CORPORATE GOVERNACE IN NEPALESE COMMERCIAL BANKS

A Thesis

By

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CERTIFICATION OF AUTHORSHIP

I certify that the work in the thesis has not previously been submitted for a degree nor has it been submitted as part of requirement for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me under the supervision of Prof. Dr. Bal Krishna Shrestha. Any help that I have received in my research work and the presentation of the thesis itself has been acknowledged. In addition, I certify that all information source and literature used are indicated in the reference section of thesis.

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Samyooka Sambahamphe

Date: March, 2019

RECOMMENDATION LETTER

It is certified that thesis entitled **CORPORATE GOVERNACE IN NEPALESE COMMERCIAL BANKS** submitted by **Samyooka Sambahamphe** is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. The thesis is forwarded for examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **CORPORATE GOVERNACE IN NEPALESE COMMERCIAL BANKS** presented by **Samyooka Sambahamphe**, a candidate for the degree of **Master of Business Studies (MBS-Semester)** and conduced the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ABBREVIATIONS

BOD	Board of Director
CEO	Chief Executive Officer
CV	Coefficient of Variation
EPS	Earnings per Share
NBL	Nepal Bank Limited
NIBL	Nepal Investment Bank Limited
P.E.	Probable Error
ROI	Return on Investment
SD	Standard Deviation

ABSTRACT

This study aims to find the effect of corporate governance in Nepalese Commercial Banks. For this purpose, four banks has selected as sample of commercial banks study during 2013/14-2017/18. Primary data has used to examine the relationship between the elements of corporate governance. The tools used on this study are statistical tools which are Arithmetic Mean, Standard Deviation and Coefficient of variation. Moreover, correlation and probable error also have mentioned.

The findings of the study demonstrate that, the independent variables display the average performance according to the responses of the employees. However, about the responsibility, accountancy and social awareness have in neutral point. Correlation between the elements of independent variables as transparency, accountancy, responsibility and social awareness have some not significant relationship due to the negative value of correlation whereas, others are significant.

Keywords: Corporate Governance, Commercial Banks, Return, Investment.

CHAPTER-I
INTRODUCTION

1.1 Background of the Study

Governance simply refers to the process or act of governing. The institutions of governance provide a framework within which the social and economic life of countries is conducted. Corporate governance is the key foundation for firms to be more productive and have a long existing product life cycle. The social and economic lives are developed and governed by the specific institutions of governance. Corporate governance is regarded as the key foundation of Organizations to be more productive, governed and controlled. Corporate governance is the System by which business corporations are directed and controlled.

The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance. It has been reported that the survival of firms is associated with the type of corporate governance and management followed in the organization.

The presence of strong governance standards provides better access to capital and aids economic growth. Corporate governance also has broader social and institutional dimensions. Properly designed rules of governance should focus on implementing the values of fairness, transparency, accountability, and responsibility to both shareholders and stakeholders. In order to be effectively and ethically governed, businesses need not only good internal governance that includes important external factors to corporation such as the board of directors, capital providers, stakeholders and management but likewise must operate in sound institutional environment that includes important factors external to corporation, such as laws and regulations, competitive markets, the media, and transparent external auditing measures. Governance failures or weaknesses can reflect aspects of both (Tura, 2012).

Corporate governance is the set of process, a company‘s culture, policies, law and institutions and corporation is directed, administered or controlled. Corporate governance refers to that blend of laws and regulations and appropriate voluntary private sector practices which enables the corporation to attract and retain financial and human capital, perform efficiently, thereby perpetuate it by generating long term economic value for its shareholder, while respecting the interest of stakeholders and society as a whole. The principal characteristics of effective corporate governance are: transparency, protection and enforceability of the rights of all shareholders, and directors capable of independently approving the corporation's strategy and major business plans and decisions and independently hiring management, monitoring management's performance and integrity, and replacing management when necessary.

Corporate governance also includes the relationship among the many stakeholders involved and the goal for which the organization in governed.

The principal stakeholders are the shareholders, management, and the board of directors. Other Stakeholders includes employees, suppliers, customers, banks, regulators, the environment and the community at large. Conversely, weak corporate governance leads to waste, mismanagement, and corruption. It is also important to remember that although corporate governance has emerged as a way to manage modern joint stock corporations it is equally significant in state-owned enterprises, cooperatives, and family businesses. Regardless of the type of venture, only good governance can deliver sustainable good business performance.

The key elements of CG monitored by the society include honesty, trust, integrity, openness, performance orientation disclosure and transparency, responsibility and accountability, mutual respect and commitment to the organization. When we talk about the corporate governance, the concept of boards of directors automatically embraces the subject. Corporate governance encompasses the entire mechanics of the functioning of a company and attempts to put in place a system of check and balance between the shareholder, directors and management. Just as industry seeks transparency in government policies and procedures, so Corporate Governance sees transparency in the corporate sector. BODs are in the center of Corporate Governance system.

Corporate governance is a field of economics that investigate how to secure/motive efficient management of corporations by the use of designs and legislation. This is often limited to the question of improving financial performance. Adherence to good corporate governance practice will help improve the confidence of domestic investors, reduce the cost of capital and ultimately induce more stable source of financing.

The poor governance practices including inadequate disclosure, lack of independent oversight and weak minority shareholder tend to discourage investment and weaken incentives for efficient management. Addressing the issue of corporate governance, while improving the business environment generally is fundamental in winning the investor confidence and achieving economic stability and growth (Shellfire and Vishnu, 1997).

Many studies attempt to address the relationship between corporate governance practices and firm valuation. Although most report a positive relationship, they are not clear on how corporate governance could enhance firm value good. This leads to better or more efficient investment decisions and eventually to higher corporate value. This argument is in line with the findings of Jensen MC and Mackling (1976). It is widely recognized that in general, transparency enhances trust among the major players with in the governance framework such transparency has both the cost and benefits. There are empirical findings that shows increased transparency beyond optimum level reduces profit and that increases in penalties for distorting information can be profit reducing.

They have easy excess to funds through collecting savers money, issuing debt securities or borrowing on the inter–banks markets. The funds collected are invested in short term and long term assets, which consists mainly of credits to various economist actors (individuals ,companies ,government etc) through centralizing any money surplus and injecting it back in to the economy. Banks are the To ensure a good corporate governance in Nepal requires a joint effort of the investors (promoters) who need to be more transparent, responsible and socially accountable; the shareholders who must Actively participate in their corporate affairs to help prevent any fraudulent and insider practices and; the regulatory authority that should effectively enforce rules and regulations in order to protect the rights of all stakeholders and create favorable environment to enhance good corporate governance culture.

In general, corporate governance includes codes of best practice and regulations. Corporate governance is responsible and accountable for effective management of the businesses, attainment of its business goals and objectives, as well as attainment of its legal obligations and compliances.

1.2 Statement of Problem

The subject of corporate governance in developing countries has recently received a lot of attention. In general business organization demands proper Governance at higher intensity. For development-oriented economies like Nepal, improving corporate governance can serve a number of important public policy objectives.

Good corporate governance reduces emerging market vulnerability to financial crises, reinforces property rights, reduces transaction costs and the cost of capital, and leads to capital market development. Weak corporate governance frameworks, on the other hand, reduce investor confidence, and can discourage outside investment. In addition to this, the research has tried to find the answers to the following questions.

1 What is the status of Corporate Governance practice in Commercial Banks of Nepal?
2 Is there any relationship between the elements of corporate governance?

1.3 Purposes of Study

1. To identify the status of corporate governance practices in Nepalese Commercial banks.
2. To examine the relationship between the elements of corporate governance.

1.4 Significance of the Study

This research has provided information relating to practice of corporate governance used in commercial banks of Nepal. It has analyzed the actual practices implemented by the banks and its significance to them.

1. It explains the level of corporate governance practice in the Nepalese commercial bank.
2. It enhances organization view on corporate governance.
3. It provides literature to the researchers who want to commence further research in this field.

1.5 Limitation of the Study

1. This research focuses on corporate governance practices of selected commercial banks only. Therefore, the findings may not truly represent the characteristics of commercial banks of Nepal.

2. Primary data are collected through Five-point Likert scale item. Therefore, central tendency error in data may exist.
3. This study uses data collected from the branches of different commercial banks inside the Kathmandu valley only.

1.6 Chapter Plan

Chapter I: Introduction

This chapter gives an overview of the background of the study, problem statement, purpose of the study, significance of the study, limitation of the study.

Chapter II: Literature Review

This chapter reviews the theoretical base of the study as well as the previous studies on practices of corporate governance in Commercial banks, Companies and other various Organizations. It also includes the conceptual review and review of the related books, journals, articles and the published and unpublished research works as well as thesis.

Chapter III: Research Methodology

This chapter covers the method used in the conduct of this study from the process of data collection to data analysis.

Chapter IV: Results

This chapter deals with the presentation and analysis of all the relevant collected data. Analysis is done as per as described in chapter 3. Discussions are done and major findings are included in this chapter.

Chapter V: Conclusions

This chapter summarizes the overall study and discusses the conclusion drawn from the findings of the study. Finally some recommendations to commercial bank will be provided regarding the practice of corporate Governance in commercial banks. The last part of the research contains the references and appendix which include the questionnaire being used for the primary data collection.

CHAPTER- II
LITERATURE REVIEW

Review of literature is the study of past research studies and relevant materials. It is the advancement of existing knowledge and in depth study of the subject materials. "Review of literature means reviewing research studies and other relevant proposition in the related area of the study so that all the past studies, their conclusion and deficiencies may be known and further research can be conducted. It is an integral and mandatory process in research work**.**

2.1 Theoretical Review

There are four major theories namely Agency Theory, Stakeholder Theory, Stewardship Theory and Resource Dependency Theory that provide the foundation for corporate governance in Modern corporations.

2.1.1 Agency Theory

Agency theory having its root in economic theory was exposited by Alchian and Demestez (1972) and further developed by Jensen and Meckling (1976). Agency theory is defined as “the relationship between the principals, such as shareholders and agents such as the company executives and managers”. In this theory, shareholders who are the owners or principals of the company, hires the agents to perform work. Principals delegate the running of business to the directors or managers, who are the shareholder’s agents (Clark, 2004).

Indeed, Daily, C.M., Dalton, D.R. and Canella, A.A. (2003) argued that two factors can influence the prominence of agency theory. First, the theory is conceptually and simple theory that reduces the corporation to two participants of managers and shareholders. Second, agency theory suggests that employees or managers in organizations can be self-interested. The agency theory shareholders expect the agents to act and make decisions in the principal’s interest. On the contrary, the agent may not necessarily make decisions in the best interests of the principals (Padilla, A. 2002). Such a problem was first highlighted by Adam Smith in the 18th century and subsequently explored by Ross (1973) and the first detailed description of agency theory was presented by Jensen and Meckling (1976) .

Indeed, the notion of problems arising from the separation of ownership and control in agency theory has been confirmed by Davis, Schoorman and Donaldson (1997).In agency theory, the agent may be succumbed to self-interest, opportunistic behavior and falling short of congruence between the aspirations of the principal and the agent's pursuits. Even the understanding of risk defers in its approach. Although with such setbacks, agency theory was introduced basically as a separation of ownership and control (Bhimani, 2008). Holmstrom and Milgrom (1994) argued that instead of providing fluctuating incentive payments, the agents will only focus on projects that have a high return and have a fixed wage without any incentive component. Although this will provide a fair assessment, but it does not eradicate or even minimize corporate misconduct. Here, the positivist approach is used where the agents are controlled by principal-made rules, with the aim of maximizing shareholders value. Hence, a more individualistic view is applied in this theory (Clarke, 2004).

Indeed, agency theory can be employed to explore the relationship between the ownership and management structure. However, where there is a separation, the agency model can be applied to align the goals of the management with that of the owners. Due to the fact that in a family firm, the management comprises of family members, hence the agency cost would be minimal as any firm's performance does not really affect the firm performance (Eisenhardt, 1989).

The model of an employee portrayed in the agency theory is more of a self-interested, individualistic and are bounded rationality where rewards and punishments seem to take priority (Jensen & Meckling, 1976). This theory prescribes that people or employees are held accountable in their tasks and responsibilities. Employees must constitute a good governance structure rather than just providing the need of shareholders, which may be challenging to the governance structure.

2.1.2 Stakeholder Theory

Stakeholders theory has come a long way since the mid-1980; scholars working in the field have done much to develop better schemas for identifying stakeholders and adjusting their claims on corporations and in so done implicitly and explicitly critiqued shareholders centered views of the corporations But early scholarship in stakeholder's theory focused on changing the ways in which corporations were governed. A new vision for management and for CG must therefore include provision for greater justice in relation between corporations and their stakeholders (Birnbaum & Van Buren 2010). Stakeholder theory was embedded in the management discipline in 1970 and gradually developed by Freeman (1984) incorporating corporate accountability to a broad range of stakeholders.

Wheeler & Freeman (2003) argued that stakeholder theory derived from a combination of the sociological and organizational disciplines. Indeed, stakeholder theory is less of a formal unified theory and more of a broad research tradition, incorporating philosophy, ethics, political theory, economics, law and organizational science. Stakeholder theory can be defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives”. Unlike agency theory in which the managers are working and serving for the stakeholders, stakeholder theorists suggest that managers in organizations have a network of relationships to serve – this include the suppliers, employees and business partners. And it was argued that this group of network is important other than owner-manager-employee relationship as in agency theory (Freeman, 1999).

On the other end, stakeholder theory attempts to address the group of stakeholder deserving and requiring management’s attention. Whilst, Donaldson & Preston (1995) claimed that all groups participate in a business to obtain benefits. Nevertheless, Clarkson (1995) suggested that the firm is a system, where there are stakeholders and the purpose of the organization is to create wealth for its stakeholders. Freeman (1984) contends that the network of relationships with many groups can affect decision making processes as stakeholder theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders.

Donaldson & Preston (1995) argued that this theory focuses on managerial decision making and interests of all stakeholders have intrinsic value, and no sets of interests is assumed to dominate the others. Though it seems that there is a widening environment stakeholders approach, but its value enhancement has to rely highly on adopting economics theories rather than constructing a systematic theory to describe more adequately contemporary organizational practices. The firms are regarded as a nexus of contact, and conclude that managers are agent as the different studies revealed the facts. The major problem with stakeholders, theory is its fuzzy defining concept, that exactly who are the shareholders?

2.1.3 Transaction Cost Theory

Transaction cost theory was first initiated by Cyert and March (1963) and later theoretical described and exposed by Williamson (1996). Transaction cost theory was an interdisciplinary alliance of law, economics and organizations. This theory attempts to view the firm as an organization comprising people with different views and objectives. The underlying assumption of transaction theory is that firms have become so large they in effect substitute for the market in determining the allocation of resources. In other words, the organization and structure of a firm can determine price and production. The unit of analysis in transaction cost theory is the transaction. Therefore, the combination of people with transaction suggests that transaction cost theory managers are opportunists and arrange firms' transactions to their interests (Williamson, 1996).

2.1.4 Political Theory

Political theory brings the approach of developing voting support from shareholders, rather by purchasing voting power. Hence having a political influence in corporate governance may direct corporate governance within the organization. Public interest is much reserved as the government participates in corporate decision making, taking into consideration cultural challenges (Pound, 1993). The political model highlights the allocation of corporate power, profits and privileges are determined via the governments' favor. The political model of corporate governance can have an immense influence on governance developments. Over the last decades, the government of a country has been seen to have a strong political influence on firms. As a result, there is an entrance of politics into the governance structure or firms' mechanism (Hawley and Williams, 1996).

2.2 Corporate Governance Model of Nepal

There is not any unified formal code of Corporate Governance except NRB provisions of good governance concerned to Banking and Financial Institutions in Nepal. Company Act, Security Act, BAFIA are some major sources of governance along with regulatory bodies. Shareholders are the owner of the company they are broadly divided into two categories known as promoter group and public group of shareholders both of the group elect their representative to represent in the Board of

Directors. The Board of Directors elected from different shareholders group has been watched by the shareholders. The Board of Directors appoints and delegates their authority and power to executives or managers to run the company.

The role of executive has also been watched from outside by the shareholders. The company is an artificial person and having lots of stakeholder's .The regulatory authorities directly accountable to stakeholders regulate the company with the help of various Acts, Rules and provisions.

2.3 Review of Articles, Journals and Previous Thesis.

2.3.1 Review of Articles.

Adekunle (2014) studied the relationship between corporate governance and financial performance of randomly selected quoted firms in Nigeria. It investigated based on return on assets (ROA) and profit margin (PM). It selected four corporate governance variables namely: composition of board member, board size, CEO status and ownership concentration which served as the independent variables. Findings from the study showed that there is positive and significant relationship between composition of board member and board size as independent variables and firm performance. CEO status also had positive relationship with firm performance but insignificant at $p<0.05$. However, ownership concentration has negative relationships with ROA but positive relationship with PM. The study recommended among other things that company's board should be majorly dominated by independent directors and board size should be in line with corporate size and activities.

Appiah, vitor and Awuah (2017), studied the role of corporate governance on firm performance. This study examined the effect of corporate governance on financial performance of banks listed on the Ghana Stock exchange. The study employs secondary data collected from 60 firm observations, consisting of seven listed banks from 2004 to 2012. The findings from the study suggest a negative statistically significant association between board composition and the performance indicators of the banks. It is recommended that the listed banks should implement policies that would define the number of outside directors on their boards to enhance maximum benefits from the practice of good corporate governance.

Adesanmi and Niogin (2014), studied the impact of corporate governance on commercial bank performance in Nigeria. Their objective is to make attractive ROA and ROE. Two major objectives were formed and tested, and results revealed that in the first objective of ROA were more estimated than ROE. The study recommended, among others that central Bank should issue efficient monetary policies that would intensity abuses on customers account in the Banking institutions. Above all, this study has contributed to knowledge by providing vital information on corporate Banks in Nigeria.

Bino and Tomar (2012), studied the relationship between corporate governance and bank performance: Evidence from Jordanian banking industry. Based on sample of 14 banks listed on Amman Stock Exchange market over the period 1997- 2006, this paper investigated the relationship between corporate governance (namely; ownership structure, board corporation, and board size), and bank performance using a liner regression analysis. The result showed that ownership structure and board corporation had a strong on the bank performance. Result indicated that banks with institutional majority ownership at the higher performance and that as manager's and board members ownership percentages increase the bank becomes more efficient.

Dzingai and Fakoya (2017), examined the effect of corporate governance structures on firm financial performance. The secondary data of selected Johannesburg Stock Exchange (JSE), Socially Responsible Investment (SRI), index- listed mining firm's sustainability reports, and integrated annual financial statements are used. Using panel data analysis of the random effects model, we determined the relationship between board independence and board size and the return on equity (ROE) for the period 2010 to 2015. Results indicated that a weak negative correlation between ROE and board size, and a weak, but weak, but positive, correlation between ROE and board independence. Additionally, there is a positive, but weak, correlation between ROE and sales growth, but a negative and weak relationship between ROE and firm size. The study recommended that South African companies see compliance with the recommendations of the King IV Code on Corporate Governance not as fallibility, but an ethical investment that may likely yield financial benefit in the long-term.

Jiang,Feng and Zhang (2010), studied the relationship between corporate governance and financial performance of commercial banks in China. The main objectives of this study were to analyze the effect of corporate governance on financial performance over the period of 1995 to 2008. Banks performance has improved significantly, and the mean profit efficiency level is estimated at 61 per cent. The results found that there was a positive significant relationship between corporate governance and financial performance of banks. The results suggest that differences in corporate governance have significant impacts on banks performance; banks with majority foreign ownership are most profitable while banks with majority state ownership are most unprofitable.

Ngirande and Ndlovu (2014), studied the impact of corporate governance on the performance of commercial banks in Zimbabwe. The main objectives of this research were to examine the effect of corporate governance on the performance of commercial banks in Zimbabwe over the period of 2006 to 2012. This study used secondary data from annual report and primary data administering questionnaires. The study applied multiple regression analysis. The findings of this study were the relationship between corporate governance and bank's performance in Zimbabwe was quite significant as a unit change of board size and the relative size of non- executive directors increase the return on assets. The study recommended that, among others that banking sector should engage strategic training of board member.

Rogers (2006), studied the corporate governance and financial performance of selected commercial banks in Uganda. This paper aims at established the relationship between the core principle of corporate governance and financial performance in commercial banks of Uganda. Findings indicated that corporate governance predicts 34.5% of the variance in the general financial performance of Commercial banks in Uganda. However, the significant contributors to financial performance include Openness and Reliability is measures of trust. On the other hand, credit risk as a measure of disclosure had a negative relationship with financial performance.

2.3.2 Review of Previous Thesis.

Ahamed (2017), studied the impact of corporate governance and bank performance of selected banks in Bangladesh. The study's main objectives were to examine the impact of corporate governance on 12 banks performance over the period of 2007-

2016. This study used of secondary data obtained using multiple regression analysis. The results showed that board size had a significant positive impact on performance and board ownership had a negative impact on performance. Other corporate governance variable such as board composition, gender diversity, board meeting, and managerial ownership had an insignificant impact on performance.

Alam and Akhter (2017), investigated the effect of corporate governance mechanisms on performance of commercial banks in Bangladesh. The main objectives of this study were examined the effect of corporate governance in banks financial performance of 14 banks over the period of 2006- 2015. Correlation analysis and multiple regressions are used to examine the hypotheses in this study. The results showed that the corporate governance tools are inversely related to bank performance. Regression results also showed that there was a linear relation exists between capital adequacy ratio and return on asset but nonlinear relation between CAR and other two performance measures return on equity and earnings per share. This study provides useful information in increasing understanding on the relationship between corporate governance practices and bank performance.

Fred (2012) examined the corporate governance factors and financial performance of commercial banks in Kenya. The study aimed at establishing the effect of corporate governance practices and policies on financial performance of 44 commercial banks in Kenya. Primary data were obtained by administering questionnaires to CEOs of the sample banks. Secondary sources were also used to obtained information; data from the published annual reports and company sources spanning five years. It was found out that corporate governance play an important role on bank stability, performance and bank’s ability to provide liquidity in difficult market conditions.

Grace (2018), analyzed the corporate governance and performance of financial institutions in Kenya. It used the structure questionnaires on 108 financial institutions. Data was analyzed using regression analysis. The result indicated that corporate governance had a statistically significant influence on the performance of financial institutions. Board skills and board committees were found to be important predictors of the firm’s performance. However, whereas board skills had a positive influence, board committees were found to have a negative influence on performance.

Consequently, implicate to theory, policy and managerial practice especially on-board member's appointment and attributes to be considered. The study concludes that possession of requisite skills was one of the most important considerations in the appointment of board members.

Kassim and Noordin (2014), examined the relationship between corporate governance structures and financial performance by focusing on construction companies listed on the Kuala lumper Stock Exchange (KLSE). It applies a multiple regression analysis on data collected from annual reports of the companies for the years of 2009 and 2012. This study finds that there is a significant positive relationship between number of directors on the board and financial performance of listed construction companies. The results of this study indicate that construction firms have unique board characteristics that need a segregated corporate governance structure. Generally, the study is supportive of the view that enhanced corporate governance practices contributes towards increasing firm performance.

Karanja (2017), studied the effect of corporate governance on financial performance of commercial banks listed in the Nairobi Securities Exchange (NSE). The objectives of this study were to analyze the effect of corporate governance on financial performance of banks over the period of 2006-2013. The researcher used descriptive statistics and panels multiple regression analysis. The result showed that the board size was found to be positively associated with ROA and ROE of banks listed in the NSE. The study recommended that special attention should be taken upon when dealing with the number of board member. The size of the board should match with the size of the firm.

Lamichhane (2017), analyzed the factors that affect corporate governance and influence on financial performance of Nepalese firms for the period of fiscal year 2009/10 to 2015/16 using descriptive and causal comparative research design. The profit margin and return on assets are dependent variables used to measure financial performance and corporate governance and firm related variables such as corporate governance index, age of firms, size of assets debt ratio, market to book ratio and ownership concentration are considered as explanatory variables. The result of this paper revealed that profit margin and return on assets of firms are positively related with age, market to book ratio and overall corporate governance index which implies that higher age, market to book ratio and corporate governance increase financial performance of Nepalese firms. Finally, result of this paper concludes that corporate governance, market to book value ratio, age, size of assets and debt ratio have strong explaining power of financial performance of Nepalese firms.

Mansur and Tangl (2018), studied with the objectives of to discuss the effect of corporate governance and financial performance for listed companies in Amman stock exchange; and to less degree to know what element of corporate governance structure affects more on listed companies' financial performance. This paper was a descriptive research based on analysis of previous western; and Jordanian studies towards corporate governance for listed companies in Amman stock exchange (Jordan). It was concluded that ownership structure has the highest effect on the financial performance of listed companies in Amman stock exchange. Moreover, the institutional ownership has better affect more than family ownership on the financial performance. The financial performance of listed companies from different sectors (banking, insurance and services) in Amman stock exchange was got better after the application of corporate governance.

Mohamed and Baidhani (2014), studied the effect of corporate governance on bank financial performance: Evidence from the Arabian Peninsula. This study compared seven Arabian Peninsula countries, namely Bahrain, Kuwait, Omen, Qatar, Saudi Arabia, United Arab Emirates, and Yemen. Regression analysis (OLS) is used to test the effect of corporate governance mechanisms on bank financial performance. The result of this study reveals that there is a significant relationship between corporate governance and bank profitability.

Mwaura (2016), studied the Relationship between corporate governance and financial performance of unlisted commercial banks in Kenya. Therefore, this study sought to find out the influence of corporate governance and financial performance on commercial banks operating in Kenya that are unlisted. He used the secondary data for 31 unlisted commercial banks in Kenya. Descriptive and inferential analysis techniques were adopted to test study hypothesis with mean, standard deviation, coefficient of variation, regression analysis. The study found that disclosure of information and firm size were significantly correlated with ROA. The study recommended that unlisted commercial banks should not disclose more information regularly to their stakeholders to improve their ROA.

Nyamongo (2011), studied the effect of governance on performance of commercial banks in Kenya. The purpose of this paper was to investigate the effect of corporate governance on the performance of 37 commercial banks in Kenya over the period 2005-2009. The paper used two measures of performance, i.e. return on asset (ROA) and return on equity (ROE), and the dependent variables and three measures of governance – namely the board size, independent directors, and CEO duality- as the key independent variables. The main findings are as follows: a large board size tends to impact performance negatively; the existence of independent board directors tends to enhance the performance of the banks; and there is no evidence that CEO duality or otherwise has impact on the performance of commercial banks in Kenya. The study therefore recommended that for commercial banks in Kenya to register high performance they need to check the size of their board of directors and also increase the number of independent directors.

Opanga (2013), studied the relationship between governance and financial performance of registered insurance companies in Kenya. The study aimed at established how the number of directors, number of resolutions passed in general meeting, number of committees and the frequency of holding meetings affect the insurance firm’s financial performance in Kenya. The research design used was a cross-sectional survey of insurance companies licensed in Kenya. The study was revealed secondary data collection. The study found that there was positive relationship between governance and financial performance. The study recommended that the number of board committees, board meeting frequency, number of resolutions passed in an AGM and number of boards of directors all are positively correlated with financial performance. The study recommended that because the elements of corporate governance practices studied contribute positively to the financial performance of insurance companies, they should be embraced by all insurance firms in Kenya.

Saru (2018), studied the relationship between corporate governance and financial performance of Nepalese commercial bank. This study has the objectives to identify the status of corporate governance practice in Nepalese commercial banks, to examine the relationship between corporate governance with ROA and ROE. The study revealed primary as well as secondary data. In primary, were distributed questionnaires among 400 employees in 8 banks out of data was collected only from 320 respondents. The study found that descriptive statistic showed that under the discipline variable, company has issued a ‘mission statement’ that explicitly places a priority on good corporate governance has high mean. The study implicated for further research to conduct considering more factors and a greater number of commercial banks.

Susan (2014), studied the relationship between corporate governance and financial performance; a case of commercial banks in Uganda. The objectives of this study were to analyze the relationship between corporate governance and financial performance of 21commercial banks in Uganda. The study used a correlation and regression analysis. Primary data was collected using self-administered questionnaire overall 175 employees. The findings indicated that a positive relationship between corporate governance and financial performance. This implies that when corporate governance improves, it may result into improvement in financial performance. The study recommended that corporate governance should be emphasized in commercial banks to improve financial performance.

Umutesi (2017), examined the effect of corporate governance structure on financial performance of listed commercial banks in Rwanda. The study aimed to answer the 3 research questions: firstly, to what extent does board size affect listed commercial banks’ financial performance in Rwanda? Secondly, how does directors’ equity interest affect listed commercial banks ‘financial performance in Rwanda? Finally, how board gender diversity affects commercial banks’ financial performance in Rwanda? The study relied on secondary sources of data to gather information for the variables. The sample size of the study was 3 commercial banks listed in the (RSE). These were Pearson correlation and regression analysis. The study found that the average size of board size of the sampled banks was 10 board members. The correlation analysis indicated a positive and significant relationship between board size, director equity interest and board gender diversity but not with ROE. The regression analysis showed that an increase in board size, directors' equity interest and board gender diversity led to an increase in ROA and this was significant.

Yung (2009) studied the relationship between corporate governance and performance in Hong Kong. The purpose of this study was to examine the relationship between the corporate governance and financial performance of bank in Hong Kong over the period of 1995-2004. This study took the secondary data from annual report of bank. The result showed that there was significant positive relationship between corporate governance and financial performance of banks. Finally, the study recommended that banks should be use the corporate governance in bank with properly.

2.3.3 Review of Journals.

Adhikari (2008), claimed that corporate governance is a system of leadership and control of the company and its foreseeable sustainability. According to Sapkota (2008), corporate governance framework ensures to establish the strategic objectives of the company and the means to attain and monitor these objectives. Corporate governance in banking industry is more important than other industries, particularly in less developed industries because economic development and growth is dependent to a large extent on well-functioning, stable and soundly managed banking system (Islam, et.al.2009). Alexander (2004) reported, reported that best corporate governance practices will enable banks to get access in the capital market and decrease the cost of capital and protect the rights of minority including foreign shareholders.

Addis (2013), studied with the aims of examined the corporate governance mechanisms and their impact on performance of commercial banks in the absence of organized stock exchange. It measured based on ROA and ROE. The findings indicated that board size and existence of audit committee in the board had statistically significant negative effect on bank performance; whereas bank size had statistically significant positive effect on bank performance.

Bhattrai (2017), investigated the relationship between financial performance and corporate governance of commercial banks in Nepal. Specifically, it examines the effects of board size, audit committee, and portion of independent directors on return on equity and nonperforming loan. This study is based on secondary data collected from the annual reports of 13 commercial banks of Nepal. Samples for this study were taken from 65 observations in the review period from 2010 to 2015. The study was found out that the board size negatively impacts the financial performance of commercial banks in Nepal whereas audit committee size and portion of independent directors positively impact the financial performance of commercial banks in Nepal.

Bashir and Fatima (2018), measured the impact of internal governance indicators (Board structure and Ownership Structure) on the financial performance (Return on Equity, Return on Assets and Earning Per Share) of the banks of Pakistan under the presence of control variables (leverage and size). The selected sample consist of 30 banks (public, private and specialized), which are listed at Pakistan Stock Exchange (PSE) for the period 2008-2014.The study comprised of three models. The regression analysis results revealed that the majority of the internal governance indicators of model 2 and 3 show significant relationship with ROE and EPS whereas, majority of the internal governance indicators of model 1depict insignificant relationship with ROA. The result depicts that in a developing country like Pakistan there are sound codes of corporate governance but, their proper implementation is missing.

Chaarani (2014), examined the impact of corporate governance on the performance of Lebanese banks. The objectives of this study were to examine the impact of corporate governance on performance of banks over the period of 2006-2010. Based on 182 observations, a quantities method of data analysis was employee to investigate the relevance of corporate governance mechanism. The first finding revealed a positive impact of independent boards on the performance of Lebanese banks. The research also found a significant and negative relationship between CEO duality and bank performance. Finally, the paper revealed a positive impact of insider ownership concentration on the return of Lebanese banks indicating the more shares held by insider, the better the performance.

Chukwuma and Ibiam (2017), studied the effect of corporate governance on financial performance of Nigeria Banking industry. The main objectives of this study were to examine the effect of corporate governance on financial performance of the Nigeria banking industry over the period of 2006 through 2015. The study adopted ex-post facto research design. The data was obtained from annual reports of DMBs in Nigeria and it used multiple regression method. The results showed that, independent variables negatively but significantly influence the liquidity risk of DMBs in Nigeria while board composition and frequency of board meetings revealed a positive and significant effect on liquidity risk of DMBs in Nigeria. The study recommended that boards should meet at least once in two months to enhance their monitoring function and improve liquidity risk management.

Ene and Bello (2016), studied the effect of corporate governance on bank's financial performance in Nigeria. The objectives of this study were to examine the effect of corporate governance on bank's financial performance of 10 selected banks over the period of 2004-2013. The secondary data were used with regression analysis sampled banks. The study revealed that the relationship between corporate governance and bank performance in Nigeria was quite significant as a unit change in the board size and the relative size of non-executive directors increase the return on assets. It was recommended among others that banking sector should engage in strategic training of board members and senior bank managers especially in areas that promote internal control effectiveness, board structure and independence and in banking ethics.

Kanayo and onyenwe (2016), examined the effect of corporate governance mechanisms on the financial performance of banks in Nigeria. This study used secondary data derived from the audited financial statements of the sampled banks in Nigeria from 2006 to 2014. Ordinary Least Square (OLS) regression was used to find out the effect of corporate governance variables on bank's performance. This study observed that board audit committee and director's equity interest have a positive and significant effect on financial performance of banks; while board composition has a negative but significant effect on bank's financial performance. The study concluded that the existence of board audit committee enhances bank's financial performance. Thus, this study recommended that, banks should have audit committee in their board to enhance a higher financial performance.

Kamazima, Mathenge and Ngui (2017), studied the effects of corporate governance practices and policies on the financial performance of listed commercial banks. The study used secondary data which was gathered from company annual financial reports, company web sides and other financial statements spanning a period of five years from 2012 to 2016. Data analysis was primarily done using descriptive and inferential statistics. The findings of this study indicated that there was a negative and significant relationship between Board of Directors, ownership structure and audit committee structure with the financial performance of listed commercial banks in Kenya in terms of Return on asset (ROA) and Return on equity (ROE). Specifically, the study concluded that the number of board committees, number of non-executive directors, percentage of foreign ownership and number of audit committee meetings have a positive impact on the financial performance of commercial banks while board size, government ownership, and board diversity have a negative impact on financial performance of listed commercial banks.

Magembe, Ombuki and Kiweu (2017), studied the effect of corporate governance and loan performance of commercial banks in Kenya. The study examined the corporate governance variables namely: Board structure (BS), Audit structure (AS) and CEO duality and their effect on Loan performance of commercial banks. Descriptive research design was used in this study and a sample representation consisting of all CEOs of the entire population of 43 commercial banks in Kenya were used as respondents. Primary data was obtained by administering questionnaires to the CEOs whereas secondary data was obtained from the published annual report covering five years (2010-1012). Data analysis involved Karlpearsons correlation coefficient and multiple regression analysis and used state version 13 program. The study found that BS has a positive relation while AS has a significantly negative relation on the loan performance of the commercial banks. The study also found out that corporate governance factors (BS, AS and CEO) account for 86% of the loan performance of commercial banks. The study therefore recommended that banks should avoid overloading agenda in their committees to enhance the quality. It further recommended for more efforts to be employed at increasing other corporate governance variables like; board expertise, policy formulation and board tenure as improving financial performance in Kenyan banks.

Manafi, Mahmoudian and Zabihi (2015), investigated the relationship between corporate governance and financial performance of listed in Tehran stock exchange market. The main objectives of this study were to examine the relationship between corporate governance and financial performance of 110 companies listed in Tehran stock exchange market from 2007-2013. Tested the hypotheses was carried out through linear regression. Results revealed that managerial ownership had a negative and significant relationship with financial performance while institutional ownership had a positive relationship with financial performance. Major shareholders had negative relationship with financial performance. Moreover, there was a negative and significant correlation between duality of CEO's tasks and firm's financial performance.

Obeten, Ocheni and John (2014), analyzed the effect of corporate governance on the performance of commercial banks in Nigeria. The main objectives of this study were to analyze the effect of corporate governance on financial performance of 20 commercial banks over the 2006 to 2012 of. This study used secondary data with analyzed the multiple regressing. The study found that there was a significant relationship between corporate governance and financial performance.
This study recommended that, commercial banks should apply the corporate governance to improve the financial performance.

2.4 Conceptual Framework

A theoretical framework is a conceptual model that shows the relationships among the several factors that have been identified as important to the problem. The corporate governance theoretical framework can include discussion of Agency theory, Stakeholders theory and stewardship theory of corporate governance. It presents the relationship between independent variables that helps to develop hypothesis. It manages the variables in a logical way that helps to test the problem or theories. Company Act, BAFIA, Securities Act, BASEL, are some major sources of governance along with regulatory bodies.

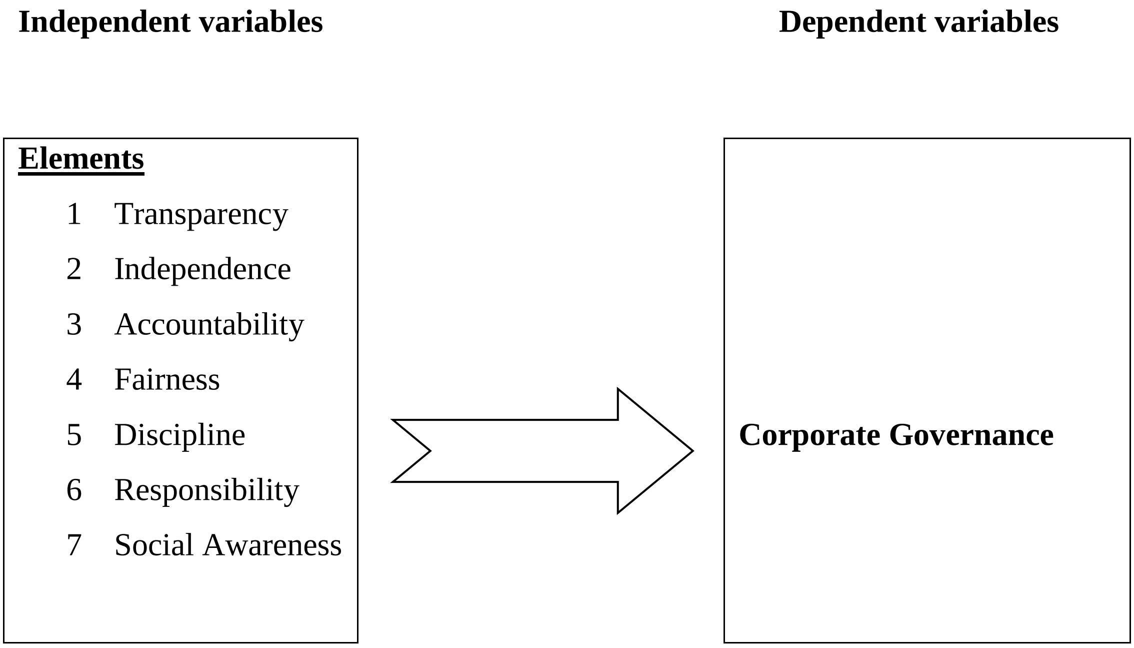

Figure: *1*

Conceptual Framework depicting the Relationship between Corporate Governance and Elements

Figure 1 shows the conceptual framework of depicting the relationship between corporate governance and elements. Transparency, Independence, Accountability, Fairness, Social Awareness, Discipline and Responsibility are dimensions to measure the corporate governance as a construct variable. The dimensions of the corporate governance were adopted from credit Lyonnais securities Asia (CLSA).

2.4.1 Transparency

Transparency is one of the important variables of this research. Transparency of a business firms has been a matter of primary concern for promoting corporate governance. Regular disclosure of periodic financial performance report by management, prompt public announcement of pertinent information by the company's board, the clarity and completeness of publicly relayed information and easy access of senior management to analyst are the factors that promote transparency in the financing system.

2.4.2 Independence

Independence is another variable of this research. In corporate governance, independence is therefore important in a number of contexts. It is vital that external auditors are independent of their clients that internal auditors are independent of the colleagues they are auditing, and that non-executive directors have a degree of independence from their executive colleagues on a board. But what do we mean by 'independence' as a concept?

Independence is a quality that can be possessed by individuals and is an essential component of professionalism and professional behavior. It refers to the avoidance of being unduly influenced by a vested interest and to being free from any constraints that would prevent a correct course of action being taken. It is an ability to 'stand apart' from inappropriate influences and to be free of managerial capture, to be able to make the correct and uncontaminated decision on a given issue.

2.4.3 Accountability

Accountability is a very important pillar of corporate governance. Without it, the agency problem would be hard to defect. With it, confidence of stakeholders is increased. It is achieved through faithfulness in various aspects of corporate governance especially reporting. The strength and accuracy of the reporting is also strengthened by various standards and regulations. Accountability refers to the answerability of the financial institution to their stakeholders.

The primary attention of accountability in this study concern with the independence and segregation of board of directors and executive committee, commencement of regular and periodic board meetings, the impartial appointment of external auditors and objective and proper review of the work of external auditors.

2.4.4 Fairness

Fairness means treating people with equality. It entails avoiding of bias towards one or more entities as compared to the other. Fairness factors take into account the employee dimension of organization where employees consider their organization fair and equitable in work related issues.

2.4.5 Discipline

Discipline is defined as a force that prompts individuals and groups to observe rules, regulations, systems, processes and procedures which are considered to be necessary for the effective functioning of an organization.

2.4.6 Responsibility

Corporate managers' responsibilities, of course, are not limited to producing truthful financial reporting, carrying out the core functions of conducting business and obeying the various applicable laws. Businesses also have to respond to the expectations of the democratic societies in which they operate – expectations that often are not written down as formal law. The term "corporate responsibility" refers to the actions taken by businesses in response to such expectations in order to enhance the mutually dependent relationship between business and societies. Shareholders, in fact, expect their corporations to meet society's demands, consistent with maximizing the value of the firm. Indeed, experience has shown that companies that do so are generally the best performers in the long run.

2.4.7 Social Awareness

With good social awareness can accurately read situations and people because we are able to understand and empathize with their emotions. Management is about getting work done and achieving objectives through other people. Social awareness is our ability to understand the structure and workings of our organizations.

2.5 Research Gap

The review of above literature, it can be said that most of the study concentration particular aspect of corporate governance and its relation on the valuation of the firm (Commercial Banks) and stock return. Some of the mostly studied specific governance aspects are Board Compensation and size compensation management, Ownership concentration and legal framework so; there is a need of adopting comprehensive model of corporate governance, in order to identify the degree of influence of each mechanism of corporate governance on performance of Commercial banks and with each other too. However the extent of corporate governance mechanisms and their use in testing the relationship becomes incomplete and may lead to missing variable biased. Thus there is lack of comprehensive literature in analyzing the practice of corporate governance in Commercial banks in Nepal. Therefore, my research will be fruitful to future researchers to know about the study of Corporate Governance.

CHAPTER III
RESEARCH METHODOLOGY

Research methodology is the combination of two words research and methodology. Research means a careful investigation or inquiry specially, through search for new facts in branch of knowledge. It is systematic and organizes effort to inquire about specific problems that need answer. Methodology is a systematic rules and procedures up to on which research is based. Research methodology depends on the various aspects of the research project. The size of the project, the objectives of the project, importance of the project, time frame of the project, impact of the project in the various aspects of the human life etc. are the variables that determines the research methodology of the particulars project.

In other words, Research Methodology describes the methods and proves applied in the entire aspect of the study.

3.1 Research design

The study is based on descriptive research design. The descriptive research design is adopted for fact-finding and operation searching for adequate information and the fundamental issues associated with corporate governance practices in Nepalese commercial banks. More specifically, the study examines the areas of practicing corporate governance in Nepalese commercial banks as well as difficulties faced during the practices of corporate governance.

3.2 Population & Sample

Currently there are 28 commercial banks operating in Nepal. All the commercial banks in Nepal are considered as the total population (N), out of them, four commercial banks are taken as sample (n) for this research. The sample banks for the research are as follows:

1. Agriculture Development Bank Limited
2. NIC Asia Bank Limited
3. Nepal Investment Bank Limited
4. Nepal Bank Limited

3.3 Sources of Data

The sample selection for the research is based on convenience sampling. Nine branches of each sampled bank are taken. The branches of each bank are taken from inside Kathmandu valley. The respondents were asked to respond on the close ended questionnaire. Questionnaires were distributed among 150 employees in 4 banks out of which data was collected only from 100 respondents.

This study is based on primary data. The primary data is collected through the administration of questionnaires to the staff in related life banks. It deals with the analysis and interpretation of the primary data collected through questionnaire from 100 respondents. Questionnaires were filled up by visiting personally to the concerned respondents and they were collected after they were being filled

3.4 Data Collection & Processing Procedure

As mentioned above, the study is based on primary data only. The data is collected by developing a scheduled questionnaire and distributing it to banking staffs. Data collected from questionnaire is in raw form. Firstly, they are classified into related categorized then after it is tabulated, re-tabulated and is presented into table in the required format. Some of the statistical tools are used on need basis.

3.5 Methods of Analysis

Analysis is the systematic and careful examination of available facts so that certain conclusion can be drawn from it.

3.5.1 Statistics Tools

Arithmetic Mean

Arithmetic mean is the ratio of the sum of all the observations to the number of the observation. It is a single value of selected series which represents them in average. Out of the various central tendencies, a mean is a one of the useful tools to find out the average value of the given data.

Arithmetic Mean ($\bar{x}$) = $\frac{\sum x}{n}$

Standard Deviation

The measurement of the scatter ness of the mass of the figure in a series about an average is known as dispersion. The standard deviation measures the absolute dispersion. The greater the amount of dispersion, greater will be the standard deviation. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series. In this study, standard deviation of different ratio is calculated.

Standard Deviation (σ) = $\sqrt{\frac{1}{n}\sum_{i=1}^{n}(x-\bar{x})^2}$

Coefficient of Variation

The coefficient of variance is the measure which is defined as the ratio of the standard deviation to the mean expressed in percent. Coefficient of variance is also useful in comparing the amount of variation on data groups with different mean. It is the relative measure of dispersion. A distribution with smaller coefficient of variance is said to be more homogeneous than the other. On the other hand, a series with greater coefficient of variance is said to be more variable of heterogeneous than the other.

Coefficient of variation = $\frac{\sigma}{\bar{x}}$

3.5.2 Correlation Analysis

Correlation Analysis is necessary in order to find out whether the selected variables in time series have any relation or not. If there is no correlation there would be no causality so this test is necessary. Correlation is a measure of the relation between two or more variables. The measurement scales range from -1.00 to +1.00. The value of -1.00 represents a perfect negative correlation, while a value of +1.00 represents a perfect positive correlation. A value of 0.00 or close to zero represents a lack of correlation.

Correlation(r) = $\frac{\sum(X-\bar{X})\cdot(Y-\bar{Y})\cdot}{\sqrt{\sum(X-\bar{X})^2\sum(Y-\bar{Y})^2}}$

The value of r lies between + 1, when r =+ 1, it means there is perfect positive correlation between the variables where r = -1 it means there is perfect negative correlation between variables. However in practice such value of r, as + 1, -1 and 0 are rare.

3.5.3 Probable Error Analysis

The probable error is used to measure the reliability and test of significance of correlation coefficient. The probable of the coefficient is obtained as follows:

$$P.E. = 0.6745 \frac{1 - r^2}{\sqrt{n}}$$

Where,

r = coefficient of correlation and
n = No. of pairs of observations.

1. If the value of "**r**" is less than the probable error there is no evidenced correlation. i.e., the value of "**r**" is not at all significant.
2. If the value "r" is more than six times the probable error the coefficient of correlation is practically certain i.e., the value of " **r**" is significant.
3. If the value "**r**" is more than probable error and less than six times the probable error the coefficient of correlation is nothing can be concluded.
4. Coefficient of correlation is expected to lie within the range of + P.E.

CHAPTER IV
RESULTS

The basic objective of this chapter is to analyze and elucidate the collected data following the conversion of unprocessed data to an understanding presentation. Thus, this chapter is devoted to the presentation, analysis, interpretation and scoring the empirical findings from the study through definite course of research methodology.

4.1 Descriptive statistics of variables

4.1.1 Descriptive statistics of Discipline.

Table 1: Mission statement

Scale (x)	No of employees (f)	Percentage (%)
1	1	1%
2	3	3%
3	40	40%
4	40	40%
5	16	16%

Source: Annex

Mean = 3.67

Standard deviation = 0.35

Coefficient of variation= 9.54%

Table 1 shows the responses of the responding with regard to mission statement. The figures of table reveal that almost all respondents (96%) have agreed that the issued mission statement explicitly places that priority on good governance. The mean response has been found 3.67 with the variation of 9.54 %

Table 2: Management commitment

Scale (x)	No of employees (f)	Percentage (%)
1	0	0%
2	20	20%
3	30	30%
4	38	38%
5	12	12%

Source: Annex

Mean= 3.42

Standard deviation = 0.33

Coefficient of variation = 9.65%

Table 2 shows the responses of the responding with regard to warrant against trespassers. The figures of table reveals that 80% respondents have agreed that the company has not declared any warrants against trespassers. The mean response has been found 3.42 with the variation of 9.65%.

Table 3: Disciplinary action

Scale(x)	No of employees (f)	Percentage (%)
1	23	23%
2	28	28%
3	19	19%
4	18	18%
5	12	12%

Source: Annex

Mean = 2.68

Standard deviation = 0.32

Coefficient of variation = 11.94 %

Table 3 shows the responses of the responding with regard to disciplinary action report. The figure of table reveals that only 49% respondents have agreed that the company has not built up disciplinary action report. The mean response has been found 2.68 with the variation of 11.94%.

Table 4: Annual report

Scale(x)	No of employees (f)	Percentage (%)
1	0	0%
2	6	6%
3	30	30%
4	40	40%
5	24	24%

Source: Annex

Mean = 3.82

Standard deviation = 0.37

Coefficient of variation = 9.68%

Table 4 shows the responses of the responding with regard to annual report. The figures of table reveals that almost all respondents (94%) have agreed that the company's annual report includes a section devoted to the company's performance in implementing corporate governance principles. The mean response has been found 3.82 with the variation of 9.68 %.

4.1.2 Descriptive statistics of Transparency

Table 5: Report of performance

Scale (x)	No of employees (f)	Percentage (%)
1	2	2%
2	2	2%
3	35	35%
4	35	35%
5	26	26%

Source: Annex

Mean = 3.80

Standard deviation = 0.36

Coefficient of variation = 9.47%

Table 5 shows the responses of the responding with regard to disclosed performance report. The figures of table reveal that almost all respondents (96%) have agreed that the management has disclosed three or five year performance report. The mean response has been found 3.80 with the variation of 9.47%.

Table 6: Public announcement

Scale (x)	No of employees (f)	Percentage (%)
1	13	13%
2	19	19%
3	30	30%
4	25	25%
5	13	13%

Source: Annex

Mean = 3.06

Standard deviation = 0.32

Coefficient of variation = 10.46%

Table 6 shows the responses of the responding with regard to public announcement of results. The figures of table reveals that 68% respondents have agreed that the public announcement of results have been made within 2 working days of board meeting. The mean response has been found 3.06 with the variation of 10.46 %.

Table 7: Clear report

Scale (x)	No of employees (f)	Percentage (%)
1	0	0%
2	20	20%
3	35	35%
4	40	40%
5	23	23%

Source: Annex

Mean = 3.84

Standard deviation =0.37

Coefficient of variation = 9.63%

Table 7 shows the responses of the responding with regard to clear report. The figures of table reveal that almost all (98%) respondents have agreed that the reports are clear and informative. The mean response has been 3.84 with the variation of 9.63%.

Table 8: Information punctuality

Scale (x)	No of employees (f)	Percentage (%)
1	0	0%
2	2	2%
3	38	38%
4	35	35%
5	25	25%

Source: Annex

Mean =3.83

Standard deviation = 0.37

Coefficient of variation = 9.66%

Table 8 shows the responses of the responding with regard to discloses of sensitive information. The figure of table reveals that almost all (98%) respondents have agreed that the company consistently discloses major and market sensitive information punctually. The mean response has been 3.83 with the variation of 9.66 %.

4.1.3 Descriptive statistics of Independence.

Table 9: Chairmen's independence

Scale (x)	No of employees (f)	Percentage (%)
1	2	2%
2	13	13%
3	35	35%
4	27	27%
5	23	23%

Source: Annex

Mean = 3.56

Standard deviation = 0.34

Coefficient of variation = 9.55%

Table 9 shows the responses of the responding with regard to chairmen independent. The figure of table reveals that 85% respondents have agreed that the chairman is an independent and non- executive director. The mean response has been found 3.56 with the variation of 9.55%.

Table 10: Audit committee

Scale(x)	No of employees (f)	Percentage (%)
1	0	0%
2	2	2%
3	40	40%
4	40	40%
5	18	18%

Source: Annex

Mean = 3.74

Standard deviation = 0.36

Coefficient of variation = 9.62%

Table 10 shows the response of the responding with regard to audit committee. The figure of table reveals that almost all respondents (98%) have agreed that the company has an audit committee which is chaired by director. The mean response has been found 3.74 with the variation of 9.62%.

Table 11: External auditors

Scale (x)	No of employees (f)	Percentage (%)
1	3	3%
2	25	25%
3	30	30%
4	28	28%
5	14	14%

Source: Annex

Mean = 3.21

Standard deviation = 0.32

Coefficient of variation = 9.97%

Table 11 shows the responses of responding with regard to external auditors of the company. The figures of table reveals that 72% respondents have agreed that the external auditors of the company are in other respects seen to be completely unrelated to the company. The mean response has been found 3.21 with the variation of 9.97%.

4.1.4 Descriptive statistics of Accountancy.

Table 12: Different board members

Scale (x)	No of employees (f)	Percentage (%)
1	2	2%
2	21	21%
3	35	35%
4	35	35%
5	8	8%

Source: Annex

Mean = 3.29

Standard deviation = 0.32

Coefficient of variation = 9.73%

Table 12 shows the responses of responding with regard to different committee of board member and member of management. The figures of table reveals that 78% respondents have agreed that the board members and members of the management committee substantially different. The mean responses have been found 3.29 with the variation of 9.73 %.

Table 13: Foreign national on the board

Scale (x)	No of employees (f)	Percentage (%)
1	27	27%
2	23	23%
3	25	25%
4	23	23%
5	2	2%

Source: Annex

Mean = 2.50

Standard deviation = 0.34

Coefficient of variation = 13.60%

Table 13 shows the responses of the responding with regard to foreign national board. The figures of table reveals that 50% respondents have agreed that the foreign nationals on the board. The mean response has been 2.50 with the variation of 13.60 %.

Table14: Board meeting

Scale (x)	No of employees (f)	Percentage (%)
1	9	9%
2	12	12%
3	35	35%
4	22	22%
5	10	10%

Source: Annex

Mean = 2.76

Standard deviation = 0.32

Coefficient of variation = 11.59%

Table 14 shows the responses of responding with regard to full board meeting. The figure of table reveals that 67% respondents have agreed that the board meetings are held at least once a quarter. The mean response has been 2.76 with the variation of 11.59 %.

Table 15: Audit committee nomination

Scale (x)	No of employees (f)	Percentage (%)
1	3	3%
2	22	22%
3	47	47%
4	23	23%
5	5	5%

Source: Annex

Mean = 3.05

Standard deviation = 0.32

Coefficient of variation = 10.59%

Table 15 shows the responses of responding with regard to nominations of audit committee. The figures of table reveals that 75% respondents have agreed that the audit committee nominates from external auditors. The mean response has been found 3.05 with the variation of 10.59%.

Table 16: Audit committee supervises

Scale (x)	No of employees (f)	Percentage (%)
1	11	11%
2	28	28%
3	28	28%
4	26	26%
5	8	8%

Source: Annex

Mean= 2.92

Standard deviation = 0.32

Coefficient of variation = 10.96 %

Table 16 shows the responses of the responding with regard to audit committee supervises. The figure of table reveals that 62% respondents have agreed that the audit committee supervises internal audit and accounting procedures. The mean response has been found 2.92 with the variation of 10.96%.

4.1.5 Descriptive statistics of Responsibilities.

Table 17: Individual responsibilities

Scale(x)	No of employees (f)	Percentage (%)
1	0	0%
2	10	10%
3	35	35%
4	43	43%
5	12	12%

Source: Annex

Mean = 3.57

Standard deviation = 0.34

Coefficient of variation= 9.52%

Table 17 shows the responses of the responding with regard to individual responses. The figure of table reveals that almost all (90%) respondents have agreed that the individual responsible behavior update in 6 months. The mean response has been found 3.57 with the variation of 9.52%.

Table 18: Misbehavior punishment

Scale(x)	No of employees (f)	Percentage (%)
1	18	18%
2	40	40%
3	13	13%
4	29	29%
5	0	0%

Source: Annex

Mean= 2.53

Standard deviation = 0.39

Coefficient of variation = 15.41%

Table 18 shows the responses the responding with regard to misbehavior person punished. The figure of table reveals that just 42% respondents have agreed that the failure or misbehavior person were punished. The mean response has been found 2.53 with the variation of 15.41%

Table 19: Controversy

Scale (x)	No of employees (f)	Percentage (%)
1	14	14%
2	18	18%
3	37	37%
4	29	29%
5	3	3%

Source: Annex

Mean = 2.92

Standard deviation =0.32

Coefficient of variation = 10.96%

Table 19 shows the responses of the responding with regard to safeguard the interest of all. The figures of table reveals that 69% respondents have agreed that the board management takes measure of safeguard to all employees. The mean response has been found 2.92 with the variation of 10.96 %.

4.1.6 Descriptive statistics of Fairness.

Table 20: Appraisal record

Scale (x)	No of employees (f)	Percentage(%)
1	0	0%
2	10	10%
3	35	35%
4	38	38%
5	17	17%

Source: Annex

Mean = 3.62

Standard deviation = 0.35

Coefficient of variation = 9.67%

Table 20 shows the responses of the respondents with regard to appraisal record. The figure of table reveals that almost all (90%) respondents have agreed that the employees have access to their appraisal record. The mean response has been found 3.62 with the variation of 9.67%.

Table 21: Suggestion method

Scale (x)	No of employees (f)	Percentage (%)
1	5	5%
2	4	4%
3	55	55%
4	25	25%
5	11	11%

Source: Annex

Mean = 3.33

Standard deviation = 0.33

Coefficient of variation = 9.91%

Table 21 shows the responses of the responding with regard to the suggestions. The figure of table reveals that almost all (91%) respondents have agreed that the methods are easily available. The mean response has been found 3.33 with the variation of 9.91%.

Table 22: Necessary information

Scale (x)	No of employees (f)	Percentage(%)
1	1	1%
2	6	6%
3	37	37%
4	40	40%
5	11	11%

Source: Annex

Mean = 3.39

Standard deviation = 0.33

Coefficient of variation = 9.73%

Table 22 shows the responses of the respondents with regard to necessary information for appraisal criteria are available. The figures of table reveals that 88% respondents have agreed to all information for appraisal criteria are made available prior to evaluation. The mean has been found 3.39 with the variation of 9.73%.

4.1.7 Descriptive statistics of Social Awareness.

Table 23: Under aged employment

Scale (x)	No of employees (f)	Percentage(%)
1	5	5%
2	30	30%
3	30	30%
4	25	25%
5	10	10%

Source: Annex

Mean = 3.05

Standard deviation = 0.32

Coefficient of variation = 10.59%

Table 23 shows the responses of the respondents with regard to policy. The figures of table reveals that 65% respondents have agreed that the company has a policy tha prohibits the employment of the under aged. The mean response has been found 3.05 with the variation of 10.59%.

Table 24: Equality

Scale(x)	No of employees (f)	Percentage (%)
1	20	20%
2	14	14%
3	14	14%
4	24	24%
5	28	28%

Source: Annex

Mean = 3.26

Standard deviation = 0.32

Coefficient of variation = 9.81%

Table 24 shows of the respondents with regard to equal employment policy. The figure of table reveals that 66% have agreed that the company has an explicit equal employment policy. The mean response has been found 3.26 with the variation of 9.81%.

Table 25: Consciousness

Scale(x)	No of employees (f)	Percentage (%)
1	0	0%
2	7	7%
3	35	35%
4	31	31%
5	21	21%

Source: Annex

Mean = 3.78

Standard deviation = 0.36

Coefficient of variation = 9.52%

Table 25 shows the responses of the respondents with regard to environment. The figure of table reveals that 87% respondents have agreed that the company is explicitly environmentally conscious. The mean response has been found 3.78 with the variation of 9.52%

4.2 Aggregate mean of variables

4.2.1 Aggregate mean of Discipline

Table no 26

Questionnaires	Mean
1.1	3.67
1.2	3.42
1.3	2.68
1.4	3.82
Total	13.59

Source: Annex

Aggregate Mean = $\frac{\sum(\bar{X})}{N}$

= 13.59/4

=3.40

The table no.26 presents the aggregate mean of discipline is 3.40, which is more than moderate 3. It means that the employees are discipline.

4.2.2 Aggregate mean of transparency

Table no27

Questionnaires	Mean
2.1	3.80
2.2	3.06
2.3	3.84
2.4	3.83
Total	14.53

Source: Annex

Aggregate mean = $\frac{\sum(\bar{X})}{N}$

=14.53/4

=3.63

The given table no.27 shows the aggregate mean of transparency is 3.63, which is more than moderate 3. It means that the transparency of commercial bank has scale on nearly agree.

4.2.3 Aggregate mean of independence

Table no 28

Questionnaires	Mean
3.1	3.56
3.2	3.74
3.3	3.21
Total	10.51

Source: Annex

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

$$=10.51/3$$

$$=3.50$$

The table no.28 reveals the aggregate mean of independence is 3.50, which is higher than moderate 3. It means that the employees are independent.

4.2.4 Aggregate mean of Accountancy

Table no 29

Questionnaires	Mean
4.1	3.29
4.2	2.50
4.3	2.76
4.4	3.05
4.5	2.92
Total	14.50

Source: Annex

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

$$=14.50/5$$

$$=2.90$$

The table no. 29 explains the aggregate mean of accountancy is 2.90, which is less than neutral 3. It means the employees are less accountability on their work.

4.2.5 Aggregate mean of responsibilities

Table no 30

Questionnaires	Mean
5.1	3.57
5.2	2.53
5.3	2.92
Total	9.02

Source: Annex

Aggregate mean = $\dfrac{\sum(\bar{X})}{N}$

$= 9.02/3$

$= 3.01$

The given table no. 30 displays the aggregate mean of responsibilities is 3.01, which is nearly moderate 3. It means the employees are responsible on neutral.

4.2.6 Aggregate mean of Fairness

Table no 31

Questionnaires	Mean
6.1	3.62
6.2	3.33
6.3	3.39
Total	10.34

Source: Annex

Aggregate mean = $\dfrac{\sum(\bar{X})}{N}$

$= 10.34/3$

$= 3.45$

The given table no.31 presents the aggregate mean of fairness is 3.45, which is more than moderate 3. It means that the employees are fairness.

4.2.7 Aggregate mean of Social Awareness

Table no 32

Questionnaires	Mean
7.1	3.05
7.2	3.26
7.3	3.78
Total	10.10

Source: Annex

Aggregate mean = $\dfrac{\sum(\bar{X})}{N}$

$= 10.10/3$

$= 3.37$

The given table no.32 reveals the aggregate mean of social awareness is 3.37, which is higher than moderate 3. It means the employees are social awareness.

4.3 Aggregate mean of variables with quires

4.3.1 Aggregate mean of discipline

Table no 33

Items	Mean
Mission statement	3.67
Management commitment	3.42
Disciplinary action	2.68
Annual report	3.82
Aggregate mean	3.40

Source: Annex

The table no.33 shows the items such as, mission statement, management commitment, disciplinary action and annual report are considered in discipline scale. Except the disciplinary action, all three items have scored the mean above the mid value of 3. The mean of the disciplinary action is less than mid value. However, the aggregate mean is 3.40 which means, discipline on employees is moderately high.

4.3.2 Aggregate mean of Transparency

Table no 34

Items	Mean
Performance of report	3.80
Public announcement	3.06
Clear report	3.84
Information punctuality	3.83
Aggregate Mean	3.63

Source: Annex

The table no.34 represents the performance of report; public announcement, clear report, and information punctuality are taken as transparency scales. All the scales are greater than midpoint of 3. The aggregate mean of transparency has 3.63 which mean transparency on employees is moderately high.

4.3.3 Aggregate mean of independence

Table no 35

Items	Mean
Chairmen's independence	3.56
Audit committee	3.74
External auditors	3.21
Aggregate Mean	3.50

Source: Annex

The table no.35 shows that items are taken as independence is chairmen's independence, audit committee and external auditors randomly. All the scales are greater than mid value of 3. The aggregate mean of independence is 3.50. It means that the employees are moderately independent.

4.3.4 Aggregate mean of Accountancy

Table no 36

Items	Mean
Different board members	3.29
Foreign national on the board	2.50
Board meeting	2.76
Audit committee nomination	3.05
Audit committee supervises	2.92
Aggregate mean	2.90

Source: Annex

The table no.36 reveals the different board members, foreign national board, board meeting, audit committee nomination and audit committee supervises are considered as variables of accountancy. Scales on different board member and audit committee nomination have more than midpoint of 3. However, other scales have less than midpoint value. The aggregate mean of accountancy is 2.90, which is less than mid value of 3. It means, employees are nearly neutral accountancy.

4.3.5 Aggregate mean of responsibilities

Table no 37

Items	Mean
Individual responsibilities	3.57
Misbehavior punishment	2.53
Controversy	2.92
Aggregate mean	3.01

Source: Annex

The table no.37 shows the scales of responsibility have taken individual responsibility, misbehavior punishment and controversy. Just individual responsibility has greater than mid value of 3 and other scales are less than mid value. The aggregate mean of responsibility is 3.01, which is nearly at midpoint of 3. It means that employees are neutrally responsible.

4.3.6 Aggregate mean of fairness

Table no 38

Items	Mean
Appraisal record	3.62
Suggestion methods	3.33
Necessary information	3.39
Aggregate mean	3.45

Source: Annex

The table no.38 has demonstrates the fairness, items such as, appraisal record, suggestion methods and necessary information are considered. All the items are more than moderate of 3. The aggregate mean of fairness is 3.45; it is greater than moderate of 3. This means employees are neutrally fairness.

4.3.7 Aggregate mean of social awareness

Table no 39

Items	Mean
Under aged employment	3.05
Equality	3.26
Consciousness	3.78
Aggregate mean	3.37

Source: Annex

The table no.39 has explains the variables of social awareness are under aged employment, equality and consciousness. These all variables have more value than mid value of 3. The aggregate mean of social awareness is 3.37, which is higher than moderate of 3. It indicates that the employees are highly social awareness

4.4 Employees response on minimum and maximum

4.4.1 Employees discipline.

Table no 40

Questions	Queries	N	Mean	SD	Min	Max
1.1	Company has issued a 'mission statement' that explicitly places a priority on good corporate governance.	100	3.67	0.35	1	4
1.2	Over the past 5 years, it is true that the company has not built up disciplinary action report.	100	3.42	0.33	1	3
1.3	Over the past 5 years, it is true that the company has not declared any warrants against trespassers.	100	2.68	0.32	5	2
1.4	Company's annual report includes a section devoted to the company's performance in implementing corporate governance principles	100	3.82	0.37	1	4
	Discipline		3.40	0.34		

Source: Annex

The research table no. 40 reveals that, except of management commitment, other variables such as mission statement, disciplinary action and action report have higher value than mid value of 3. The aggregate mean is 3.40. It indicates that the employees are moderately discipline.

4.4.2 Employees transparency

Table no 41

Questions	Queries	N	Mean	SD	Min	Max
2.1	Management has disclosed three or five-year performance report.	100	3.80	0.36	2	4
2.2	Public announcement of results has been made within 2 working days of board meeting.	100	3.06	0.32	5	3
2.3	The reports are clear and informative. (based on perception of analyst)	100	3.84	0.37	1	4
2.4	Company consistently discloses major and market sensitive information punctually.	100	3.83	0.37	1	3
	Transparency		3.63	0.35		

Source: Annex

The table no. 41 shows that, all variables have more value than mid value of 3. The aggregate mean of transparency is 3.63; it means that employee's transparency is moderately high.

4.4.3 Employees independence

Table no 42

Questions	Queries	N	Mean	SD	Min	Max
3.1	The chairman is an independent, non-executive director.	100	3.56	0.34	1	3
3.2	Company has an audit committee. It is chaired by a perceived genuine independent director.	100	3.74	0.36	1	3
3.3	Company has a remuneration committee. It is chaired by a perceived genuine independent director.	100	3.21	0.32	1	4
	Independence		3.50	0.34		

Source: Annex

The research table no. 42 represents that, the independency of chairman, audit committee and remuneration which have the higher value then moderate value of 3. The aggregate mean of independence is 3.50. This means employee's independence is moderately high.

4.4.4 Employees Accountancy

Table no 43

Questions	Queries	N	Mean	SD	Min	Max
4.1	The board members and members of the executive/management committee substantially different. (I.e. no more than half of one committee sits on the other.)	100	3.29	0.32	1	3
4.2	There are any foreign nationals on the board.	100	2.50	0.34	5	1
4.3	Full board meetings are held at least once a quarter.	100	2.76	0.32	1	3
4.4	Audit committee nominates and conducts a proper review the work of external auditors.	100	3.05	0.32	1	3
4.5	The audit committee supervises internal audit and accounting procedures.	100	2.92	0.32	5	2
	Accountancy		2.90	0.32		

Source: Annex

The table no. 43 reveals that, except of the management committee and audit committee, all variable's mean is lower than the mid value of 3. The aggregate mean is 2.90; this means employee's accountancy is moderately low.

4.4.5 Employees responsibilities

Table no 44

Questions	Queries	N	Mean	SD	Min	Max
5.1	The board/senior management have made decisions in the recent years seen to benefit them at the expense of management, has the company been seen as acting effectively against individuals responsible and corrected such behavior promptly, i.e. within 6 months.	100	3.57	0.34	1	4
5.2	Over the past five years, there were open business failures or misbehavior; responsible persons were appropriately and voluntarily punished.	100	2.53	0.39	5	2
5.3	There is any controversy or questions over whether the board and/or senior management take measures to safeguard the interests of all and not just the dominate employees.	100	2.92	0.32	5	3
	Responsibilities		3.01	0.35		

Source: Annex

The table no.44 displays the responsibility about the benefit record has more than mid value of 3.57 then punishment and management of controversy have lower value than mid-point. The aggregate mean is 3.01. It represents that employee's responsibilities is average.

4.4.6 Employees Fairness

Table no 45

Questions	Queries	N	Mean	SD	Min	Max
6.1	It is true that there have not been any controversy or questions raised over any decisions by senior management in the past 5 years where upper management are believed to have gained at the expense of middle or lower management.	100	3.62	0.35	1	4
6.2	All the employees have access to their appraisal record.	100	3.33	0.33	2	3
6.3	Criticism/suggestions methods are easily available.	100	3.39	0.33	1	4
	Fairness		3.45	0.34		

Source: Annex

The given table no. 45 reveals that, all the variables regarding to the fairness of the employees are greater than mid value of 3. The aggregate mean is 3.45 it means employee's fairness is moderately high.

4.4.7 Employees Social Awareness

Table no 46

Questions	Queries	N	Mean	SD	Min	Mix
7.1	Company has an explicit (clearly worded) public policy statement that emphasizes strict ethical behavior: i.e. one that looks at the spirit and not just the letter of the law.	100	3.05	0.32	1	3
7.2	Company has an explicit equal employment policy.	100	3.26	0.32	2	5
7.3	Company is explicitly environmentally conscious	100	3.78	0.36	1	3
	Social Awareness		3.37	0.33		

Source: Annex

The given table no. 46 shows that, all the variables according to the social awareness have higher value than mid value of 3. The aggregate mean is 3.37 it means employee's social awareness is moderately high.

4.5 Mean of elements

4.5.1 Mean of Discipline

Table no 47

F	x1	x2	x3	x4
1	1	0	23	0
2	3	20	28	6
3	40	30	19	30
4	40	38	18	40
5	16	12	12	24
Total	100	100	100	100
Mean	3.67	3.42	2.68	3.82
SD	0.35	0.33	0.32	0.37

Source: Annex

The table no. 47 illustrates the mean values of discipline under mission statement; management committee; disciplinary action and annual report are 3.67, 3.42, 2.68 and 3.82 respectively. The highest mean has 3.82 of annual report and the lowest mean value is 2.68 of disciplinary action. The difference between highest and lowest value of mean is 1.14 (i.e. 3.82-2.68). However all mean values are nearly at the moderate value of 3.The aggregate mean of discipline is 3.40; it is greater than the moderate value of 3.

4.5.2 Mean of Transparency

Table no 48

F	X1	X2	X3	X4
1	2	13	0	0
2	2	19	2	2
3	35	30	35	38
4	35	25	40	35
5	26	13	23	25
Total	100	100	100	100
Mean	3.81	3.06	3.84	3.83
SD	0.36	0.32	0.37	0.37

Source: Annex

The table no. 48 demonstrates the mean values of transparency regarding to the performance of report, public announcement, clear report and information punctuality are 3.81, 3.06, 3.84 and 3.83 respectively. The highest mean occurs 3.84 of clear report and least value is 3.06 of public announcement. The difference between the highest and lowest value is 0.78 (i.e. 3.84-3.06). However, each mean value have the almost equal to moderate value of 3.The aggregate mean of transparency is 3.63; it is more than the moderate value of 3.

4.5.3 Mean of Independence

Table no 49

F	x1	x2	x3	x4
1	2	4	0	3
2	13	11	2	23
3	35	40	40	30
4	27	30	40	28
5	23	15	18	14
Total	100	100	100	100
Mean	3.56	3.41	3.74	3.21
SD	0.34	0.36	0.32	0.32

Source: Annex

The table no. 49 reveals the mean of independence regarding to the chairman’s independence, audit committee, remuneration committee and external auditors are 3.56, 3.41, 3.74 and 3.21 respectively. The highest mean is 3.74 and lowest value is 3.21 of external auditors. The gap between the higher and lower value is 0.53 (i.e. 3.74-3.21).The aggregate mean of independence is 3.48; it is greater than the moderate value of 3.

4.5.4 Mean of Accountancy.

Table no 50

F	x1	x2	x3	x4	x5
1	2	27	9	3	11
2	21	23	12	22	28
3	35	25	35	47	28
4	35	23	22	33	26
5	8	2	10	5	8
Total	100	100	100	100	100
Mean	3.29	3.29	2.76	3.45	2.95
SD	0.32	0.34	0.32	0.32	0.32

Source: Annex

The table no. 50 displays the mean values of accountancy under different board members, foreign national on the board, board meeting, audit committee nomination and audit committee supervises are 3.29, 3.29, 2.76, 3.45 and 2.95 serially. The highest mean is 3.45 and lowest is 2.76. The gap between the higher and lower value is 0.69 (i.e. 3.45-2.76).However, all means values are close to moderate of 3.The aggregate mean of accountancy is 3.15; it is higher than the moderate value of 3.

4.5.5 Mean of responsibilities

Table no 51

F	x1	x2	x3
1	0	18	14
2	10	40	18
3	35	13	37
4	43	29	29
5	12	0	3
Total	100	100	100
Mean	3.57	2.53	2.92
SD	0.34	0.39	0.32

Source: Annex

The table no.51 represents the mean values of responsibilities regarding to the individual responsibilities, misbehavior punishment and controversy are 3.57, 2.53 and 2.92 respectively. The highest mean of responsibilities is 3.57 of individual responsibilities and least mean value is 2.53 of misbehavior punishment. The difference between the upper and lower value is 1.04 (i.e. 3.57-2.53). Even though, all mean values are almost moderate value of 3.The aggregate mean of responsibilities is 3.01; it is nearly exact to the moderate value of 3.

4.5.6 Mean of fairness.

Table no 52

F	x1	x2	x3
1	0	5	1
2	10	40	6
3	35	55	37
4	38	25	40
5	17	11	11
Total	100	100	100
Mean	3.62	4.05	3.39
SD	0.35	0.33	0.33

Source: Annex

The table no. 52 shows the mean values of fairness to the appraisal record, suggestion methods and necessary information are 3.62, 4.05, and 3.39 respectively. The highest mean of fairness occurs 4.05 of suggestion methods and the least mean value is 3.39. The difference between the higher and lower price is 0.66 (i.e. 4.05-3.39).Except the mean value of suggestion method, other means are close to the moderate value of 3.The aggregate mean of fairness is 3.69 it is higher than the moderate value of 3.

4.5.7 Mean of social awareness

Table no 53

F	x1	x2	x3
1	5	20	0
2	30	14	7
3	30	14	35
4	25	14	31
5	10	28	27
Total	100	100	100
Mean	3.05	2.86	3.78
SD	0.32	0.32	0.36

Source: Annex

The table no. 53 explains the mean value of social awareness under the under aged employment, equality and consciousness are 3.05, 2.86 and 3.78 respectively. The highest mean is 3.78 of consciousness and the lowest mean value is 2.86 of equality. The gap between the higher and lower value is 0.92 (i.e. 3.78-2.86). However, all the mean values are nearly at the moderate value of 3.The aggregate mean of social awareness is 3.23; it is higher than the moderate value of 3.

4.6 Correlation between the elements

4.6.1 Correlation between the elements of discipline

Table no 54

	1.1	1.2	1.3	1.4
1.1	1			
1.2	0.851908	1		
1.3	-0.48437	-0.11828	1	
1.4	0.941424	0.833243	-0.6392	1

Source: Annex

The table no. 54 reveals the correlation among the items of discipline where, the relationship between mission statement and disciplinary action, management commitment and disciplinary action and disciplinary action and annual report all variables has negative value of correlation which is not significant. Rests of all elements are positive correlation which is significant.

4.6.2 Correlation between the elements of Transparency

Table no 55

	2.1	2.2	2.3	2.4
2.1	1			
2.2	0.64881	1		
2.3	0.988754	0.701677	1	
2.4	0.996512	0.70102	0.985944	1

Source: Annex

The given table no.55 shows the correlation among the elements of transparency. Analyzing the table all variables has positive correlation each other. Correlation between each element has significant relationship.

4.6.3 Correlation between the elements of independence

Table no 56

	3.1	3.2	3.3	3.4
3.1	1			
3.2	0.938856	1		
3.3	0.918913	0.951497	1	
3.4	0.828216	0.847762	0.754916	1

Source: Annex

The table no.56 demonstrates the correlation among the items of independence. It shows the positive correlation between the variables. Correlation between the each element has significant relationship.

4.6.4 Correlation between the elements of accountancy

Table no 57

	4.1	4.2	4.3	4.4	4.5
4.1	1				
4.2	0.344526	1			
4.3	0.849803	0.356134	1		
4.4	0.958907	0.434349	0.942885	1	
4.5	0.876379	0.58433	0.666308	0.870066	1

Source: Annex

The table no. 57 displays the correlation among the elements of accountancy. The table explains the positive relationship between the variables. Correlation between different board members and foreign national on the board and audit committee nomination and foreign national on the board has no significant relation then rest of other elements has in significant relation.

4.6.5 Correlation between the elements of responsibilities

Table no 58

	5.1	5.2	5.3
5.1	1		
5.2	0.09193	1	
5.3	0.76899	0.3391	1

Source: Annex

The table no. 58 represents the correlation among the items of responsibilities. It says the positive relationship between each other. Correlation between the individual responsibilities and misbehavior and punishment has no significant relationship then rest of all elements has in significant relation.

4.6.6 Correlation between the elements of fairness

Table no 59

	6.1	6.2	6.3
6.1	1		
6.2	0.55379	1	
6.3	0.98253	0.54549	1

Source: Annex

The table no. 59 presents the correlation among the elements of fairness. The table shows the positive relationship between the elements. Same as all the elements are significant relationship.

4.6.7 Correlation between the elements of social awareness

Table no 60

	7.1	7.2	7.3
7.1	1		
7.2	-0.7954	1	
7.3	0.41887	-0.0574	1

Source: Annex

The table no. 60 represents the correlation of social awareness where, except the under aged employment and equality and consciousness and equality, all the variables relationship has in positive. Correlation between the under aged employment and equality and equality and consciousness has in not significant relationship. However, other elements are in significant relationship.

4.8 Findings

1. Discipline

   The aggregate mean of discipline is 3.40, it shows that, discipline of employees is quite better because the aggregate mean is more than the moderate of 3 (i.e. 3.40>3). Correlation among the disciplinary action with mission statement and annual report has in negative which is not significant. Rest of the value of correlation is positive, which is significant.

2. Transparency

   The aggregate mean of transparency is 3.63, it displays that, transparency of employees is better because the aggregate mean is higher than the moderate value of 3. Correlation between the elements has positive which means it has significant relationship.

3. Independence

   The aggregate mean of independence is 3.48, it reveals that, employee's independency is moderately high. So the employees are fully independent because the aggregate mean is more than the moderate 3 (i.e. 3.48>3). Correlation among each and every element has positive so they have significant relationship.

4. Accountancy

   The aggregate mean of accountancy is 3.15; it demonstrates that, the accountancy of employees is average because the aggregate mean is nearly at the moderate of 3. The correlation among foreign national on the board with different board members and audit committee nomination has not significant

5. Responsibilities

   The aggregate mean responsibility is 3.01. It represents that, responsibilities of employees is average because the aggregate mean is close to moderate of 3. Correlation of misbehavior punishment with individual responsibilities and controversy has no significant. Other elements correlation has significant.

6. Fairness

The aggregate mean of fairness is 3.69. It presents that, the fairness of employees is moderately high or employees are pretty fair because the aggregate mean is greater than the moderate value of 3. Correlation among the elements has positive value so the relationship is significant.

7. Social awareness

   The aggregate mean of social awareness is 3.23. It shows that, the employees are pretty aware of society because the aggregate mean is higher than the moderate value of 3. Correlation among the element of equality with consciousness and under aged employment has the negative value of correlation therefore the elements has not significant. Other remain elements are positive value of correlation so they are significant.

CHAPTER V
CONCLUSIONS

5.1 Summary

The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance. It has been reported that the survival of firms is associated with the type of corporate governance and management followed in the organization. This study mainly aims to find out the relationship between the elements of corporate governance in Nepalese commercial banks. This research has taken as samples of four commercial banks to study the relationship between the corporate governance and financial performance. It specific objectives are: (1) to identify the status of corporate governance practices in Nepalese Commercial Banks, (2) to examine the relationship between the elements of corporate governance . Among these 28 commercial banks, it has taken Agriculture Development Bank Limited, NIC Asia Bank Limited, Nepal Investment Bank Limited and Nepal Bank Limited using convenience sample method.

This study is based on primary data. The primary data is collected through the administration of questionnaires to the staff in related life banks. It deals with the analysis and interpretation of the primary data collected through questionnaire from 100 respondents. Questionnaires were filled up by visiting personally to the concerned respondents and they were collected after they were being filled.

5.2 Conclusions

Analyzing the responses of respondents on different questions regarding to the variables of corporate governance, entire elements mean values are more than the mid value of 3. According to the research, employees are highly fairness than transparency, independence, discipline, social awareness, accountancy and responsibilities. Because, mean value of fairness is greater than others. However, it reveals that employee’s responsibility is in quite low range than others. On another side of the research, correlation of the primary data shows the significant relationship of the elements of fairness and transparency whereas discipline, independence, responsibilities and social awareness have not significant relationship.

5.3 Implications

Based on the analysis the employees’ response and from the data, the following recommendations are made;

1. Independent variable as discipline of employees is nearly at moderate rate. Therefore, to increase the level of discipline they should focus on the corporate governance as much as possible.
2. Transparency of employees is quite better than discipline. However, if the banks want to make more effective banks should need to cover the rules and regulations.
3. Out of seven variables of corporate governance responsibility has least value of mean. It means employees are not very active for their responsibilities. So they have to be careful for their duties.
4. Regarding to the accountancy, employees are average. Though to enhance banks have to be more familiar on corporate governance.
5. Correlation of transparency, fairness, and dependent variables has significant. However. Discipline, accountancy and responsibility have not significant so to create the significant relationship they have to be careful at the time of investment and well manage of the assets.

5.4 Implications for the Future Researcher.

Different systematic, modern & statistical tools can be used for the upcoming thesis in order to find out the actual financial performance of concern bank as clearly as previously. A sample must be taken more than three banks to gain the knowledge and comparative analysis of sampled banks.

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ANNEX

QUESTIONNAIRES

Dear Sir/Madam,

I am **Samyooka Sambahamphe,** Student of Central Department of Management MBS, Kirtipur Kathmandu. I am doing Research on **"Corporate governance in Nepalese commercial banks".** The purpose of my survey is to identify the practices of Corporate Governance on commercial banks of Nepal as a part of my Graduate Research Project to fulfill the course requirement of MBS, Tribhuvan University. I assure you that the survey is purely academic and confidential. I kindly request you for your valuable participation and Cooperation.

Name of the organization…………………………..

Gender: - Male ☐ **Female** ☐

Marital Status: Unmarried ☐ **Married** ☐

Work Experience :………….(in years)

Education:-

Below +2	+2	Bachelor	Master	M.Phil / PhD.

Please indicate the degree to which you agree or disagree with the statements in the following.

Please mark √ in the following scale on the right hand side: 1=Strongly Disagree; 2= Disagree; 3=Neutral; 4=Agree and 5=Strongly Agree.

Variable		Opinion Statement	1	2	3	4	5
1.Discipline	1.1	Company has issued a 'mission statement' that explicitly places a priority on good corporate governance.					
	1.2	Over the past 5 years, it is true that the company has not declared any warrants against trespassers.					
	1.3	Over the past 5 years, it is true that the company has not built up disciplinary action report.					
	1.4	Company's annual report includes a section devoted to the company's performance in implementing corporate governance principles.					
2.Transparency	2.1	Management has disclosed three or five-year performance report.					

	2.2	Public announcement of results has been made within 2 working days of board meeting.					
	2.3	The reports are clear and informative. (based on perception of analyst)					
	2.4	Company consistently discloses major and market sensitive information punctually.					
3.Independence	3.1	The chairman is an independent, non-executive director.					
	3.2	Company has an audit committee. It is chaired by a perceived genuine independent director.					
	3.3	Company has a remuneration committee. It is chaired by a perceived genuine independent director.					
	3.4	External auditors of the company are in other respects seen to be completely unrelated to the company.					
4.Accountability	4.1	The board members and members of the executive/management committee substantially different. (I.e. no more than half of one committee sits on the other.)					
	4.2	There are any foreign nationals on the board.					
	4.3	Full board meetings are held at least once a quarter.					
	4.4	Audit committee nominates and conducts a proper review the work of external auditors.					
	4.5	The audit committee supervises internal audit and accounting procedures.					
5.Responsibility	5.1	The board/senior management have made decisions in the recent years seen to benefit them at the expense of management, has the company been seen as acting effectively against individuals responsible and corrected such behavior promptly, i.e. within 6 months.					
	5.2	Over the past five years, there were open business failures or misbehavior; responsible persons were appropriately and voluntarily punished.					
	5.3	There is any controversy or questions over					

		whether the board and/or senior management take measures to safeguard the interests of all and not just the dominate employees.					
6.Fairness	6.1	It is true that there have not been any controversy or questions raised over any decisions by senior management in the past 5 years where upper management are believed to have gained at the expense of middle or lower management.					
	6.2	All the employees have access to their appraisal record.					
	6.3	Criticism/suggestions methods are easily available.					
7.Social Awareness	7.1	Company has an explicit (clearly worded) public policy statement that emphasizes strict ethical behavior: i.e. one that looks at the spirit and not just the letter of the law.					
	7.2	Company has an explicit equal employment policy.					
	7.3	Company is explicitly environmentally conscious					

Result of Questionnaires

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