity are negatively correlated. This implies that larger board sizes, along with the presence of female directors, higher earnings per share, and greater firm size, are linked to a decrease in ROA among the sampled commercial banks. Conversely, the coefficients for the other independent variables ethnic group and

capital adequacy ratio indicate an increase in ROA for these banks, suggesting that their relationships with ROA were not statistically significant.

The regression analysis conducted by Ahmeti and Iseni (2023) shows that board size, earnings per share, and the presence of female directors negatively affect ROA. Board size is statistically significant at the 5% level, while earnings per share and female directors are statistically insignificant even at the 10% level. These results align with the conclusions of Sah and Magar (2021) and Morara and Sibindi (2021), but they contradict the findings of Vojinovi et al. (2022).

The Ethnic Group and capital adequacy ratio positively influence ROA. The capital adequacy ratio is statistically significant at the 5% significance level, while the Ethnic Group is significant at the 10% significance level, with coefficients of 4.878 and 0.695, respectively. These results align with the research by Ahmeti and Iseni (2023). Therefore, there exists a linear relationship between ROA and the following variables: board size, earnings per share, ethnic group, capital adequacy ratio, and female directors.

This indicates that there is insufficient evidence to assert a significant linear relationship between these variables and ROA. It suggests that there are additional factors not included in this regression model that also influence the variation in ROA among commercial banks in Nepal. Although this cannot be directly compared to the results of Tegegn, Sera, and Merra (2020) and Sah and Magar (2021), it aligns with the findings of AI-Matari (2023) and Tsvetkova et al. (2021).

CHAPTER – V

SUMMARY AND CONCLUSION

5.1 Summary

The main aim of the study was to investigate the impact of corporate governance on bank performance. This chapter covers the background and subject matter of the research. It includes an introduction that outlines the study's background, problem statement, objectives, rationale, and limitations. A thorough literature review has been conducted in the second chapter, focusing on the theoretical foundations of banking principles, along with relevant journals, articles, and previous theses. The third chapter details the research methods employed to analyze the liquidity and profitability of the development banks being examined. In the fourth chapter, the findings and information are presented, assessed, and interpreted through financial and statistical techniques. Finally, the fifth chapter provides a summary, conclusion, and recommendations for the study.

Analyzing independent factors affecting the dependent variable, net interest margin, highlights this. Board members significantly influence the organization's decision-making process. The board of directors is responsible for decisions related to dividend payments, mergers and acquisitions, the introduction of new policies, the expansion or contraction of corporate operations, and various other issues. To enhance performance, it is also advisable to increase the number of independent directors on boards.

Besides representing the interests of minority shareholders, independent directors contribute to management by providing balanced and objective perspectives, guiding banks toward sound governance and strong financial performance. In the absence of independent directors, those driven by profit and aggression may make choices that jeopardize ordinary shareholders and stakeholders. Additionally, banks should focus on their earnings per share, as increases in this metric are linked to better overall performance, including higher return on equity and net interest margin. Distributing profits to general shareholders is based on the premise that companies are operating efficiently and prioritizing their shareholders' interests. The investigation revealed that a bank's financial performance does not depend on having higher capital and reserves. It addressed whether banks managed to operate effectively during the nation's transition period despite various operational difficulties. The findings indicated an average net

interest margin of 23.4% and an average return on assets of 1.7%. This demonstrates that the bank succeeded even amidst challenging political, economic, and technological circumstances in the country. The research on corporate governance and financial performance concerning Nepalese banks has provided benefits to various parties, including the central bank of Nepal, commercial banks, other financial institutions, emerging scholars, and non-financial entities. The analysis of the data through regression and correlation methods helped establish the relationship between the independent and dependent variables.

The relationship between the independent directors and bank performance metrics, like ROE and ROA, shows a positive correlation, albeit weak. This finding suggests that maximizing the number of independent directors could enhance performance. Additionally, the capital adequacy ratio is positively linked to both net interest margin and return on equity. Although there is no significant correlation with net interest margin, there is a strong positive association with ROE. Furthermore, both return on equity and net interest margin positively relate to earnings per share.

There exists a weak positive correlation, however. This finding suggests that the number of independent directors should be maximized to improve performance. The capital adequacy ratio shows a positive relationship with both net interest margin and return on equity. Although no significant connection is found with the net interest margin, there is a strong positive correlation with ROE.

5.2 Conclusion

The primary objectives of this study were to examine the corporate governance of commercial banks in Nepal and to explore the relationship between perceived performance and other factors such as accountability, discipline, responsibility, transparency, and justice. The analysis revealed a connection between perceived performance and corporate governance aspects. The results indicated that emphasizing corporate governance could improve the overall performance of a commercial bank.

The study's conclusion indicates that the performance of commercial bank firms is slightly negatively affected by female directors, size, and EPS. The correlation analysis

reveals a negative and statistically significant relationship between female directors and size, which serves as a proxy for assets ($P > 0.5$), with a correlation coefficient of -0.508 at the one percent significance level. This suggests that an increase in the number of female directors corresponds with an increase in size.

The analysis indicates that Female Director serves as a proxy for revenue, exhibiting a statistically significant negative relationship with revenue. This suggests that as revenue increases, liquidity tends to decrease. Additionally, size demonstrates a strong negative correlation with SIZE. Conversely, ROA and SIZE show a positive association. Liquidity, business size, and growth rate negatively influence ROA, though this effect is not statistically significant even at the 10% threshold. Both size and revenue positively impact ROA, with size achieving statistical significance at the 5% level and revenue at the 10% level. Consequently, a linear relationship exists among SIZE, revenue, fixed assets, liquidity, and business growth rate.

The primary challenge in corporate governance within firms stems from the lack of a board of directors, along with similar problems in management and employee discontent regarding the effectiveness of the audit committee. An employee of the bank expresses concerns that board meetings are not held in compliance with regulations. Even though the bank has a written code of conduct, it is failing to meet the expected standards. The presented study highlights the importance of corporate governance, particularly for banks, as it plays a critical role in influencing information disclosure.

Business size adversely affects SIZE, while GDP and the presence of female directors show no statistically significant impact, even at the 10% significance level. In contrast, firm size is significant at the 5% level. Additionally, revenue and leverage both positively influence SIZE; however, revenue does not demonstrate significant change at the 10% significance level, whereas leverage is statistically significant at that same level. Therefore, a linear relationship exists between SIZE and GDP, revenue, business size, female directors, and leverage ratios.

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 focus of this study is solely on the five corporate governance factors/groups. Further research on the connections outside of these factors could reveal additional elements that might impact corporate governance and perceived performance.
- The sample utilized in this research, sourced from a commercial bank, is not applicable to other types of financial institutions such as development banks, manufacturing firms, or finance companies.
- The study's sample size is limited due to its purely academic focus. For professional research, a larger sample size is advisable to reduce errors and enhance the applicability of the results.
- To enhance the authenticity and relevance of the research, it could be conducted on a national scale. Future researchers are encouraged to include a broader sample of participants that represents the entire banking industry to accurately assess the outcomes within Nepal's banking sector.
- The size of a firm and its capital volume adversely affect the life insurance premium of commercial banks, indicating that minimizing excessive debt is essential for optimizing asset returns.
- Upcoming research will focus on the effectiveness of risk management and resource allocation, influencing elements that affect life expectancy, as well as the impact of commercial banks on risk management strategies.

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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 Corporate governance refers to the dynamics

among shareholders, the board of directors, and top management in determining a corporation's **performance**

and strategic direction. It also includes the relationships with stakeholders and the guiding objectives for governance. This study primarily aims to identify the dimensions that represent corporate governance and banking performance, and to explore the relationship between them. Specifically, it seeks

to analyze how **corporate governance** influences the **performance of commercial banks** in Nepal. A **descriptive and** informal **research design** was utilized **for** this **study**

, along with a causal research design to elucidate the relationships between various variables and their causes. The survey includes 20 commercial banks, with 10 selected for the study. Findings indicate that board size, earnings per share, and the presence of female directors negatively influence ROA and ROE. While board size shows statistical significance, earnings per share and the number of female directors do not. Additionally, ethnic group and the capital adequacy ratio positively affect