

CORPORATE GOVERNANCE PRACTICES AND CORPORATE GROWTH

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

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August, 2025

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I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **CORPORATE GOVERNANCE PRACTICES AND CORPORATE GROWTH**. 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 requirement for any academic purposes.

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

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Acknowledgements

This dissertation entitled **CORPORATE GOVERNANCE PRACTICES AND CORPORATE GROWTH** has been prepared for the partial fulfillment of the requirement for the degree of Master of Business studies.

I extend my deep sense of indebtedness to my respected supervisor Mr. Keshav Chand for his precious guidelines, inspiration and suggestion thoroughly during the period of this research. Without their valuable insight, I would not think of accomplishment of this thesis. I would like to express my gratitude to my respected Campus Chief, Asso. Prof. Dr. Kapil Khanal and I also would like thank Research Department Head, Asso. Prof. Dr. Sajeeb Kumar Shrestha for his valuable insight during the period of research. I also like to thank to my respectable teachers of Shanker Dev Campus for guiding and inspiring me to complete this dissertation. I am deeply indebted to my family and friends for helping me during the period of research.

Thank You.

Nisha Shrestha

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Abbreviations

AC	Audit committee
BA	Bank age (BA)
BFI	Bank and Financial Institutions
BGD	Board gender diversification
BI	Board independence
BS	Board size
CEO	Chief Executive Officer
CS	Corporate size
EPS	Earnings per share
FL	Financial leverage
FSAP	Financial Sector Assessment Program
IMF	International Monetary
MC	Market capitalization
NFRS	Nepal Financial Reporting System
NRB	Nepal Rastra Bank

Abstract

In order to guarantee the stability, accountability, and transparency of commercial banks, corporate governance is an essential component of the banking sector. The study attempts to examine the impact of corporate governance on corporate growth of Nepalese commercial banks. This study primarily employs a descriptive and causal research strategy for data analysis in order to determine the impact of various factors on the corporate governance and corporate growth of Nepalese commercial banks. This study is based on the secondary data gathered from 12 Nepalese commercial banks for the study period from 2014/15 to 2023/24. The obtained data is provided in an ordered format in Eviews software, and the descriptive statistics, correlation analysis, and regression analysis results have been calculated and displayed.

The relationship analysis found that earnings per share of the banks positively associated with board size of the banks. Similarly, earnings per share of the banks negatively associated with board gender diversification of the banks. In the same way, earnings per share of the banks negatively associated with board independence of the banks. In contrast earnings per share of the banks positively associated with audit committee of the banks. However, earnings per share of the banks negatively associated with company size of the banks. On the other hand, earnings per share of the banks positively associated with financial leverage of the banks. On the other hand, earnings per share of the banks positively associated with bank age. Another correlation results revealed that market capitalization of the banks negatively associated with board size of the banks. On the other hand, market capitalization of the banks positively associated with board gender diversification of the banks. Moreover, market capitalization of the banks negatively associated with board independence of the banks. In contrast, market capitalization of the banks negatively associated with audit committee of the banks. However, market capitalization of the banks positively associated with company size of the banks. On the other hand, market capitalization of the banks negatively associated with financial leverage of the banks. On the other hand, market capitalization of the banks positively associated with bank age of the banks.

Keywords: Corporate governance, corporate growth, earnings per share and market capitalization

CHAPTER I INTRODUCTION

1.1 Background of the study

The term "corporate governance" describes the leadership and management style of businesses. Companies cannot be accountable to their various stakeholders without corporate governance. One way to think of corporate governance as a tool for managing and directing businesses and organizations (Okoye et al., 2020). Corporate governance is defined by a number of academics as the highly visible core component of corporate governance (Li et al., 2025).

Effectiveness, accountability, and openness of an institution's operations by its management while safeguarding stakeholders' interests can be summed up as governance. Over time, contemporary corporate governance standards have changed, and numerous organizations have created distinct codes of best practices for corporate governance (Ali & Abbas, 2024). Effective decision-making, prudent resource allocation, strategic planning, and other uses are among its immoral uses. But from a moral perspective, good corporate governance is increasingly recognized to create an atmosphere that is right in the sense that moral business practices result in profitable outcomes, as well as morally just in and of itself. Therefore, the links that follow are between the duties of directors, the improvement of corporate responsibility as a whole, and due diligence (Ali & Abbas, 2024).

A key idea in business management is corporate performance, which refers to how an organization uses its material, financial, and people resources wisely in order to accomplish its main objectives. It maintains the company's operations and expands the window of opportunity for future growth. Stronger investor trust in our nation's economy should be the net result of excellent company governance. Therefore, adhering to a solid corporate governance ethos is essential for every industry, including the service sector (Budhathoki & Adhikari, 2023).

The interaction between shareholders, the board of directors, and top management in deciding the corporation's performance and direction is known as corporate governance (Sapkota, 2020). It also covers the interactions between the stakeholders and the

objectives that guide the corporation's governance. The board of directors, management, and shareholders are the main stakeholders. Employees, suppliers, customers, regulators, the environment, and the community at large are examples of additional stakeholders (Poudel & Hovey, 2013). In order for corporate bodies to accomplish their goals with regard to their stakeholders, they combine best practices and corporate policies, which is known as corporate governance (Dang et al., 2023).

Implementing corporate governance still appears to be a difficult task in emerging nations. Research on creating corporate governance frameworks, rules, and institutions in underdeveloped nations is required. In emerging nations, corporate governance has received less attention. They are embroiled in domestic issues like civil conflict, unemployment, poverty, and political instability (Tashkandi, 2023).

The study of the various problems resulting from the separation from ownership and control falls under the umbrella of economics as well. The corporate governance structure outlines the rules and procedures for making decisions about corporate affairs as well as the allocation of rights and responsibilities among various stakeholders, including shareholders, board managers, and other stakeholders (Asadi & Ramezankhani, 2022).

In order to monitor, manage, and assess the operation of corporate governance in the banking industry, specific attention must be paid utilizing special instruments. According to the Bank for International Settlement, establishing and preserving public confidence in the banking industry depends on strong corporate governance. The public's trust and confidence are the most important factors in deposit mobilization (Gasperz et al., 2022).

Though it is especially important for the banking industry, corporate governance is vital for all economic sectors. The quality and type of corporate governance within the banking industry affects not only the institutions that make up the sector but also has the potential to propel or impede the entire national system. According to Katrodia (2012), the stability of a country's financial system has a direct impact on how well its economy is doing. This in turn has an impact on nearly every industry, including pension holders' financial security. Due to inadequate governance, the American

financial system failed, which at the time caused a serious crisis that had an impact on the global economy. Inadequate financial institution governance is a factor in every global crises (Mareinkowska, 2017).

Nowadays, it is recognized that corporate governance is a potent instrument for fostering confidence in an organization. The main reason it matters to banks is that they handle public funds, and losing an investment can cause banks to fail and have an impact on the economy of the country. Bank failures can have a major negative impact on future economic activity. Lower income, compensation growth, increased rates of poverty, and decreased employment were all caused by the bank's failure. Being a good corporate citizen is not a goal unto itself. It serves as a tool to promote financial stability, sustainable growth, and economic efficiency. strong governance can lead to strong performance (Sharma & Arora, 2016).

In an economy like this, banks hold a largely dominant position and are regarded as growth engines for the economy. Given the inadequate development of financial markets, banks serve as the primary source of funding for the vast majority of businesses. The primary repository for savings in the economy is a bank. Recent deregulation has given bank managers more latitude in managing the banks from the government. Corporate governance has received a lot of attention in the last years and has gained global attention, particularly in the wake of the last economic crisis and the catastrophic collapse of numerous banks and enterprises. However, corporate governance and the performance of the global banking industry have received very little attention (Sharma & Arora, 2016).

The banking industry plays a critical role in helping Nepal speed its economic development. The banking industry in Nepal has been going through a difficult time for the past few years. The amount of nonperforming assets has also increased. Furthermore, banks are now required by a new regulation from Nepal Rastra Bank (NRB) to enhance paid capital. This means that banks must raise capital through share sales or mergers. The merger is beneficial, but there is an increased chance of failure if it involves a bad bank. Therefore, for Nepali banks to survive in a politically uncertain climate and attain performance to exist in a dynamic environment, corporate

governance needs to be improved (Sapkota, 2020). Thus, it is imperative that the banking industry adhere to a strict code of corporate governance (Sapkota, 2020).

Corporate governance changes are especially important for developing nations like Nepal because they facilitate increased capital market deposits and foreign direct investment (Budhathoki & Adhikari, 2023). Only when Nepal Rastra Bank (NRB), the country's central bank, released guidelines on corporate governance in 2002 did the corporate governance scenario take off. As of right now, the only standard for corporate governance is the Nepal Rastra Bank's (NRB) regulatory standards.

Corporate governance factors such as board size, board independence, gender diversity, and audit committee presence play a crucial role in shaping strategic decisions and ensuring accountability. At the same time, firm-specific attributes like corporate size, financial leverage, and bank age may also significantly influence financial outcomes. Among the most widely used indicators of firm performance are earnings per share (EPS) and market capitalization (MC), which reflect profitability and market value, respectively. This framework integrates these governance and firm-level variables to examine their collective impact on firm performance, offering insights into how structural and strategic factors drive financial success.

1.2 Statement of problem

It is important to comprehend the relationships between corporate governance policies and corporate growth in the context of Nepalese commercial banks. When making decisions, independent directors are more focused on the interests of the firm as a whole. They can make more unbiased and objective choices since they are less likely to be swayed by outside interests (Li et al., 2025).

A company's financial performance and competitiveness in the market may be improved, risk and return can be balanced, and the company's long-term, steady growth can be guaranteed with a prudent distribution of financial assets (Haji et al., 2025). As a result, the distribution of financial assets may act as a mediator between corporate governance and board independence.

Although it is widely acknowledged that corporate governance plays a crucial role in maintaining accountability, transparency, and sustainable growth in financial institutions, little empirical data has been collected on how specifically it affects banks' performance and value (Englbert et al., 2024). Therefore, the problem addressed by this study is the lack of comprehensive insights into how various aspects of corporate governance, including board size, audit committee, board independence, financial leverage, corporate size and public director influence the corporate growth of Nepalese commercial banks (Budhathoki & Adhikari, 2023).

The literature has recently focused a great deal of attention on corporate governance in developing nations, which is credited with these economies' potential for growth. Furthermore, it has been established that noise trading influences these economies' markets rather than fundamentals (Bezawada & Adaelli, 2020). These markets require more intense corporate governance since they are typically less efficient. The topic of corporate governance is very significant. The efficacy of governance structures is a topic of much debate, even in developed market economies (Sharma & Arora, 2016).

Protecting domestic investors is just as important as meeting the needs of global investors when it comes to good corporate governance (Kasih & Widiyanti, 2024). Any discussion on the topic of corporate governance should normally begin with the principal-agent theory, which was also used in this study. A multitude of corporate governance mechanisms have been put out in an attempt to address the issue of the principal-agent relationship between management and shareholders. According to agency theory, these governance measures include shareholder rights, director ownership, CEO pay-performance sensitivity, board size, and composition (Musah & Adutwumwaa, 2021).

According to Lumbanraja (2021) there was no noticeable effect of the Board of Directors on the financial performance. According to research by Pujakusum (2019) the board of directors had a favorable impact on financial performance. On the other hand, studies by Fitriarningsih and Asfaro (2022) indicated that the board of directors has a negative impact on profitability. On the other hand, there exists a different perspective that supports larger boards. According to this perspective, companies with larger boards can encourage their managers to monitor debt costs more closely because creditors

perceive them as having better financial accounting processes and higher performance (Poudel & Hovey, 2013). The majority of the board's duties were delegated to committees in order for them to carry out their fiduciary duty and efficiently oversee executive management (Guo & Masulis, 2015). A portion of these committees are established on an as-needed basis to carry out particular tasks, while a portion are permanent committees with designated roles.

Similar to this, Hossain and Tohidul Alam (2019) indicated a negative relationship between the corporate growth and the audit committee, board size, CEO duality, and financial leverage. Furthermore, Azizah (2020) found that a firm's worth in Indonesia is significantly influenced by the type and caliber of its audit committee. In a similar vein, Mukyala et al. (2020) found that the business value is highly impacted by the board's size, independence, and skill as proxies for corporate governance.

Improving corporate governance can help Nepal and other developing nations achieve a number of significant public policy goals. Strong property rights, lower transaction and capital costs, lessen emerging market susceptibility to financial crises, and promote the growth of capital markets are all benefits of good corporate governance (Mahardika & Zulfikar, 2024). Conversely, weak company governance structures undermine investor trust and may deter outside investment (Sapkota, 2020). According to Liu et al. (2015) independent directors improved a company's operating performance generally in China. According to Fuzi et al. (2016) there was a mixed relationship between the percentage of independent directors and the performance of the company based on a sample of countries.

Corporate governance is still difficult because unscrupulous individuals continue to find new methods to misuse public funds, despite laws and regulations to the contrary. Nepalese organizations have failed to embrace a culture of good governance that takes the interests of the general public seriously enough. The line separating management from ownership is still unclear. In Nepal, there was a significant problem with directors and employees engaging in fraudulent activity (Hada, 2023).

Therefore, this study addresses a critical research gap by examining how various corporate governance mechanisms; particularly board characteristics, audit committee

roles, financial leverage, and firm size; influence the corporate growth of commercial banks in Nepal. The study also explores the mediating role of financial asset distribution and investigates how these governance practices can be optimized in developing economies to ensure long-term performance and stability. A stronger climate of safety and trust among the populace must be ensured by concentrating on excellent governance. Both consumer deposits and bank profitability can rise when governance is implemented by banks. The following research questions have been established for the study, considering the study's background and the literature review:

1. What are the dimensions of corporate governance of commercial banks in Nepal?
2. What is the effect of factors of corporate governance on corporate growth of commercial banks in Nepal?
3. What are the dimensions of corporate growth of commercial banks in Nepal?

1.3 Objectives of the study

The general objective of the study is to know the relation between corporate governance factors and corporate growth of commercial banks in Nepal. The specific objective of this study can be stated as;

1. To assess the dimensions of corporate governance of commercial banks in Nepal.
2. To analyze the effect of corporate governance on corporate growth of commercial banks in Nepal.
3. To examine the relationship between corporate governance and corporate growth of commercial banks in Nepal.

1.4 Hypothesis of the study

In this study, the hypothesis testing is used to test the significance of the relationship between dependent and independent variables:

1. H1: Board size has significant relation to the corporate growth of commercial banks.
2. H2: Board gender diversification has significant relation to the corporate growth of commercial banks.
3. H3: Board independence has significant relation to the corporate growth of commercial banks.

4. H4: Audit committee has significant relation to the corporate growth of commercial banks.
5. H5: Corporate size has significant relation to the corporate growth of commercial banks.
6. H6: Financial leverage has significant relation to the corporate growth of commercial banks.
7. H7: Bank age has significant relation to the corporate growth of commercial banks.

1.5 Rationale of the study

Research on corporate governance is important because corporate governance and bank performance are related to the economy. Numerous researchers' studies have demonstrated a direct link between an organization's performance and effective governance. Therefore, the organization can function well if it maintains strong governance, and vice versa. The many factors that determine governance differ depending on the kind of organization and industry. The impact of these elements on the organization varies as well. Therefore, it's critical that the banks understand which variables have a greater and lesser influence on them.

Governance has been the subject of academic research and policy discourse in Nepal in recent times. The larger board and audit committee, fewer board meetings, and a lower percentage of institutional ownership all contribute to the commercial banks' increased efficiency. Thus, another goal of this research is to ascertain how various aspects of good governance affect bank performance. In order to determine their influence on net earnings per share and market capitalization, independent variables such as board size, board gender diversification, board independence, audit committee, corporate size, financial leverage and bank age are considered.

A vital component of the banking sector, corporate governance guarantees the dependability, accountability, and transparency of commercial banks. Since the banking sector facilitates financial intermediation and promotes investment, it is essential to Nepal's economic growth and development. As the sector has grown over time, effective corporate governance frameworks have become more and more important.

By concentrating on the relationship between the corporate governance variable and performance measuring factors, this study guarantees that the banks can achieve the performance. The banks can use this study to ensure that there are still a sufficient number of board members and that an independent director is involved.

1.6 Limitations of study

A restricted number of samples and time frame were used for the research. The following are the study's limitations:

- In this study just twelve banks are considered. Results from the study would have been more reliable if all 20 banks had been included.
- The study considers corporate governance as bank age, audit committee, corporate size, financial leverage, board size, gender diversity, and board independence only, other variables such as the number of board meetings, the proportion of female directors, and the composition of the management team are not considered in this study.
- In this study only, market capitalization and earnings per share are used as corporate growth.
- The study used secondary data only and covers the years 2014/15 to 2023/24 only. A longer length of time may have been used to collect data for the study.

CHAPTER II

LITERATURE REVIEW

This chapter deals with the theoretical review and empirical review related to the study. The theories related to corporate governance and corporate growth and the previous studies indicating the connection between corporate governance and corporate growth are discussed in this chapter. The studies and evidence were relevant for further investigation regarding corporate governance and corporate growth taking the sample of Nepalese commercial banks.

2.1 Conceptual review

Corporate governance is the set of policies, procedures, and guidelines that regulate how a business is run. It is essential to maintaining responsibility, openness, and effectiveness in corporate operations. Effective corporate governance is particularly important in the banking industry because of the sector's position in financial intermediation, systemic significance, and fiduciary duties (Li et al., 2025). Conversely, bank growth describes the increase in the size, reach, and profitability of financial organizations. Growth in assets, deposits, loan portfolios, geographic reach, and clientele are all included in this. A bank's ability to develop sustainably is greatly impacted by the caliber of its corporate governance (Tashkandi, 2023).

The principles of good corporate governance are outlined in the Basel Code of Corporate Governance and the OECD Code of Corporate Governance. The duties of the board, directors, chairman, CEOs, senior management, auditors, shareholders, and regulators are all generally covered by these principles. These governance principles have addressed and targeted a number of issues, including accountability, internal control, related party transactions, conflicts of interest, and information disclosure (Kafidipe et al., 2021). Over time, the principles of corporate governance become more broad-based and diversified.

2.1.1 Concept of corporate governance

Corporate governance is the set of policies, procedures, and guidelines that regulate how a business is run. Corporate governance is the process by which organizations are run and controlled (Azizah, 2020). In order to facilitate, handle, and promote efficient,

entrepreneurial, and prudent management that can contribute to the long-term success of the organizations, it balances the interests of key stakeholders, including shareholders, management, suppliers, financiers, society, government, customers, etc., through rules, regulations, systems, procedures, activities, and codes of conduct (Kumar & Singh, 2012). Corporate governance functions as a set of guidelines, duties, and commitments to its primary stakeholders. Managers are motivated to seize a company's assets by starting initiatives that increase their own wealth at the expense of shareholders (Sapkota, 2020).

In order to create an effective business that improves performance and is optimally positioned to generate long-term value for all stakeholders, corporate governance is a system of checks and balances between the board, management, and investors (Abor, 2007). While managers who make the right choice will also profit themselves, those who make the incorrect choice will reduce the value of shareholders. Good corporate governance increases the likelihood that managers would engage in initiatives with positive net present value by reducing the "control rights" that creditors and shareholders provide them (Kafidipe et al., 2021). By making the correct decisions at the appropriate times, well-governed companies do better operationally. The foundation of successful corporate governance is the administration of the company according to the values of accountability, openness, fairness, and responsibility (Hada, 2023).

In Nepalese firms, corporate governance is becoming more and more important for efficient operation. The regulatory and monitoring organizations issue a number of rules and guidelines for corporate governance procedures. A number of institutions, including Samjhana Finance Company, Bansbari Leather and Shoes, Nepal Development Bank, and Gurkha Development Bank, are being liquidated. In order to control and oversee the BFIs, the NRB specifically created the corporate governance framework and requirements.

2.1.2 Factors of corporate governance

In Nepalese banks, corporate governance encompasses a number of elements that guarantee efficient administration, responsibility, and openness. These elements are essential for preserving stakeholder confidence and guaranteeing adherence to legal requirements (Budhathoki & Adhikari, 2023).

Regulatory framework

The central bank of Nepal provides guidelines, directives, and policies to ensure good governance in the banking sector. Likewise, Company Act and Banking and Financial Institutions Act (BAFIA) define the governance structure, roles, and responsibilities of banks.

Board of directors

The board should include a mix of executive, non-executive, and independent directors. The board of directors of the banks overseeing management, ensuring compliance with laws, and setting strategic direction to get better governance practice in the banks.

Management team

The effectiveness of the Chief Executive Officer (CEO) and senior management is crucial in implementing corporate governance practices.

Transparency and disclosure

As per the regulators the timely and accurate disclosure of financial and non-financial information is vital to maintain stakeholder confidence.

Audit mechanisms

To get financially regulated without errors the regular monitoring of compliance and operational efficiency is necessary. Likewise, independent verification of financial statements and governance practices is also an important part of corporate governance in banking sector.

Corporate social responsibility (CSR)

The banking sectors deals with the society and the active involvement in social and community development programs, ensuring sustainability and positive societal impact is necessary in these sector.

Technology and innovation

Leveraging technology to improve transparency, operational efficiency, and customer service in banking business is always plays a vital role to improve the market coverage and sustain in the competitive market.

2.1.3 Corporate governance and corporate growth

Corporate governance promotes accountability, openness, and effective decision-making, all of which have a substantial impact on banks' company value. Corporate growth in the banking industry refers to the value that the market places on the bank, which is usually represented by financial performance, market capitalization, and stock prices (Kumar & Singh, 2012).

Higher profitability and return on equity (ROE) are the results of effective resource allocation and operational efficiency, which are guaranteed by governance (Asadi & Ramezankhani, 2022). Investors are drawn to transparent governance approaches because they lower risk and uncertainty (Bezawada & Adaelli, 2020). Because they lessen perceived risks for investors and lenders, sound governance measures also cut the cost of capital (Kafidipe et al., 2021). A bank's worth increases as a result of improved reputation, which draws in additional clients and commercial prospects (Lambey, 2021). By bringing management choices into line with the interests of shareholders, corporate governance lessens disputes between management and shareholders (Hillman & Dalziel, 2003). A key component of increasing company value in banks is corporate governance. In addition to boosting financial performance, it guarantees long-term stakeholder trust, crisis resilience, and sustainable growth (Sapkota, 2020).

2.2 Theoretical review

Neoclassical economics is the source of many theories of governance as a process. These theories constructed deductive models, based on the basic principles of the contemporary economy.

2.2.1 Agency theory

Rather than analyzing the function of the board, this theory concentrates on the problem of the relationship between owners and managers (company leaders). There may be a conflict of interest in this arrangement when owners (shareholders) serve as principles and managers operate as agents (Jensen, 1983). Agency problem is common in many academic fields, including as accounting, finance, marketing, and organizational behavior. It is theoretically believed that managers and shareholders are two different

and distinct entities. Owners, or shareholders, hire managers to oversee companies in their best interests (Kumar & Singh, 2012).

Conflicts result from the separation of cost and benefit. For instance, managers may be able to allocate less company revenue and keep more (a problem known as dividend retention) to invest in the following year or accept extra incentives to stay with the company for a long time, which could raise costs for the company. On the other hand, according to the agency hypothesis, a board is more likely to exercise stringent control over and monitoring of the director's performance. The number of independent members on the board and audit committee must rise in order to avoid these agent problems and reduce agent expenditures (Hillman & Dalziel, 2003).

It is assumed that managers prioritize their own interests over those of shareholders in an opportunistic manner, which leads to the problem. These issues, which arose from the disagreements between managers and owners, were referred to as agency issues. These agency issues lead to poor governance inside the organization and raise agency costs. As a result, agency theory was created, which is a theory that aims to solve issues that may arise in the agency relationship and describes the interaction between principals and agents in the organization.

2.2.2 Assimilation theory

In 1998, Hawley and Williams conducted a study of the literature on corporate governance in order to provide background information to the Organization for Economic Cooperation and Development. Four types of theories of cooperative governance were identified by their study conducted in the United States. These were the political, stakeholder, stewardship, and simple finance models, also known as agency theories. Stakeholder, agency, and stewardship theories were crucial and at the core of corporate governance. The majority of corporate governance concerns concerned shareholders and management; disagreements over ideas and perspectives led to governance issues (Hawley & Williams, 1996).

2.2.3 Stewardship theory

According to the stewardship theory, managers strive to maximize corporate profit and return to shareholders because they are good stewards of the company. It upholds the

prestige of managing on both a social and professional level. In this case, managers were thought to be driven by a desire to succeed and acquire intrinsic fulfillment from carrying out difficult tasks (Okoye et al., 2020). To get respect from their superiors and peers, they use their power and carry out their duties correctly. According to this view, the organization needs non-executive directors on the board in order to have strong governance (Mareinkowska, 2017).

2.2.4 Stakeholder theory

Operating within the broader framework of the host society, which supplies the requisite legal and commercial infrastructure for the firm's operations, the firm was a system of stakeholders. A company's goal was to generate value or wealth for its investors by turning their investments into products and services. Consequently, optimizing the firm's overall wealth should be the aim of managers and directors. Increasing the firm's worth is the main goal of this idea rather than managers or organizations (Ma'aji et al., 2021). And in order to do this, it was crucial to link the interests of key stakeholders with those of external or passive shareholders and to offer ownership-like incentives to those employees of the companies who controlled or contributed vital specialized inputs (Katrodia, 2012). According to this assumption, businesses should have long-term owners and promote the representation of important clients, partners, staff members, and community leaders on their boards.

2.2.5 Political theory

The political model acknowledges that the government set the distribution of company profits, privileges, and power among owners, managers, and other stakeholders (Azizah, 2020). The corporate sector exerted impact over corporate stakeholders' ability to alter the distribution of micro-level power among themselves (Kumar & Singh, 2012). The evolution of corporate governance was significantly influenced by the political theory of governance.

2.3 Empirical review

Haji et al. (2025) investigated the interaction of corporate governance, growth, and profitability on earnings quality: firm size as a moderator. The study's primary objective was to investigate how corporate governance, growth, and profitability affect the quality of earnings, with a particular emphasis on how firm size acts as a moderator.

The study used moderated regression for the data analysis. It was found that corporate governance, growth, and profitability were proven to significantly improve the quality of earnings. While company size does not considerably affect the association between growth and earnings quality, it does significantly moderate the relationship between corporate governance and profitability with earnings quality.

Li et al. (2025) examined board independence and corporate governance: mediating role of financial asset allocation. The study's primary objective was to investigate how board independence affects corporate governance and how financial asset allocation acts as a mediator. Among the quantitative research methods employed in this work are regression analysis and event studies. Board independence and corporate governance level were shown to be positively connected; financial asset allocation acted as a partial mediating factor.

Ali and Abbas (2024) analyzed the effect of corporate governance on bank performance. The study's main objective was to conduct a thorough analysis of how corporate governance practices affect banks' performance. Regression analysis and event studies are two examples of the quantitative research techniques used in this study. It was discovered that the ownership structure of banks consistently shows how important a role it plays in improving bank performance. It was also discovered that there was a positive association between the CEO, controlling shareholders, and the board of directors' ownership and the bank's success. Conversely, a noteworthy inverse relationship was observed between state ownership and bank performance.

Englbert et al. (2024) studied the influence of corporate governance on return on equity of banks listed in Indonesia stock exchange (2018–2022 period). This study investigated the relationship between strong corporate governance principles and both financial performance and ROE potential. Board structure, risk management, remuneration rules, and internal monitoring procedures were examined in this study. The data analysis in this study was conducted using an equation model for multiple linear regression analysis. It was discovered that, while the board of directors and the board of commissioners both have a minor impact on return on equity (ROE), their combined influence was not statistically significant throughout the study period.

Mahardika and Zulfikar (2024) investigated the influence of good corporate governance and the sharia supervisory board on the financial performance of sharia banking in Indonesia. The study aimed to examine and evaluate the internal mechanisms of sound corporate governance, including the impact of the audit and risk supervision committees' efficacy, as well as the influence of committee appointments and compensation on the performance of the Islamic banking sector. The t-statistical test in this investigation was conducted using the hypothesis test. It was discovered that increasing business performance was influenced by the supervisory boards and its efficient execution of its tasks and responsibilities.

Kasih and Widiyanti (2024) examined the effect of good corporate governance on the financial performance of banks listed on the Indonesia stock exchange. The study's objective was to gather empirical data on the effects of independent boards of directors, managers, institutional ownership, and audit committees on the performance of banking companies. The data analysis in this study was done using the multiple regression analysis method. The performance of the company was determined to be positively impacted only by the audit committee and managerial ownership, whereas the independent board of commissioners, board of directors, and institutional ownership had no influence.

Berhe (2023) investigated the board structure and bank performance: evidence from Ethiopia. This study looked at the relationship between board structure, including board size, composition, CEO duality, and gender diversity, and bank performance. Panel regression was utilized in this study to look at the connection between bank performance and board composition. It was discovered that bank performance was positively and significantly impacted by board gender diversity (FDIRS) and composition (BCOMP). However, the findings also showed that CEO duality (DUAL) and board size (BSIZE) have a negative impact on bank performance. However, when a single person holds joint responsibility for the CEO role, board chairperson duties, and the board of directors, bank performance suffers.

Budhathoki and Adhikari (2023) analyzed the impact of corporate governance on corporate firm value: a case of Nepalese commercial banks. This study's primary aim was to investigate the relationship between Nepalese commercial banks' corporate firm

value (i.e., earnings per share and market capitalization) and corporate governance (i.e., board size, board gender diversity, audit committee, board independence, financial leverage, corporate size, and bank age). Regression models and correlation coefficients were estimated in this study in order to examine the data. It was discovered that earnings per share are positively impacted by board size. Financial leverage also had a favorable effect on market capitalization. Similarly, earnings per share was negatively impacted by the gender diversity of the board. Furthermore, the audit committee improved earnings per share. Furthermore, market capitalization and earnings per share were negatively impacted by board independence. The research also demonstrated that corporate size positively affects earnings per share. Similarly, market capitalization and earnings per share were positively impacted by bank age.

Hada (2023) studied on the corporate governance and its effects on the financial performance of commercial banks in Nepal. This study looked at how corporate governance affected Nepalese commercial banks' financial results. Descriptive statistics, correlation, multiple regression, and t-test were employed in this study's panel data analysis to investigate the governance procedures and their impact on Nepal's commercial banks' financial performance. Board diligence (DB) was found to significantly and favorably affect ROA. The outcome also showed that other variables (FD, BI, and BS) had no discernible effect on the ROA of Nepal's commercial banks.

Molla et al. (2023) examined corporate governance structure and bank performance: evidence from an emerging economy. This study investigated the relationship between Bangladeshi listed banks' performance and corporate governance practices. For the data analysis in this work, two-step System Generalized Method of Moments (SGMM) estimators using dynamic panel data were used. It was discovered that banks' accounting performance was positively impacted by board size. The authors' findings also revealed no connection between the performance of Bangladesh's listed banks and outside independent directors, managerial ownership, or female involvement on the board. The inclusion of female and outside directors on the board did not ensure that the performance of the banks would improve.

Rarmizi et al. (2023) analyzed the influence of corporate governance on the financial performance of Islamic banks in Indonesia 2016-2021. This study attempted to examine

the effects of Islamic Corporate Governance (ICG) on Indonesia's Islamic Commercial Banks' financial operations. The present investigation employed a descriptive and quantitative methodology, assessing the impact of corporate governance on financial performance through the application of basic regression tests. It was discovered that, at Muslim Commercial Banks, Islamic Corporate Governance significantly and favorably affects financial performance as measured by ROA (Y). The functions of the audit committee, sharia supervisory board, board of directors, and commissioners' board contribute to sound corporate governance and draw in investors.

Tashkandi (2023) examined the shariah supervision and corporate governance effects on Islamic banks' performance: evidence from the GCC countries. This study sought to determine how corporate governance (CG) factors and shariah supervision affected the performance of Islamic banks (IBs) in the Gulf Cooperation Council (GCC). The generalized method of moments estimator was utilized to estimate the outcomes of a dynamic panel regression model that was employed in this study to assess the persistence of bank performance. The performance of IBs was found to be significantly influenced by CG-related variables and shariah supervision. Additionally, the findings demonstrate that inflation, economic growth, bank size, and capital adequacy ratio are important and favorable predictors of IBs' financial performance.

Asadi and Ramezankhani (2022) investigated the ownership, corporate governance, and bank performance in Iran. This study determined to examine the impact of different political, economic, managerial, and social issues on the performance of banks. The effect of ownership structure and corporate governance was examined in this study using the structural equation modeling method. Dimensions of the ownership structure were shown to have a negligible effect on corporate governance. Nonetheless, there was a statistically significant negative impact from the financial performance factor. A favorable impact on financial performance was strongly correlated with corporate governance. As a result, corporate governance may be able to lessen the detrimental effect that ownership structure characteristics might have had on the financial performance of the bank.

Gasperz et al. (2022) analyzed good company governance and risk management on company value with bank performance. The study's objective was to clarify bank

performance both before and after the financial services authority's regulation was administered and to distinguish between risk management and GCG. An explanatory survey and structural equation modeling analysis were used in this study. It was discovered that bank performance had a negative impact on firm value, but GCG and risk management had a good impact. The performance of banks was positively impacted by risk management and negatively impacted by GCG.

Goet (2022) examined the impact of corporate governance on Nepalese commercial banks' financial performance. This study was conducted to investigate the effects of a number of bank-specific factors, such as board size, firm size, foreign ownership, and credit to deposit ratio, on the financial performance of Nepal's listed commercial banks. In this study, correlational and causal research methodologies were used. Financial success has been found to be significantly influenced by the size of the company, the composition of the board of directors, foreign ownership, and the credit-to-deposit ratio.

Habtoor (2022) analyzed board attributes and bank performance in light of Saudi corporate governance regulations. In light of Saudi corporate governance rules, the study's objective was to look into the relationship between certain board of director traits and bank performance. This study used a variety of statistical techniques to assess the study hypotheses, evaluate the data' robustness, and resolve any endogeneity concerns. It was discovered that only operational bank performance (ROA) was significantly positively impacted by board size. In a similar vein, accounting-based performance (ROA and ROE) was significantly impacted negatively by board independence. Similarly, ROA and ROE were significantly improved by the nationality of the CEO. While board meeting attendance had a significant beneficial influence only on ROE, board IT experience was found to be significantly and favorably associated with both ROA and ROE.

El-Chaarani et al. (2022) studied the impact of corporate governance on the financial performance of the banking sector in the MENA (Middle Eastern and North African) region: an immunity test of banks for COVID-19. The objective of this study was to gauge how corporate governance practices, both internal and external, affected banks' financial results. Fixed effects regressions and a two-stage least squares regression model were evaluated in this investigation. The financial performance of banks was

found to benefit from corporate governance practices such as having independent members on the board of directors, having a high ownership concentration, not putting political pressure on board members, and having strong legal protection. During the crisis, corporate governance practices like anti-takeover safeguards, women on boards, performance-based compensation, and moderate board size had no discernible effect on bank performance.

Kafidipe et al. (2021) investigated the corporate governance, risk management and financial performance of listed deposit money bank in Nigeria. Examining corporate governance, risk management in deposit money banks, operational issues in commercial banks, and data on them in Nigeria were the study's main objective. The data in this study were analyzed using panel data estimation techniques such pooled regression, fixed effect, and random effect regression. It was discovered that stable banks and profitable loans are both enhanced by strong corporate governance. In addition, the study discovered that there is a significant correlation between corporate governance and financial success, with negative values for board size, board independence, directors' shareholdings, and board meetings, and positive values for the number of board committees.

Ma'aji et al. (2021) explored the relevance of good corporate governance practices to bank performance. Examining the effects of corporate governance tools on firm value in the context of Cambodian banks was the study's main objective. For a more appropriate analysis, the random effect model with generalized least square (GLS) regression was employed in this work. It was discovered that, in accordance with the National Bank of Cambodia's Prakas on bank governance, Cambodian banks had a significantly higher percentage of NEDs on their boards and a high implementation of governance procedures on board committees, with an average of more than the two required board committees (risk and audit).

Musah and Adutwumwaa (2021) studied the effect of corporate governance on financial performance of rural banks in Ghana. The study looked at the impact of different corporate governance frameworks on the financial performance of Ghanaian rural banks, including CEO duality, board size, independence, and gender diversity. For the analysis in this study, regression analysis, correlation analysis, and descriptive statistics

were used. The relationship between CEO duality and ROA and ROE was shown to be positive but statistically insignificant. The research also shows that, despite ROA's statistical insignificance, board size and ROA and ROE are positively correlated.

Bezawada and Adaelli (2020) analyzed corporate governance, board characteristics and performance of Indian banks: an empirical study. The objectives of the study were to look at Indian banks' corporate governance, board composition, asset quality, and performance. It also looked into how certain board compositions affected the banks' asset quality and performance. For the data analysis in this study, regression analysis, correlation analysis, and descriptive statistics were used. It was discovered that ROA is greatly positively impacted by the size of the board and the proportion of independent directors. A considerable negative correlation was observed between the percentage of executive directors and the ROA. There is a substantial inverse association between the number of independent directors and the size of the board and the NNPA of the banks.

Okoye et al. (2020) studied the effect of corporate governance on the financial performance of commercial banks in Nigeria. Examining the relationship between Nigerian bank profitability and governance practices was the study's primary objective. The outcomes of this study were estimated using the Generalized Method of Moments. It was discovered that the financial performance of Nigerian banks is significantly impacted by board size, directors' equity, and business size. The report also claims that corporate governance has a significant impact on financial performance. It is imperative that directors of banking institutions maintain a significant equity position, as this ensures a commitment to governance standards that bolster profitability.

Sapkota (2020) investigated the corporate governance and financial performance of Nepalese commercial banks. This study looked at the impact of corporate governance on bank performance as well as the relationship between it and the financial performance of Nepalese commercial banks. Regression analysis and correlation analysis were used in this study's data analysis. It was discovered that the debt-to-asset ratio, net interest margin, and total assets significantly improved the operation of the bank. The performance of banks was negatively impacted by board meetings and liquidity. On the other hand, ownership concentration and board size did not significantly affect the company's success.

Table 1
Summary of Empirical Review

Authors	Title	Objectives	Methodology	Findings
Haji et al. (2025)	The interaction of corporate governance, growth, and profitability on earnings quality: firm size as a moderator.	To investigate how corporate governance, growth, and profitability affect the quality of earnings, with a particular emphasis on how firm size acts as a moderator.		It was found that corporate governance, growth, and profitability were proven to significantly improve the quality of earnings. While company size does not considerably affect the association between growth and earnings quality, it does significantly moderate the relationship between corporate governance and profitability with earnings quality.
Li et al. (2025)	Board independence and corporate governance: mediating role of financial asset allocation.	To investigate how board independence affects corporate governance and how financial asset allocation acts as a mediator	Among the quantitative research methods employed in this work are regression analysis and event studies.	Board independence and corporate governance level were shown to be positively connected; financial asset allocation acted as a partial mediating factor.
Ali and Abbas (2024)	Effect of corporate governance on bank performance	To conduct a thorough analysis of how corporate governance practices affect banks' performance.	Regression analysis and event studies are two examples of the quantitative research techniques used in this study.	It was discovered that the ownership structure of banks consistently shows how important a role it plays in improving bank performance. It was also discovered that there was a positive association between the CEO, controlling shareholders, and the board of directors' ownership and the bank's success.
Englbert et al. (2024)	Influence of corporate governance on return on equity of banks listed in Indonesia stock exchange (2018–2022 period).	To investigate the relationship between strong corporate governance principles and both financial performance and ROE potential.	The data analysis in this study was conducted using an equation model for multiple linear regression analysis.	It was discovered that, while the board of directors and the board of commissioners both have a minor impact on return on equity (ROE), their combined influence was not statistically significant throughout the study period.

Mahardika and Zulfikar (2024)	Influence of good corporate governance and the sharia supervisory board on the financial performance of sharia banking in Indonesia.	To examine the impact of the audit and risk supervision committees' efficacy, as well as the influence of committee appointments and compensation on the performance of the Islamic banking sector.	The t-statistical test in this investigation was conducted using the hypothesis test.	It was discovered that increasing business performance was influenced by the supervisory boards and its efficient execution of its tasks and responsibilities.
Kasih and Widiyanti (2024)	Effect of good corporate governance on the financial performance of banks listed on the Indonesia stock exchange.	To gather empirical data on the effects of independent boards of directors, managers, institutional ownership, and audit committees on the performance of banking companies.	The data analysis in this study was done using the multiple regression analysis method.	The performance of the company was determined to be positively impacted only by the audit committee and managerial ownership, whereas the independent board of commissioners, board of directors, and institutional ownership had no influence.
Berhe (2023)	Board structure and bank performance: evidence from Ethiopia.	To analyze the relationship between board structure, including board size, composition, CEO duality, and gender diversity, and bank performance.	Panel regression was utilized in this study to look at the connection between bank performance and board composition.	It was discovered that bank performance was positively and significantly impacted by board gender diversity (FDIRS) and composition (BCOMP). However, the findings also showed that CEO duality (DUAL) and board size (BSIZE) have a negative impact on bank performance.
Budhathoki and Adhikari (2023)	Impact of corporate governance on corporate firm value: a case of Nepalese commercial banks.	To investigate the relationship between Nepalese commercial banks' corporate firm value and corporate governance.	Regression models and correlation coefficients were estimated in this study in order to examine the data.	It was discovered that earnings per share are positively impacted by board size. Financial leverage also had a favorable effect on market capitalization. Similarly, earnings per share was negatively impacted by the gender diversity of the board. Furthermore, the audit committee improved

				earnings per share. Furthermore, market capitalization and earnings per share were negatively impacted by board independence.
Hada (2023)	Corporate governance and its effects on the financial performance of commercial banks in Nepal.	To examine how corporate governance affected Nepalese commercial banks' financial results.	Descriptive statistics, correlation, multiple regression, and t-test were employed in this study's panel data analysis.	Board diligence (DB) was found to significantly and favorably affect ROA. The outcome also showed that other variables (FD, BI, and BS) had no discernible effect on the ROA of Nepal's commercial banks.
Molla et al. (2023)	Corporate governance structure and bank performance: evidence from an emerging economy.	To investigate the relationship between Bangladeshi listed banks' performance and corporate governance practices.	For the data analysis in this work, two-step System Generalized Method of Moments (SGMM) estimators using dynamic panel data were used.	It was discovered that banks' accounting performance was positively impacted by board size. The authors' findings also revealed no connection between the performance of Bangladesh's listed banks and outside independent directors, managerial ownership, or female involvement on the board.
Rarmizi et al. (2023)	Influence of corporate governance on the financial performance of Islamic banks in Indonesia 2016-2021.	To examine the effects of Islamic Corporate Governance (ICG) on Indonesia's Islamic Commercial Banks' financial operations.	This study employed a descriptive and quantitative methodology, assessing the impact of corporate governance on financial performance through the application of basic regression tests.	It was discovered that, at Muslim Commercial Banks, Islamic Corporate Governance significantly and favorably affects financial performance as measured by ROA (Y).
Tashkandi (2023)	Shariah supervision and corporate governance	To determine how corporate governance (CG) factors and	The generalized method of moments	The performance of IBs was found to be significantly influenced by CG-related variables and

	effects on Islamic banks' performance: evidence from the GCC countries.	shariah supervision affected the performance of Islamic banks (IBs) in the Gulf Cooperation Council (GCC).	estimator was utilized to estimate the outcomes of a dynamic panel regression model.	shariah supervision. Additionally, the findings demonstrate that inflation, economic growth, bank size, and capital adequacy ratio are important and favorable predictors of IBs' financial performance.
Asadi and Ramezankhani (2022)	Ownership, corporate governance, and bank performance in Iran.	To examine the impact of different political, economic, managerial, and social issues on the performance of banks.	The effect of ownership structure and corporate governance was examined in this study using the structural equation modeling method.	Dimensions of the ownership structure were shown to have a negligible effect on corporate governance. Nonetheless, there was a statistically significant negative impact from the financial performance factor. A favorable impact on financial performance was strongly correlated with corporate governance.
Gasperz et al. (2022)	Good company governance and risk management on company value with bank performance.	To clarify bank performance both before and after the financial services authority's regulation was administered and to distinguish between risk management and GCG.	An explanatory survey and structural equation modeling analysis were used in this study.	It was discovered that bank performance had a negative impact on firm value, but GCG and risk management had a good impact. The performance of banks was positively impacted by risk management and negatively impacted by GCG.
Goet (2022)	Impact of corporate governance on Nepalese commercial banks' financial performance.	To investigate the effects board size, firm size, foreign ownership, and credit to deposit ratio, on the financial performance of Nepal's listed commercial banks.	In this study, correlational and causal research methodologies were used.	Financial success has been found to be significantly influenced by the size of the company, the composition of the board of directors, foreign ownership, and the credit-to-deposit ratio.
Habtoor (2022)	Board attributes and bank performance in light of Saudi corporate	To look into the relationship between certain board of director traits and bank performance.	This study used a variety of statistical techniques to assess the study	It was discovered that only operational bank performance (ROA) was significantly positively impacted by board size. In a similar vein, accounting-

	governance regulations.		hypotheses, evaluate the data' robustness, and resolve any endogeneity concerns.	based performance (ROA and ROE) was significantly impacted negatively by board independence. Similarly, ROA and ROE were significantly improved by the nationality of the CEO.
El-Charani et al. (2022)	Impact of corporate governance on the financial performance of the banking sector in the MENA (Middle Eastern and North African) region: an immunity test of banks for COVID-19.	To gauge how corporate governance practices, both internal and external, affected banks' financial results.	Fixed effects regressions and a two-stage least squares regression model were evaluated in this investigation.	The financial performance of banks was found to benefit from corporate governance practices such as having independent members on the board of directors, having a high ownership concentration, not putting political pressure on board members, and having strong legal protection.
Kafidipe et al. (2021)	Corporate governance, risk management and financial performance of listed deposit money bank in Nigeria.	Examining corporate governance, risk management in deposit money banks, operational issues in commercial banks, and data on them in Nigeria were the study's main objective.	The data in this study were analyzed using panel data estimation techniques such pooled regression, fixed effect, and random effect regression.	It was discovered that stable banks and profitable loans are both enhanced by strong corporate governance. In addition, the study discovered that there is a significant correlation between corporate governance and financial success, with negative values for board size, board independence, directors' shareholdings, and board meetings, and positive values for the number of board committees.
Ma'aji et al. (2021)	Relevance of good corporate governance practices to bank performance.	Examining the effects of corporate governance tools on firm value in the context of Cambodian banks was the study's main objective.	For a more appropriate analysis, the random effect model with generalized least square (GLS) regression was employed in this work.	It was discovered that, in accordance with the National Bank of Cambodia's Prakas on bank governance, Cambodian banks had a significantly higher percentage of NEDs on their boards and a high implementation of governance procedures on board committees, with an average of more than the two required board

Musah and Adutwumwaa (2021)	Effect of corporate governance on financial performance of rural banks in Ghana.	The study looked at the impact of different corporate governance frameworks on the financial performance of Ghanaian rural banks, including CEO duality, board size, independence, and gender diversity.	For the analysis in this study, regression analysis, correlation analysis, and descriptive statistics were used.	committees (risk and audit). The relationship between CEO duality and ROA and ROE was shown to be positive but statistically insignificant. The research also shows that, despite ROA's statistical insignificance, board size and ROA and ROE are positively correlated.
Bezawada and Adaelli (2020)	Corporate governance, board characteristics and performance of Indian banks: an empirical study.	To look at Indian banks' corporate governance, board composition, asset quality, and performance.	For the data analysis in this study, regression analysis, correlation analysis, and descriptive statistics were used.	It was discovered that ROA is greatly positively impacted by the size of the board and the proportion of independent directors. A considerable negative correlation was observed between the percentage of executive directors and the ROA.
Okoye et al. (2020)	Effect of corporate governance on the financial performance of commercial banks in Nigeria.	Examining the relationship between Nigerian bank profitability and governance practices was the study's primary objective.	The outcomes of this study were estimated using the Generalized Method of Moments.	It was discovered that the financial performance of Nigerian banks is significantly impacted by board size, directors' equity, and business size. The report also claims that corporate governance has a significant impact on financial performance.
Sapkota (2020)	Corporate governance and financial performance of Nepalese commercial banks.	This study looked at the impact of corporate governance on bank performance as well as the relationship between it and the financial performance of Nepalese commercial banks.	Regression analysis and correlation analysis were used in this study's data analysis.	It was discovered that the debt-to-asset ratio, net interest margin, and total assets significantly improved the operation of the bank. The performance of banks was negatively impacted by board meetings and liquidity. On the other hand, ownership concentration and board size did not significantly affect the company's success.

2.4 Research gap

The difference in research from earlier studies to the current study is known as the research gap. A prior investigation into the corporate governance and performance of Nepalese commercial banks was carried out by a variety of specialists, academics, and students (Budhathoki & Adhikari, 2023; Hada, 2023; Goet, 2022 and Sapkota, 2020). Only three banks have been included in prior research on this case study. I have discussed twelve banks in my study: Standard Chartered Bank, Nabil Bank, Everest Bank, Himalayan Bank, Nepal SBI Bank, NMB Bank, Sanima Bank, Machhapuchhre Bank, NIC Asia Bank, Siddhartha Bank, Nepal Bank and Agricultural Development Bank.

There are also differences in the time period of the given case study. In previous cases, there is previous data of the sample companies. But in my case, there is a time duration of 2014/15 to 2023/24. Previous researcher has used return on assets and return on equity as a base of firm performance. In my case, I have used earnings per share and market capitalization as a base of corporate growth. And for the corporate governance indicators board size, board gender diversification, board independence, audit committee, corporate size, financial leverage and bank age are considered in this study. Most of the previous studies made finding of the corporate governance practice using descriptive analysis technique only few studies have used correlation and regression model for the relationship analysis (Budhathoki & Adhikari, 2023; Goet, 2022 and Sapkota, 2020). To find the relationship between dependent and independent variables, this study used panel data correlations and regression analysis technique which can pictures the actual relation between corporate governance and corporate growth in the context of Nepalese commercial banks.

CHAPTER III

RESEARCH METHODOLOGY

This study of measuring the relationship between corporate governance variables and corporate growth variables are also guided with the research methodology. It includes the research design, population, sample and sampling design, nature and sources of data and instruments of data collection, research framework and definition of variables and methods of analysis used in this study.

3.1 Research design

Descriptive and causal research designs have been used in this study to address the issues that have been brought up and have an impact on the corporate growth of the chosen commercial banks in Nepal. The descriptive study design facilitates fact-finding and the search for sufficient data regarding the elements of corporate governance and the operations of banks in Nepal. With this kind of design, data is systematically presented using descriptive statistics to provide a clear picture of what is going on. The causal- research design attempts to analyze the relationship between corporate governance variables and corporate growth variables of the bank using the correlation and regression analysis technique.

3.2 Population and sample

The study is based on the secondary data which were gathered for 20 banks in Nepal. For the purpose of this research, only twelve banks are selected as a sample. The selection of banks is based on random sampling. However, banks went for merge in recently 5 years. The sample are selected in the way that the results for all the commercial banks can be represented by the sample data. The sample banks are selected considering the banks having high market capitalization in stock market with positive earnings per share in the recent period since this study analyzed corporate growth as EPS and market capitalization. The selected sample banks are; Standard Chartered Bank, Nabil Bank, Everest Bank, Himalayan Bank, Nepal SBI Bank, NMB Bank, Sanima Bank, Machhapuchhre Bank, NIC Asia Bank, Siddartha Bank, Nepal Bank and Agricultural Development Bank.

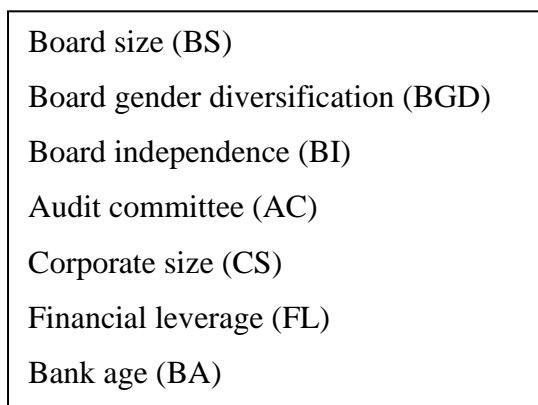
3.3 Nature and sources of data and instrument of data collection

For this investigation, secondary sources of data are collected. These banks' yearly reports to the public and Nepal Rastra Bank served as the main sources of the data. The annual report is the source of the data, hence there is very little possibility of data collection error. Information gleaned from the annual reports has also been used to refine data into the required shape. This study covers ten years from 2013/14 to 2022/23 representing the most recent data.

3.4 Research framework and definition of variables

The current study builds the conceptual framework based on the research objectives and the literature review. The systematic explanation of the relationship between the dependent and independent variables is provided by the study's conceptual framework. Reaching the research goal and keeping the research challenge in focus are beneficial. A research report benefits from a description of the framework in two ways: it helps to identify the research variables and makes the relationships between them clear. The conceptual framework, which is related to the statement's problem, establishes the context for presenting the particular research question that serves as the main focus of the investigation. The figure below displays the research's conceptual framework.

Independent Variables



Dependent Variables

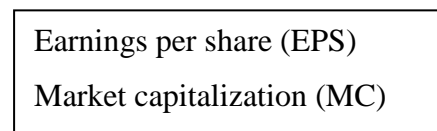


Figure 1: Research framework

Source: Hossain & Tohidul Alam (2019); Li et al. (2021); Dang et al. (2023); Karki (2023)

Operational definition of variables

Board size

The performance of the company is significantly influenced by the number of directors on board. It is the duty of directors to guarantee that management is operating effectively and in accordance with the policies and procedures that it has established. On behalf of the organization, directors create policies, rules, and regulations as well as make critical choices. Jensen (1983) having a large number of directors on a board causes agency issues, delays the decision-making process, and lowers the firm's value. But it's also important to remember that having more directors on the board means that decisions are made more successfully for the business because directors are knowledgeable and experienced individuals (Budhathoki & Adhikari, 2023). Thus, it is possible to establish a correlation between business worth and the number of board directors in committee. Total number of directors on the board serves as a proxy for the board's size.

Board gender diversification

Board gender diversity is determined using a dummy variable that returns a value of '0' in the absence of any female directors and '1' in the presence of female directors. Li et al. (2021) discovered that for companies with a higher percentage of women on the board, the impact of CSR strengths (CSR worries) on the market estimated corporate growth, as measured by Tobin's Q and yearly stock return, is incrementally more positive (more negative). In a similar vein, gender diversity increases shareholder value (Nguyen & Faff, 2007), since having female directors is linked to increased corporate value. Similarly, the inclusion of female directors has a negligible positive impact on financial performance.

Board independence

The dummy variable that measures "0" in the absence of independent directors and "1" in the presence of independent directors on the board of directors is used to define board independence. The directors who guarantee that their choices protect the interests of common shareholders are known as independent directors (Budhathoki & Adhikari, 2023). They ensure that no choices made by directors pose an excessive danger to the interests of shareholders and other stakeholders. Many institutions and organizations have failed as a result of directors' misguided attempts to maximize earnings by taking

on dangerous ventures. Board independence is proven to have a beneficial effect on corporate growth Dang et al. (2023). In a similar vein, Mukyala et al. (2020) found that board independence increases company value. Similarly, board independence has a favorable effect on corporate growth as determined by return on assets and earnings per share (Karki et al., 2023). In order to correct the enthusiastic decisions made by directors and preserve the banks' strong performance, it is crucial to have independent directors on the board.

Audit committee

The number of members of the audit committee defines the audit committee. The audit committee's composition and caliber have a significant impact on the value of the company (Azizah, 2020). Nonetheless, there was a negative correlation found between the audit committee and corporate value (Hossain & Tohidul Alam, 2019). Similarly, the larger audit committees in commercial banks were associated with higher levels of efficiency (Poudel & Hovey, 2013).

Corporate size

Corporate size expressed in millions of rupees based on total assets. Setiadharm and Machali (2017) discovered, however, that corporate growth is not directly impacted by firm size it was the significant factors for the value of firm. Additionally, it was shown that corporate growth is positively impacted by business size (Karki et al., 2023). The corporate growth is significantly impacted negatively by business size. Similarly, corporate growth is positively and significantly impacted by firm size (Lumapow & Tumiwa, 2017).

Financial leverage

Leverage calculated as a percentage by dividing total liabilities by total assets. According to Hossain and Tohidul Alam (2019), there is a negative correlation between financial leverage and corporate value. Nonetheless, there was a positive correlation between leverage and corporate governance, finding that companies with strong corporate governance standards have a higher likelihood of obtaining debt financing than those without such policies (Abor, 2007). Furthermore, there was a substantial correlation between the leverage ratio and business value (Promsen, 2015). On the other hand, there was a strong and positive correlation between financial performance and

financial leverage. However, financial leverage has a detrimental effect on corporate value (Rayan, 2008).

Bank age

The established duration of the bank, expressed in years, is known as bank age. Bank age significantly and favorably affects business value (Lambey, 2021). Chay (2015) shown, however, that company age has a detrimental effect on corporate growth. Similar findings were made by Putri and Rachmawati (2017), who found that company age significantly and negatively affects corporate growth. Similarly, firm age significantly increases corporate growth (Budhathoki & Adhikari, 2023).

Earnings per share

Earnings Per Share (EPS) is a financial statistic that shows how much of a company's earnings goes to each outstanding share of ordinary stock. EPS also influences dividend decisions, which affect shareholder returns, indicating the board's ability to balance reinvestment and shareholder payment. A continuously high or increasing EPS might suggest successful governance, but a fluctuating or decreasing EPS may indicate possible governance difficulties, such as insufficient oversight or resource misuse.

Market capitalization

Market capitalization (or "market cap") refers to the total worth of a company's outstanding stock market shares. Market capitalization represents how investors perceive a company's governance procedures, financial health, and growth prospects. A strong, steady market cap can indicate good governance, whereas a sliding market cap may signal governance issues or a loss of investor trust. Market capitalization may be used as an indirect indicator of governance quality; as successful governance is often associated with stable or growing market capitalization over time.

3.5 Methods of analysis

This study's primary goal is to investigate corporate growth and corporate governance in relation to Nepalese banks. The following analytical techniques have been applied to understand the connection between corporate governance and bank performance.

Descriptive statistics

Numerical summaries and descriptions of data are known as descriptive statistics. The information gathered from an experiment, survey, historical record, etc. is referred to as "data". The following list contains statistical techniques that were utilized in this study to more precisely analyze the data;

- **Arithmetic Mean**

The arithmetic average of a variable is the best value that represents the group as a whole. In this study, it is utilized to determine the mean of the profitability and financial ratios. Mean is calculated as:

$$\text{Mean } (\bar{X}) = \frac{\sum X}{n}$$

Where,

$\sum X$ = Sum of given Observation

n = No. of Observation

- **Standard Deviation**

Since the standard deviation met the most of the requirements for a good measure of dispersion, it is the absolute measure of dispersion in which the flaw found in other measures of dispersion is present. Greater standard deviation, the variability will be higher and vice versa. Dispersion quantifies how far the data deviate from the center value. Put differently, it is beneficial to examine the data's quality in terms of its variability. It is used to determine the standard deviation of all computed profitability and financial ratios. It is calculated as:

$$\text{Standard Deviation (SD)} = \sqrt{\frac{\sum (X - \bar{X})^2}{n-1}}$$

Inferential statistics

Using inferential statistics, one may assess the likelihood that a difference between groups found in a research is reliable or if it might have occurred by accident. In order to identify the variables influencing the banks' profitability, this study mostly employed correlation analysis and generic linear regression modeling as inferential statistics.

- **Coefficient of Correlation**

The relationship between an independent variable and another independent variable is known as the correlation coefficient. It is a technique for ascertaining how these two variables are related to one another. A variable is said to have a correlation coefficient if the two are so connected that changes in one variable's value are caused by changes in the value of another.

$$\text{Correlation Coefficient (r)} = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - (\sum X)^2} \sqrt{n\sum Y^2 - (\sum Y)^2}}$$

Where,

X & Y = Variables i.e. board size (BS), board gender diversification (BGD), board independence (BI), audit committee (AC), corporate size (CS), financial leverage (FL), bank age (BA), earnings per share (EPS) and market capitalization (MC)

- **t- Test**

In this study to significance of an observed correlation coefficient in the population t-test is performed which consists of;

Null hypothesis (H_0); $\rho = 0$ i.e. Correlation coefficient is not significant in the population.

Alternative Hypothesis (H_1); $\rho \neq 0$ i.e. Correlation coefficient is significant in the population.

Test statistic under H_0 ;

$$t = \frac{r}{\sqrt{1 - r^2}} \times \sqrt{n - 2}$$

Where,

r = Sample correlation between two variables

r^2 = Coefficient Determination

n = No. observations

Level of significance: Level of significance $\alpha = 5\%$

Decision: If p-value for the calculated correlation coefficient is less than the significance level the null hypothesis is rejected concluding the coefficient is significant in the population and if p-value for the calculated correlation coefficient is greater than the significance level null hypothesis is accepted concluding that the coefficient is not significant in the population.

- **Regression Analysis**

Regression analysis is a collection of statistical procedures used in statistical modeling to estimate the connections between variables. For the impact analysis, the dependent variables in this study are the banks' earnings per share (EPS) and market capitalization (MC), while the independent variables are board size (BS), board gender diversification (BGD), board independence (BI), audit committee (AC), corporate size (CS), financial leverage (FL) and bank age (BA). More precisely, regression analysis clarifies how, when any one of the independent variables is changed while the other independent variables are kept constant, the usual value of the dependent variable, also known as the "criterion variable," varies (Yadav et al., 2010). Regression Equation for dependent variables:

Model 1: $EPS = \beta_0 + \beta_1 BS + \beta_2 BGD + \beta_3 BI + \beta_4 AC + \beta_5 CS + \beta_6 FL + \beta_7 BA + e$

Model 2: $MC = \beta_0 + \beta_1 BS + \beta_2 BGD + \beta_3 BI + \beta_4 AC + \beta_5 CS + \beta_6 FL + \beta_7 BA + e$

Where,

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ and β_7 are the regression coefficient

EPS= Earnings per share

MC= Market capitalization

BS = Board size

BGD = Board gender diversification

BI = Board independence

AC = Audit committee

CS= Corporate size (total assets)

FL = Financial leverage

BA = Bank age

CHAPTER IV

RESULTS AND DISCUSSION

Chapter four provides systematic presentation, interpretation and analysis of secondary data in order to know the relationship among these dependent and independent variables. This chapter is divided into two sections first section is the analysis of data using the statistical analysis tools defined in the methodology and the second section includes the discussion of the findings with other studies and scenarios.

4.1 Results

Data analysis is an important stage in the research process. The purpose of analysis is to change it from unprocessed form to an understandable presentation. It is the process of developing answer to the question through the examination and interpretation of data.

4.1.1 Comparative Position of Banks

This comparative position analysis tries to present the evidence of position and strength of banks in term of board size, board gender diversification, board independence, audit committee, corporate size, financial leverage, bank age, earnings per share and market capitalization of Nepalese commercial banks.

Table 2

Earnings per Share of Banks (in Rupees)

Year	NABIL	SCBNL	HBL	NSBI	EBL	NMB	SANIMA	MBL	NICA	SBL	NBL	ADBL
2015	57.24	57.38	33.37	34.48	78.04	25.05	24.47	22.20	25.59	37.77	7.48	78.83
2016	59.27	45.96	43.03	36.78	40.33	27.78	32.55	25.04	28.31	41.53	44.59	52.79
2017	59.86	35.49	35.55	33.46	32.48	26.88	26.31	24.00	23.06	18.82	38.77	31.59
2018	51.80	27.33	23.11	25.16	32.78	28.67	21.22	15.81	16.62	26.45	39.98	36.91
2019	50.60	30.39	32.44	27.13	38.05	18.79	28.22	21.07	34.22	23.07	26.99	42.88
2020	36.20	24.81	27.60	17.23	29.71	11.18	20.18	14.96	31.89	19.55	20.68	31.45
2021	33.60	23.92	28.07	10.15	19.91	14.76	23.94	17.76	28.18	22.79	23.43	29.13
2022	18.60	23.92	18.26	16.19	26.30	17.92	18.48	16.44	36.45	20.80	20.29	14.41
2023	23.70	36.75	9.18	19.44	31.43	17.55	20.91	15.85	38.44	22.48	23.39	7.42
2024	22.90	34.73	5.72	19.05	31.47	12.22	17.65	8.99	4.70	21.86	0.19	19.12
Mean	41.38	34.07	25.63	23.91	36.05	20.08	23.39	18.21	26.75	25.51	24.58	34.45
SD	16.22	10.78	11.76	8.93	15.80	6.55	4.66	4.88	10.12	7.79	14.02	20.54
CV	39.19	31.63	45.88	37.35	43.83	32.62	19.92	26.81	37.83	30.53	57.03	59.61

Source: Annual Reports of Banks from 2015 to 2024

Table 2 presents the comparative position of earnings per share of twelve Nepalese commercial banks over the ten-year study period starting from 2015 to 2024. It is clear

that there is highest average earnings per share in NABIL i.e. Rs. 41.38 per share, while there is lowest average earnings per share in MBL i.e. Rs. 18.21 per share. The average earnings per share of the banks indicate that NABIL bank has stronger earning position and MBL has weaker earning position in comparison to other banks over the study period. On the other hand, there is highest standard deviation in earnings per share of ADBL i.e. 20.54, meaning that there is higher variation in earnings per share of the bank during the study period. Moreover, the coefficient variation on earnings per share of the banks shows that there is comparatively more consistent earnings per share in SANIMA with the lowest coefficient of variation i.e. 19.92 percent.

Table 3

Market Capitalization of Banks (in Billion)

Year	NABIL	SCBNL	HBL	NSBI	EBL	NMB	SANIMA	MBL	NICA	SBL	NBL	ADBL
2015	6986	4368	2709	2712	4277	1217	1415	1566	1640	1653	1972	1393
2016	11149	10125	6749	7282	8878	3637	2295	2628	3610	2626	3039	3024
2017	9421	9193	5752	6406	6124	2934	2973	2376	2978	3678	2928	3083
2018	7408	6049	4472	4015	5322	2722	2592	1684	2538	2539	2260	2671
2019	7209	5464	4703	3963	5346	3674	2784	2127	3958	2826	3297	3687
2020	7725	5167	5061	3896	5717	5539	2904	1861	5374	2897	2809	3679
2021	18815	5058	5171	3883	6564	7183	4696	3485	11495	5525	5598	5264
2022	18814	3734	3878	2774	4139	4794	3126	2605	8049	3795	3861	4365
2023	16207	4998	4613	3451	6023	4151	3240	2380	9182	3565	3659	3146
2024	14178	5677	4422	3444	6590	4004	3789	2324	6611	3987	3372	3955
Mean	11791.2	5983.2	4753.0	4182.6	5897.9	3985.4	2981.6	2303.5	5543.4	3309.2	3279.4	3426.8
SD	4827.2	2054.4	1075.1	1491.5	1344.1	1629.8	869.1	553.8	3218.0	1054.8	1001.0	1040.0
CV	40.9	34.3	22.6	35.7	22.8	40.9	29.1	24.0	58.1	31.9	30.5	30.4

Source: Annual Reports of Banks from 2015 to 2024

Table 3 represents the comparative position of market capitalization of twelve Nepalese commercial banks over the ten-year study period starting from 2015 to 2024. It is clear that there is highest average market capitalization in NABIL i.e. Rs. 11791.2 billion, while there is lowest average market capitalization in MBL i.e. Rs. 2303.5 billion. The average market capitalization of the banks indicate that NABIL bank has larger market value and MBL has smaller market value in comparison to other banks over the study period. On the other hand, there is highest standard deviation in market capitalization of NABIL i.e. 4827.2, meaning that there is higher variation in market capitalization of the bank during the study period. Moreover, the coefficient variation on market capitalization of the banks shows that there is comparatively more consistent market capitalization in HBL with the lowest coefficient of variation i.e. 22.6 percent.

Table 4

Board Size of Banks

Year	NABIL	SCBNL	HBL	NSBI	EBL	NMB	SANIMA	MBL	NICA	SBL	NBL	ADBL
2015	7	6	8	8	8	10	6	7	8	9	8	9
2016	6	6	8	7	8	10	6	9	9	8	7	10
2017	7	6	8	5	6	7	6	6	6	5	7	9
2018	7	5	8	6	7	7	6	6	7	5	7	8
2019	6	5	8	6	7	8	6	7	8	6	6	8
2020	7	5	8	6	7	7	6	6	7	6	6	8
2021	7	5	8	6	7	7	6	7	7	6	8	8
2022	7	5	8	6	7	7	6	7	7	6	7	8
2023	7	5	7	6	7	7	7	7	7	6	8	8
2024	6	5	7	6	6	8	7	7	7	6	5	9

Source: Annual Reports of Banks from 2015 to 2024

Table 4 shows the comparative position of board size of twelve Nepalese commercial banks over the ten-year study period starting from 2015 to 2024. It is clear that there is 10 board members in NMB in year 2015 and 10 board members in NMB and ADBL in 2016 which is the largest board size among the banks. Whereas, 5 board members is the smallest board size among the banks which is in SCBNL from 2018 to 2024, in NSBL (i.e. 2017), in NICA (i.e. 2017 and 2018) and in NBL (i.e. 2014).

Table 5

Board Gender Diversification of Banks

Year	NABIL	SCBNL	HBL	NSBI	EBL	NMB	SANIMA	MBL	NICA	SBL	NBL	ADBL
2015	0	1	0	1	0	0	0	0	0	0	0	1
2016	0	1	0	0	0	0	0	0	0	0	0	1
2017	0	1	0	0	0	0	0	0	0	0	0	1
2018	0	1	0	0	0	0	0	0	0	0	0	1
2019	0	1	0	1	0	1	1	0	0	1	1	1
2020	1	1	0	1	1	0	1	0	0	1	1	1
2021	1	1	0	1	1	0	1	1	1	1	1	1
2022	1	1	0	1	1	1	1	1	1	1	1	1
2023	1	1	0	1	1	1	1	1	1	1	1	1
2024	0	1	1	1	1	1	1	1	1	1	1	1

Source: Annual Reports of Banks from 2015 to 2024

Table 5 shows the comparative position of board gender diversification of twelve Nepalese commercial banks over the ten-year study period starting from 2015 to 2024. It is clear that there is at least one female board member in the board of all banks over the study period. In contrast, SCBNL and ADBL has one female board member in all ten years while HBL and female board member in 2024 only.

Table 6

Board Independence of Banks

Year	NABIL	SCBNL	HBL	NSBI	EBL	NMB	SANIMA	MBL	NICA	SBL	NBL	ADBL
2015	1	1	1	1	1	0	1	1	1	1	1	1
2016	1	1	1	1	1	0	1	1	1	1	1	1
2017	1	1	1	1	1	1	1	1	1	1	1	1
2018	1	1	1	1	1	1	1	1	1	1	1	1
2019	0	1	1	1	1	1	1	1	1	1	1	1
2020	1	1	1	1	1	1	1	1	1	1	1	1
2021	1	1	1	1	1	1	1	1	1	1	1	1
2022	1	1	1	1	1	1	1	1	1	1	1	1
2023	1	1	1	1	1	1	1	1	1	1	1	1
2024	0	1	1	1	1	1	1	1	1	1	1	1

Source: Annual Reports of Banks from 2015 to 2024

Table 6 depicts the comparative position of board independence of twelve Nepalese commercial banks over the ten-year study period starting from 2015 to 2024. It is clear that there is at least one independent director in the board of all banks over the study period. In contrast, SCBNL, HBL, NSBI, EBL, SANIMA, MBL, NICA, SBL, NBL and ADBL has at least one independent direction in the board in all ten years while NABIL has no independent director in 2019 and 2024 and NMB has no independent director in year 2014 and 2015.

Table 7

Audit Committee of Banks

Year	NABIL	SCBNL	HBL	NSBI	EBL	NMB	SANIMA	MBL	NICA	SBL	NBL	ADBL
2015	4	4	3	3	3	3	3	3	3	3	3	5
2016	4	4	3	3	3	3	3	3	5	3	3	5
2017	3	4	3	3	3	3	3	3	3	3	3	3
2018	3	4	3	3	3	4	3	3	3	5	3	3
2019	4	4	3	3	3	5	3	3	3	3	3	3
2020	3	3	4	3	3	3	3	3	3	3	2	3
2021	3	3	3	3	4	3	3	3	3	3	3	3
2022	3	3	3	3	3	3	3	3	3	3	3	3
2023	3	3	3	3	3	3	3	3	3	3	3	6
2024	3	3	3	3	3	3	3	3	3	3	3	6

Source: Annual Reports of Banks from 2015 to 2024

Table 7 presents the comparative position of audit committee of twelve Nepalese commercial banks over the ten-year study period starting from 2015 to 2024. It is clear that there are at least 3 members in the audit committee of all banks over the study period except in year 2020 in NBL (i.e. 2 audit committee members). In contrast, NSBI, SANIMA and MBL have only 3 audit committee members throughout the ten years.

Table 8

Corporate Size of Banks (in Billion)

Year	NABIL	SCBNL	HBL	NSBI	EBL	NMB	SANIMA	MBL	NICA	SBL	NBL	ADBL
2015	11599	6493	8280	5928	9915	4134	4030	4875	6052	5072	8821	10093
2016	12730	6519	9986	7852	11389	7461	5589	5946	8046	7483	10348	11179
2017	14033	7741	10726	9975	11651	8682	6996	6893	9927	8988	11210	12687
2018	16908	8310	11646	10254	14482	11162	9182	8479	17094	11987	13347	13542
2019	20114	9326	13315	11831	17008	13547	10906	10525	21770	15403	17152	15146
2020	23768	11644	15589	13240	18502	17945	12631	12452	25059	18247	19116	17932
2021	29107	11474	17849	13781	21165	20760	16075	15821	34615	22894	22265	22244
2022	41982	12336	21629	15310	22538	25515	19251	17873	35857	26433	26008	24618
2023	48120	15138	33234	18596	25069	28778	21564	18657	36409	28598	29674	26567
2024	55702	14119	35574	20881	29574	29487	23386	18961	41047	29734	34035	31138
Mean	27406.2	10309.8	17782.7	12764.8	18129.3	16747.1	12961.1	12048.1	23587.5	17483.8	19197.5	18514.5
SD	15866.9	3083.4	9622.7	4636.3	6475.4	9148.6	6833.5	5478.5	13015.6	9094.1	8653.2	7230.1
CV	57.9	29.9	54.1	36.3	35.7	54.6	52.7	45.5	55.2	52.0	45.1	39.1

Source: Annual Reports of Banks from 2015 to 2024

Table 8 represents the comparative position of corporate size as total assets of twelve Nepalese commercial banks over the ten-year study period starting from 2015 to 2024. It is clear that there is highest average total assets in NABIL i.e. Rs. 27406.2 billion, while there is lowest average total assets in SCBNL i.e. Rs. 10309.8 billion. The average total assets of the banks indicate that NABIL bank has larger market coverage and SCBNL has smaller market coverage in comparison to other banks over the study period. On the other hand, there is highest standard deviation in total assets of NABIL i.e. 15866.9, meaning that there is higher variation in assets growth of the bank during the study period. Moreover, the coefficient variation on total assets of the banks shows that there is comparatively more consistent assets growth in SCBNL with the lowest coefficient of variation i.e. 29.9 percent.

Table 9

Financial Leverage of Banks (in %)

Year	NABIL	SCBNL	HBL	NSBI	EBL	NMB	SANIMA	MBL	NICA	SBL	NBL	ADBL
2015	89.87	88.23	88.81	87.10	83.80	88.84	84.48	90.67	88.36	88.17	88.42	76.33
2016	86.62	85.49	87.46	83.06	82.31	86.82	82.92	87.95	86.37	86.74	86.40	78.17
2017	84.72	82.51	86.60	81.77	81.62	84.34	82.56	85.06	87.32	84.94	83.81	78.68
2018	80.43	81.10	85.64	84.83	80.40	76.16	86.25	85.48	88.46	85.12	74.80	77.37
2019	81.72	81.74	84.93	84.68	76.54	72.72	85.33	87.00	85.14	80.07	68.92	78.81
2020	81.22	85.25	84.59	84.83	78.22	75.12	87.50	85.73	84.16	80.22	74.80	80.15
2021	78.32	83.66	83.69	81.51	76.02	80.18	82.95	83.19	86.77	82.40	73.49	73.27
2022	85.69	82.64	79.29	81.11	76.97	73.25	83.18	83.98	82.73	75.20	75.81	70.92
2023	83.77	80.92	84.40	83.27	79.47	74.03	83.86	84.84	86.61	82.27	82.83	75.88
2024	84.16	79.67	82.62	84.05	78.22	76.95	84.32	83.67	86.27	81.29	83.17	78.24
Mean	83.65	83.12	84.80	83.62	79.36	78.84	84.34	85.76	86.22	82.64	79.25	76.78
SD	3.36	2.58	2.66	1.85	2.63	5.89	1.61	2.26	1.79	3.78	6.46	2.81
CV	4.02	3.10	3.14	2.22	3.31	7.47	1.91	2.64	2.08	4.57	8.15	3.66

Source: Annual Reports of Banks from 2015 to 2024

Table 9 shows the comparative position of financial leverage of twelve Nepalese commercial banks over the ten-year study period starting from 2015 to 2024. It is clear that there is highest average financial leverage in NICA i.e. Rs. 86.22 percent, while there is lowest average financial leverage in ADBL i.e. Rs. 76.78 percent. The average financial leverage of the banks indicate that NICA bank has larger deposit in proportion of total assets and SCBNL has smaller portion of deposit in total assets comparing to other banks over the study period. On the other hand, there is highest standard deviation in financial leverage of NBL i.e. 6.46, meaning that there is higher variation in deposit and assets proportion of the bank during the study period. Moreover, the coefficient variation on financial leverage of the banks shows that there is comparatively more consistent deposit assets proportion in NICA with the lowest coefficient of variation i.e. 2.08 percent.

Table 10

Age of Banks

Year	NABIL	SCBNL	HBL	NSBI	EBL	NMB	SANIMA	MBL	NICA	SBL	NBL	ADBL
2015	31	28	22	22	21	7	11	17	17	13	78	47
2016	32	29	23	23	22	8	12	18	18	14	79	48
2017	33	30	24	24	23	9	13	19	19	15	80	49
2018	34	31	25	25	24	10	14	20	20	16	81	50
2019	35	32	26	26	25	11	15	21	21	17	82	51
2020	36	33	27	27	26	12	16	22	22	18	83	52
2021	37	34	28	28	27	13	17	23	23	19	84	53
2022	38	35	29	29	28	14	18	24	24	20	85	54
2023	39	36	30	30	29	15	19	25	25	21	86	55
2024	40	37	31	31	30	16	20	26	26	22	87	56

Source: Annual Reports of Banks from 2015 to 2024

Table 10 shows the comparative position of age of the banks form the establishment of twelve Nepalese commercial banks over the ten-year study period starting from 2015 to 2024. It is clear that NBL is the oldest bank among the twelve banks and NMB is the youngest bank among the twelve banks. In contrast, in this study 20 years old banks are considered except NBL which is in operation since last 16 years.

4.1.2 Descriptive analysis

This section presents the descriptive statistics for the effects of various independent as corporate governance indicators of the banks and the value of banks, including the maximum, minimum, mean and standard deviation for all variables.

The dependent variables are EPS (measured as net income per shares in Rs.), MC (measured as the product of market price per share and number of shares outstanding in Rs. (millions)). The independent variables are BS (measured as the total number of directors on the board), BGD (measured as ‘0’ if there are no female directors in the board of directors, and ‘1’ if there are female directors in the board of directors), BI (measured as ‘0’ if there are no independent directors in the board of directors, and ‘1’ if there are independent directors in the board of directors), AC (measured as the number of audit committee member), CS (measured as the total assets, Rs. (millions)), FL (measured as the ratio of total deposit and total assets, in percentage) and BA (measured as the established time of the bank, measured in years).

Table 11

Descriptive statistics

Variables	EPS	MC	BS	BGD	BI	AC	CS	FL	BA
Mean	27.83	47864.19	6.91	0.56	0.97	3.22	172443.60	82.36	30.67
Maximum	78.83	188146.10	10.00	1.00	1.00	6.00	557020.00	90.67	87.00
Minimum	0.19	12168.00	5.00	0.00	0.00	2.00	40301.00	68.92	7.00
Std. Dev.	13.25	30954.13	1.14	0.50	0.18	0.61	97233.38	4.42	18.89
Observations	120	120	120	120	120	120	120	120	120

Source: Appendix- II

Table 11 presents the descriptive statistics of dependent variable i.e. corporate growth as earnings per share) EPS and market capitalization (MC) and independent variable i.e. corporate governance as board size (BS), board gender diversification (BGD), board independence (BI), audit committee (AC), corporate size (CS), financial leverage (FL) and bank age (BA) of 12 selected commercial banks over the study period of 10 years starting from 2014/15 to 2023/24. There are 120 observations for each variable since there are 12 sample banks and ten years’ data for each banks. Table shows that earnings per share of the banks ranges from Rs. 0.19 per share to Rs. 78.83 per share during the study period. The average EPS of the banks is Rs. 27.83 per share with the standard deviation of Rs. 13.25 meaning that there is quite satisfactory EPS of the banks over the study period.

Likewise, the market capitalization of the banks ranges from Rs. 12168.00 million to Rs. 181846.10 million during the study period. The average market capitalization of the banks is Rs. 47864.19 million with the standard deviation of 30954.13 million meaning that there is higher fluctuation market capitalization of the banks over the study period. Similarly, the average board size of the banks is 6.91, meaning that on average there are 6 board members in the banks over the study period. The board size of the banks ranges from 5 to 10 members with the standard deviation of 1.14, meaning that there is less fluctuation in board size of the banks over the study period. Likewise, board gender diversification of the banks shows that there are female board members in the banks in most of the years. In the same way, the board independence of the banks shows that there are independent directors in the banks in most of the years.

The average audit committee of the banks is 3.22, meaning that on average there is at least 3 board members in the audit committee of the banks. The maximum members in the audit committee is 6 while minimum members in the audit committee is 2 with the standard deviation of 0.61, showing that there are quite consistent members in the audit committee of the banks. The average corporate size of the banks is Rs. 172443.60 million with the standard deviation of Rs. 97233.38 million⁵, which indicates that there is consistent growth in the assets as corporate size of the banks.

Moreover, the average financial leverage of the banks is 82.36 percent meaning that there is more than 82 percent deposit in proportion to total assets of the banks. The financial leverage ranges from 68.92 percent to 90.67 percent with the standard deviation of 4.42 percent meaning that there is consistent financial leverage in the banks over the study period. In contrast, the age of the banks ranges from 7 years to 87 years during the study period, meaning that the sample banks cover new banks to oldest banks in Nepalese context.

4.1.3 Correlation analysis

Correlation analysis is a statistical approach used to determine the level of association between two variables to explain the direction of a variable if that of the original data should change or remain unchanged. Thus, the degree of correlation indicates the direction of movement between the variables. A strong, or high, correlation means two or more variables have a strong relationship with each other while a weak, or low,

correlation means that the variables are hardly related. The Pearson correlation has been computed and the results are present in following table.

Table 12

Correlation analysis

Variables	LNEPS	LNMC	BS	BGD	BI	AC	CS	FL	BA
LNEPS	1.000								
LNMC	0.163 (0.075)	1.000							
BS	0.173 (0.059)	-0.164 (0.073)	1.000						
BGD	-0.208* (0.022)	0.160 (0.080)	-0.176 (0.055)	1.000					
BI	-0.061 (0.511)	-0.040 (0.665)	-0.179 (0.051)	0.209* (0.022)	1.000				
AC	0.097 (0.292)	-0.001 (0.995)	0.198* (0.030)	0.069 (0.457)	-0.010 (0.912)	1.000			
CS	-0.343** (0.000)	0.508** (0.000)	-0.072 (0.435)	0.470** (0.000)	0.029 (0.754)	-0.070 (0.449)	1.000		
FL	0.044 (0.630)	-0.113 (0.219)	-0.021 (0.822)	-0.418** (0.000)	-0.127 (0.166)	-0.132 (0.150)	-0.407** (0.000)	1.000	
BA	-0.148 (0.107)	0.045 (0.626)	0.062 (0.502)	0.250** (0.006)	0.081 (0.381)	0.033 (0.724)	0.277** (0.002)	-0.361** (0.000)	1.000

Source: Appendix- III

Note: ** coefficient is significant at 1% level of significance

* coefficient is significant at 5% level of significance

Table 12 shows the relationship analysis results for the dependent variable corporate growth as earnings per share and market capitalization of the banks with the corporate governance indicators as board size, board gender diversification, board independence, audit committee, corporate size, financial leverage and bank age. The correlation results revealed that earnings per share of the banks positively associated with board size of the banks with the correlation coefficient 0.173 which is not significant (p-value 0.059

> 0.05), meaning that the higher board size increases the earnings per share of the banks in the sample banks.

Similarly, earnings per share of the banks negatively associated with board gender diversification of the banks with the correlation coefficient -0.208 which is significant (p-value $0.022 < 0.05$), meaning that the presence of female board member decreases the earnings per share of the banks in the sample banks.

In the same way, earnings per share of the banks negatively associated with board independence of the banks with the correlation coefficient -0.061 which is not significant (p-value $0.511 > 0.05$), meaning that the presence of independent director in the board decreases the earnings per share of the banks in the sample banks.

In contrast earnings per share of the banks positively associated with audit committee of the banks with the correlation coefficient 0.097 which is not significant (p-value $0.292 > 0.05$), meaning that the higher number of audit committee in increases the earnings per share of the banks.

However, earnings per share of the banks negatively associated with company size of the banks with the correlation coefficient -0.343 which is significant (p-value $0.000 < 0.05$), meaning that the higher company size i.e. total assets decrease the earnings per share of the banks.

On the other hand, earnings per share of the banks positively associated with financial leverage of the banks with the correlation coefficient 0.044 which is not significant (p-value $0.630 > 0.05$), meaning that the higher financial leverage i.e. deposit collection proportion increases the earnings per share of the sample banks.

On the other hand, earnings per share of the banks negatively associated with bank age of the banks with the correlation coefficient -0.148 which is not significant (p-value $0.107 > 0.05$), meaning that the higher age of the banks decreases the earnings per share of the sample banks.

Another correlation results revealed that market capitalization of the banks negatively associated with board size of the banks with the correlation coefficient -0.164 which is not significant ($p\text{-value } 0.073 > 0.05$), meaning that the higher board size decreases the market capitalization of the banks.

On the other hand, market capitalization of the banks positively associated with board gender diversification of the banks with the correlation coefficient 0.160 which is not significant ($p\text{-value } 0.080 > 0.05$), meaning that the presence of female board member increases the market capitalization of the banks.

Moreover, market capitalization of the banks negatively associated with board independence of the banks with the correlation coefficient -0.040 which is not significant ($p\text{-value } 0.665 > 0.05$), meaning that the presence of independent director in the board decreases the market capitalization of the banks in the sample banks.

In contrast, market capitalization of the banks negatively associated with audit committee of the banks with the correlation coefficient -0.001 which is not significant ($p\text{-value } 0.995 > 0.05$), meaning that the higher number of audit committee in decreases the market capitalization of the sample banks.

However, market capitalization of the banks positively associated with company size of the banks with the correlation coefficient 0.508 which is significant ($p\text{-value } 0.000 < 0.05$), meaning that the higher company size i.e. total assets increase the market capitalization of the banks.

On the other hand, market capitalization of the banks negatively associated with financial leverage of the banks with the correlation coefficient -0.113 which is not significant ($p\text{-value } 0.219 > 0.05$), meaning that the higher financial leverage i.e. deposit collection proportion decreases the market capitalization of the sample banks.

On the other hand, market capitalization of the banks positively associated with bank age of the banks with the correlation coefficient 0.045 which is not significant ($p\text{-value } 0.626 > 0.05$), meaning that the higher age of the banks increases the earnings per share of the sample banks.

4.1.4 Regression analysis

In order to test the statistical significance of the results, the study relies on secondary data analysis based on the regression model specified in methodology. It basically deals with the regression results from various specifications of the model to examine the estimated relationship of independent variables (board size (BS), board gender diversification (BGD), board independence (BI), audit committee (AC), corporate size (CS), financial leverage (FL) and bank age (BA) with dependent variable (earnings per share (EPS) and market capitalization (MC)). The regression results have been presented in the tables below.

Table 13

Regression analysis for dependent variable EPS

Variables	Coefficient	Std. Error	t-Statistic	Prob.
Constant	6.052**	1.367	4.427	(0.000)
BS	0.027	0.026	1.019	(0.311)
BGD	0.018	0.073	0.250	(0.803)
BI	0.053	0.163	0.325	(0.746)
AC	0.069	0.056	1.234	(0.220)
CS	-0.801**	0.163	-4.922	(0.000)
FL	0.006	0.009	0.732	(0.466)
BA	0.012**	0.003	3.760	(0.000)
R-squared	0.332**			
Adjusted R-squared	0.290			
S.E. of regression	0.691			
F-statistic	7.935			
Prob(F-statistic)	(0.000)			

Source: Appendix- IV

Note: ** coefficient is significant at 1% level of significance

* coefficient is significant at 5% level of significance

Table 13 shows the regression analysis results for dependent variable earnings per share and the dependent variables board size, board gender diversification, board independence, audit committee, corporate size, financial leverage and bank age. The

multiple regression coefficient i.e. R-square is 0.332 which shows that out of total change in earning per share 33.20 percent change is explained by board size, board gender diversification, board independence, audit committee, corporate size, financial leverage and bank age and the remaining change in earning per share is not explained in this regression model. The value of adjusted R-square is 0.290 which indicated that the adjusting the variables in the model also shows 29.00 percent change in earnings per share explained by these independent variables of the model. The F-statistics and p-value of the regression model are 7.935 and 0.000 respectively which show that the regression model is significant and the independent variables of the mode are strong enough to explain the change in the dependent variables.

The beta coefficient of board size is 0.027 with the p-value of 0.311 which shows that the board size of the banks has no significant positive effect on earnings per share of the banks. Similarly, the coefficient of board gender diversification is 0.018 with the p-value of 0.803 which shows that the board gender diversification has positive effect on earnings per share of the banks but the strength of relationship is not significant in the population. Likewise, the coefficient of board independence is 0.053 with the p-value of 0.746 which shows that the board independence has no significant positive effect on earnings per share of the banks. Moreover, the coefficient of audit committee is 0.069 with the p-value of 0.220 which shows that the audit committee has positive effect on earnings per share of the banks but the strength of relationship is not significant in the population. However, the coefficient of corporate size is -0.801 with the p-value of 0.000 which shows that the corporate size has significant negative effect on earnings per share of the banks. In the same way, the coefficient of financial leverage is 0.006 with the p-value of 0.466 which shows that the financial leverage has significant no positive effect on earnings per share of the banks. In contrast, the coefficient of bank age is 0.012 with the p-value of 0.000 which shows that the bank age has positive effect on earnings per share of the banks and the strength of relationship is significant in the population.

Table 14

Regression analysis for dependent variable MC

Variables	Coefficient	Std. Error	t-Statistic	Prob.
Constant	1.586**	0.482	3.292	(0.001)
BS	0.016	0.011	1.474	(0.143)
BGD	-0.104**	0.032	-3.258	(0.002)
BI	0.058	0.109	0.533	(0.595)
AC	-0.037*	0.014	-2.600	(0.011)
CS	0.631**	0.071	8.863	(0.000)
FL	-0.003	0.003	-1.179	(0.241)
BA	-0.002**	0.000	-3.232	(0.002)
R-squared	0.493**			
Adjusted R-squared	0.461			
S.E. of regression	0.227			
F-statistic	15.540			
Prob(F-statistic)	(0.000)			

Source: Appendix- IV

Note: ** coefficient is significant at 1% level of significance

* coefficient is significant at 5% level of significance

Table 14 shows the regression analysis results for dependent variable market capitalization and the dependent variables board size, board gender diversification, board independence, audit committee, corporate size, financial leverage and bank age. The multiple regression coefficient i.e. R-square is 0.493 which shows that out of total change in market capitalization 49.30 percent change is explained by board size, board gender diversification, board independence, audit committee, corporate size, financial leverage and bank age and the remaining change in earning per share is not explained in this regression model. The value of adjusted R-square is 0.461 which indicated that the adjusting the variables in the model also shows 46.10 percent change in market capitalization explained by these independent variables of the model. The F-statistics and p-value of the regression model are 15.540 and 0.000 respectively which show that the regression model is significant and the independent variables of the mode are strong enough to explain the change in the dependent variables.

The beta coefficient of board size is 0.016 with the p-value of 0.143 which shows that the board size of the banks has no significant positive effect on market capitalization of the banks. Similarly, the coefficient of board gender diversification is -0.104 with the p-value of 0.002 which shows that the board gender diversification has significant negative effect on market capitalization of the banks. Likewise, the coefficient of board independence is 0.058 with the p-value of 0.595 which shows that the board independence has no significant positive effect on market capitalization of the banks. Moreover, the coefficient of audit committee is -0.037 with the p-value of 0.011 which shows that the audit committee has significant negative effect on market capitalization of the banks. However, the coefficient of corporate size is 0.631 with the p-value of 0.000 which shows that the corporate size has significant positive effect on market capitalization of the banks. In the same way, the coefficient of financial leverage is -0.003 with the p-value of 0.241 which shows that the financial leverage has no significant negative effect on market capitalization of the banks. In contrast, the coefficient of bank age is -0.002 with the p-value of 0.002 which shows that the bank age has significant negative effect on market capitalization of the banks.

4.2 Discussion

The objective to analyze the relationship between corporate governance and corporate growth in this study found that earnings per share of the banks positively associated with board size of the banks meaning that the higher board size increases the earnings per share of the banks in the sample banks this finding is opposite with the finding of Kasih and Widiyanti (2024) who found that board members in the board committee had negative effect on earnings of the banks.

Similarly, earnings per share of the banks negatively associated with board gender diversification of the banks meaning that the presence of female board member decreases the earnings per share of the banks in the sample banks the negative relationship between board gender diversification and earnings per share had been found by Indrawati and Hanif (2023) in their study.

In the same way, earnings per share of the banks negatively associated with board independence of the banks meaning that the presence of independent director in the board decreases the earnings per share of the banks in the sample banks this finding is

consistent with the finding of Kasih and Widiyanti (2024) who found that independent board members in the board committee had negative effect on financial performance of the banks.

In contrast earnings per share of the banks positively associated with audit committee of the banks meaning that the higher number of audit committee in increases the earnings per share of the banks this finding is in line with the finding of Kasih and Widiyanti (2024) who found that audit committee had positive effect on performance of the banks.

However, earnings per share of the banks negatively associated with company size of the banks meaning that the higher company size i.e. total assets decrease the earnings per share of the banks this finding is not consistent with the finding of Berhe (2023) who revealed that there was positive association between bank size and the performance of the banks.

On the other hand, earnings per share of the banks positively associated with financial leverage of the banks meaning that the higher financial leverage i.e. deposit collection proportion increases the earnings per share of the sample banks this finding is not consistent with the finding of Berhe (2023) who revealed that there was negative association between leverage of the banks and the performance of the banks.

In the same way, earnings per share of the banks negatively associated with bank age of the banks meaning that the higher age of the banks decreases the earnings per share of the sample banks this finding is opposite with the finding of Budhathoki and Adhikari (2023) who revealed that there was positive association between bank age and the earnings per share of the banks.

Another correlation results revealed that market capitalization of the banks negatively associated with board size of the banks meaning that the higher board size decreases the market capitalization of the banks this finding is not consistent with the result of Budhathoki and Adhikari (2023) who revealed that there was positive association between with board size and the market capitalization of the banks.

On the other hand, market capitalization of the banks positively associated with board gender diversification of the banks meaning that the presence of female board member increases the market capitalization of the banks this finding is not consistent with the result of Budhathoki and Adhikari (2023) who revealed that there was negative association between with board gender diversification and the market capitalization of the banks.

Moreover, market capitalization of the banks negatively associated with board independence of the banks meaning that the presence of independent director in the board increases the market capitalization of the banks in the sample banks this finding is consistent with the result of Budhathoki and Adhikari (2023) who revealed that there was negative association between with board independence and the market capitalization of the banks.

In contrast, market capitalization of the banks negatively associated with audit committee of the banks meaning that the higher number of audit committee in decreases the market capitalization of the sample banks this finding is in line with the result of Budhathoki and Adhikari (2023) who revealed that there was positive association between audit committee and the market capitalization of the banks.

However, market capitalization of the banks positively associated with company size of the banks meaning that the higher company size i.e. total assets increase the market capitalization of the banks this finding is in line with the result of Budhathoki and Adhikari (2023) who revealed that there was positive association between company size and the market capitalization of the banks.

On the other hand, market capitalization of the banks negatively associated with financial leverage of the banks meaning that the higher financial leverage i.e. deposit collection proportion decreases the market capitalization of the sample banks this finding is in opposite with the result of Budhathoki and Adhikari (2023) who revealed that there was positive association between financial leverage of the banks and the market capitalization of the banks.

On the other hand, market capitalization of the banks positively associated with bank age of the banks meaning that the higher age of the banks increases the earnings per share of the sample banks this finding is in line with the result of Budhathoki and Adhikari (2023) who revealed that there was positive association between bank age and the market capitalization of the banks.

The objective to analyze the effect of corporate governance on the corporate growth of Nepalese commercial banks using the multiple regression analysis revealed that board size of the banks has positive effect on earnings per share of the banks. This finding is consistent with the findings of Habtoor (2022), Goet (2022), Molla et al. (2023) and Berhe (2023) who have revealed that there was positive effect of board size on the earnings of the banks.

Similarly, board gender diversification has positive effect on earnings per share of the banks but the strength of relationship is not significant in the population. This finding is not consistent with the finding of Habtoor (2022) and Budhathoki and Adhikari (2023) who revealed that there was negative effect of board gender diversification on earnings per share of the banks. But the result is consistent with the findings of Molla et al. (2023) and Berhe (2023) and who have revealed that there was positive effect of board gender diversification on the earnings of the banks.

Likewise, board independence has no significant positive effect on earnings per share of the banks. This finding is not consistent with the findings of Habtoor (2022) and Budhathoki and Adhikari (2023) who have revealed that there was negative effect of board independence on the earnings of the banks. But the result is consistent with the finding of Molla et al. (2023) who revealed that there was positive effect of board independence on the earnings of the banks.

Moreover, audit committee has positive effect on earnings per share of the banks but the strength of relationship is not significant in the population. This finding is consistent with the finding of Budhathoki and Adhikari (2023) who revealed that there was positive effect of audit committee on the earnings of the banks.

However, corporate size has significant negative effect on earnings per share of the banks. This finding is not consistent with the findings of Habtoor (2022), Goet (2022), Budhathoki and Adhikari (2023) and Berhe (2023) who have revealed that there was positive effect of corporate size on the earnings of the banks. But the result is consistent with the finding of Molla et al. (2023) who revealed that there was negative effect of corporate size on the earnings of the banks.

In the same way, financial leverage has significant positive effect on earnings per share of the banks. This finding is consistent with the findings of Habtoor (2022), Goet (2022), Budhathoki and Adhikari (2023) and Berhe (2023) who have revealed that there was positive effect of corporate size on the earnings of the banks. But the result is not consistent with the finding of Molla et al. (2023) who revealed that there was negative effect of leverage on the earnings of the banks.

In contrast, bank age has significant positive effect on earnings per share of the banks. This finding is consistent with the finding of Budhathoki and Adhikari (2023) who revealed that there was positive effect of corporate size on the earnings of the banks.

Another regression analysis revealed that board size of the banks has no significant positive effect on market capitalization of the banks. This finding is consistent with the finding of Budhathoki and Adhikari (2023) who revealed that there was positive effect of board size on the market capitalization of the banks.

Similarly, board gender diversification has significant negative effect on market capitalization of the banks. This finding is consistent with the finding of Budhathoki and Adhikari (2023) who revealed that there was negative effect of board gender diversification on the market capitalization of the banks.

Likewise, board independence has no significant positive effect on market capitalization of the banks. This finding is not consistent with the finding of Budhathoki and Adhikari (2023) who revealed that there was negative effect of board gender diversification on the market capitalization of the banks.

Moreover, audit committee has significant negative effect on market capitalization of the banks. This finding is consistent with the finding of Budhathoki and Adhikari (2023) who revealed that there was negative effect of audit committee on the market capitalization of the banks.

However, corporate size has significant positive effect on market capitalization of the banks. This finding is consistent with the finding of Budhathoki and Adhikari (2023) who revealed that there was positive effect of company size on the market capitalization of the banks.

In the same way, financial leverage has insignificant negative effect on market capitalization of the banks. This finding is not consistent with the finding of Budhathoki and Adhikari (2023) who revealed that there was positive effect of financial leverage on the market capitalization of the banks.

In contrast, bank age has significant negative effect on market capitalization of the banks. This finding is not consistent with the finding of Budhathoki and Adhikari (2023) who revealed that there was positive effect of bank age on the market capitalization of the banks.

CHAPTER V

SUMMARY AND CONCLUSION

This chapter presents the summary of the study along with conclusion and actionable implications of the study. The study has also tried to point out the practice of corporate governance in the Nepalese commercial banks and their effect on the corporate growth of the banks, with the hope of giving directions for further growth of the banks.

5.1 Summary

In order to guarantee the stability, accountability, and transparency of commercial banks, corporate governance is an essential component of the banking sector. As the sector has evolved over time, the need for effective corporate governance frameworks has increased. The study attempts to examine the impact of corporate governance on corporate growth of Nepalese commercial banks. In this study corporate governance of the banks are examined as board size (BS), board gender diversification (BGD), board independence (BI), audit committee (AC), corporate size (CS), financial leverage (FL), bank age (BA), whereas, corporate growth is analyzed as earnings per share (EPS) and market capitalization (MC) of the banks.

This study primarily employs a descriptive and causal research design for data analysis in order to determine the impact of various factors of corporate governance on the corporate growth of Nepalese commercial banks. The descriptive study design facilitates fact-finding and the search for sufficient data regarding the elements of corporate governance and the operations of banks in Nepal. The causal-research design attempts to analyze the relationship between corporate governance variables and corporate growth variables of the bank using the correlation and regression analysis technique. This study is based on the secondary data gathered from 12 Nepalese commercial banks for the study period from 2014/15 to 2023/24. The obtained data is provided in an ordered format in Eviews software, and the descriptive statistics, correlation analysis, and regression analysis results have been calculated and displayed.

The descriptive analysis in this study revealed that there is quite satisfactory EPS of the banks over the study period. However, there is higher fluctuation market capitalization of the banks over the study period. It is found that there are 6 board members in the

banks over the study period. Similarly, there is less fluctuation in board size of the banks over the study period. Likewise, board gender diversification of the banks shows that there are female board members in the banks in most of the years. In the same way, the board independence of the banks shows that there are independent directors in the banks in most of the years. On average there is at least 3 board members in the audit committee of the banks. Moreover, there are quite consistent members in the audit committee of the banks and there is consistent growth in the assets as corporate size of the banks. At the meantime, there is more than 82 percent deposit in proportion to total assets of the banks and there is consistent financial leverage in the banks over the study period. In contrast, the age of the banks ranges from 7 years to 87 years during the study period, meaning that the sample banks cover new banks to oldest banks in Nepalese context.

The relationship analysis found that earnings per share of the banks positively associated with board size of the banks. Similarly, earnings per share of the banks negatively associated with board gender diversification of the banks. In the same way, earnings per share of the banks negatively associated with board independence of the banks. In contrast earnings per share of the banks positively associated with audit committee of the banks. However, earnings per share of the banks negatively associated with company size of the banks. On the other hand, earnings per share of the banks positively associated with financial leverage of the banks. On the other hand, earnings per share of the banks negatively associated with bank age.

Another correlation results revealed that market capitalization of the banks negatively associated with board size of the banks. On the other hand, market capitalization of the banks positively associated with board gender diversification of the banks. Moreover, market capitalization of the banks negatively associated with board independence of the banks. In contrast, market capitalization of the banks negatively associated with audit committee of the banks. However, market capitalization of the banks positively associated with company size of the banks. On the other hand, market capitalization of the banks negatively associated with financial leverage of the banks. On the other hand, market capitalization of the banks positively associated with bank age.

5.2 Conclusion

The major conclusion of this study is that that board size has a positive relationship with earning per share and negative relation with market capitalization. It indicates that higher the board size, higher would be the earnings per share and lower will bet the market capitalization of the banks. Likewise, board gender diversification has a negative relationship with earnings per share. It indicates that presence of female director in the board leads to decrease in earnings per share. However, board gender diversification has a positive relationship with market capitalization. It indicates that presence of female director in the board leads to decrease in market capitalization of the banks. In addition, board independence has a negative relationship with earnings per share and market capitalization. It indicates that increase in number of independent directors on the board leads to decrease in earnings per share and market capitalization of the banks.

Further, audit committee has a positive relationship with earnings per share and negative relation with market capitalization. It indicates that increase in audit committee members leads to increase in earnings per share and decrease market capitalization of the banks. Moreover, corporate size has a negative relationship with earning per share and positive relation with market capitalization. It indicates that increase in corporate size leads to decrease in earnings per share and increases market capitalization of the banks. Similarly, financial leverage has a positive relationship with earning per share. It indicates that increase in financial leverage leads to increase in earnings per share. In contrast, financial leverage has a negative relationship with market capitalization. It indicates that increase in financial leverage leads to decrease in market capitalization of the banks. Further, bank age has a negative relationship with earning per share and positive relation with market capitalization. It indicates that older the banks, lower would be the earnings per share and the market capitalization of the banks goes higher.

Likewise, the study also concluded that company size followed is the most influencing factor that explains the changes in the earning per share in the context of Nepalese commercial banks. However, company size has negative effect on earnings per share. Similarly, the study also concluded that company size is the most influencing factor that explains the changes in market capitalization in the context of Nepalese

commercial banks. However, company size positive effect on market capitalization of the banks.

5.3 Implications

The degree of corporate governance and company value should be a priority for Nepal's commercial banks in order to improve their performance and value, according to empirical results. By implementing rules and regulations, the NRB should encourage banks to adopt sound corporate governance procedures. It is advised to keep a bank board's director count to a minimum, provided that this minimal size allows the board to effectively carry out its supervisory duties.

Financial authorities are rushing to grasp the shift and navigate the chaos brought about by technology and globalization. Regulators must create a strong financial system with robust governance in order to achieve this. Because it examines both governance and performance, the study of corporate governance and financial performance is significant.

In order to promote corporate governance and competitiveness among the nation's enterprises, the government, financial institutions, and business community should work together to establish formal capital market institutions, notably a stock exchange. Because corporate governance and business value are critical, they should be reviewed often over a specific period of time. Future studies should employ bigger sample sizes and longer time periods. Another avenue of research may be to compare the corporate growth and performance of commercial banks, development banks, finance businesses, and non-financial organizations in terms of corporate governance.

It's also critical to understand how the Nepalese central bank has been overseeing the banks and whether the guidelines and procedures it employs are similar to those of other central banks. Additionally, banks in Nepal may find this information to be useful. Similarly, this research might serve as a foundational study for future academics who wish to compare the present and future or do more research.

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PAPER NAME

**CORPORATE GOVERNANCE PRACTICES
AND CORPORATE GROWTH**

AUTHOR

Nisha Shrestha

WORD COUNT

20699 Words

CHARACTER COUNT

113562 Characters

PAGE COUNT

62 Pages

FILE SIZE

143.7KB

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