THE EFFECT OF CORPORATE GOVERNANCE ON PERCEIVED ORGANIZATIONAL SUCCESS IN NEPALESE COMMERCIAL BANKS

A Thesis

By

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CERTIFICATION OF AUTHORSHIP

I certify that the work in this thesis entitled "**The effect of corporate governance on perceived organizational success in Nepalese Commercial banks**" has not previously been submitted for a degree nor has it been a part of requirements for a degree except as fully acknowledged within the text. I also certify that the thesis has written by me under the supervision of Associate Prof. Dr. Manoj Chaudhari. In addition, I certify that all information sources and literatures used are indicated in the reference section of the thesis.

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Date: 12/13/2019

RECOMMENDATION LETTER

It is certified that thesis entitled “The effect of corporate governance on perceived organizational success in Nepalese Commercial banks” submitted by Yagya Raj Bhatta 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 the critical examination and independent judgment. Candidate has put in at least 60 days after registering the proposal. The thesis is forwarded for examination.

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ABSTRACT

Effective corporate governance practices are essential to achieving and maintaining the public trust and confidence in the banking system, as a result they are critical to the proper functioning of the banking sector and economy as a whole. However, little attention has being given to corporate governance of banking sector especially in developing economies. This study examines the effect of corporate governance on perceived organizational success.

There are many dimensions of corporate governance but in this study only seven components (transparency, independence, accountability, fairness, social awareness, discipline and responsibility) are considered as the factor of good corporate governance. The objective of this research is to analyze the impact of corporate governance on perceived organizational success of the commercial banks of Nepal. The study employed a qualitative methodology. Data was collected through a self-administered survey questionnaire. The questionnaire is adopted from a previous validated survey. The target population consists of commercial banks of Nepal. Simple convenience sampling is used for collection of data from 175 employees.

The results indicate a positive relationship between corporate governance and perceived organizational success. The study concludes with some brief prospects that the businesses need to realize the importance of good corporate governance for perceiving success. This paper may benefit for all organization that may be service or manufacturing for realizing the importance of corporate governance on organizational success.

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ABBREVIATIONS

ACC	:	Accountability
ACC	:	Accountability
CB	:	Commercial Banks
CEO	:	Chief Executive Officer
CG	:	Corporate governance
DIS	:	Discipline
FAI	:	Fairness
ICAN	:	Institute of Chartered Account of Nepal
IND	:	Independence
Ltd.	:	Limited
N	:	Number of Respondents
OECD	:	Organization for Economic Cooperation and Development
POS	:	Perceived organizational success
RES	:	Responsibility
SCO	:	Social awareness
Sig.	:	Significance
SLSA	:	Credit Lyonnais Securities Asia
SPSS	:	Statistical Package for Social Scientists
Std.	:	Standard
TRA	:	Transparency

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The concept of corporate governance arose from the belief that the separation of ownership and management within a corporation might create substantial misuse of managerial discretion (including the possibility of abuse or conflict of interest) (Tirole, 2006). The term “corporate governance” was first coined in 1960 (Mason, 1960), derived from an analogy between the governance of cities, nations, or states and the governance of corporations (Becht et al., 2002). Corporate governance is “the system by which companies are directed and controlled” (Cadbury, 1992). Many existing studies mention that good corporate governance practice: strengthens the board, helps in effective board monitoring, improves firm profitability and performance, and achieves better economic efficiency and growth (Al-Baidhani, 2015; OECD, 2004; Sarkar & Sarkar, 2018).

Organization for Economic Cooperation and Development (OECD) principles of corporate governance are categorized into six parts: 1) ensuring the basis for an effective corporate governance framework; 2) the rights of shareholders and key ownership functions; 3) the equitable treatment of shareholders; 4) the role of stakeholders in corporate governance; 5) disclosure and transparency; and, 6) the responsibilities of the board (OECD, 2004).

Adams & Mehran, (2003) define corporate governance as "the mechanism through which stakeholders (shareholders, creditors, employees, clients, suppliers, the government and the society, in general) monitor the management and insiders to safeguard their own interests." Morin and Jarrel, (2001) define it as follows: "It is a framework through which monitors and safeguards the concerned actors in the market (managers, staff, clients, shareholders, suppliers and the board of administration." It is management through which the company is guided and monitored for the purpose of striking a balance between its interests, on the one hand, and the interests of other related parties such as investors, lenders, suppliers and clients in addition to the environment and society."

Corporate governance is about building credibility, ensuring transparency and

accountability as well as maintaining an effective channel of information disclosure that would foster good corporate performance (Gnawali, 2018).

The board of directors is an intermediate layer of governance between the shareholders and management. As Salmon (1993) suggests in the ongoing debate over America's competitive position, winning is everything but, without an effective board you are not even in the game." This supports the idea that Role of the Boards is primarily important for good governance. It is inevitable that debates on corporate governance center on the board composition, perks of directors and ensuring their accountability to shareholders Gouri (1998). Similarly, culture is also an important factor that affects governance. Shrestha (1995) states that along with the establishment of all types of companies, corporate and professional culture is supposed to be more important for strengthening their positioning in national economy.

Corporate governance in financial system aims at promoting healthy market practice and reducing financial anomalies resulting from agency problem. Among various other functions, banking system fundamentally performs an intermediary role in capital formation accepting deposits from customers, raise capital from investors or lenders (supply-side of credit) and then use lend this money to the business ventures and other economic activities (demand side of , buy securities and provide other financial services to customers. Financial system is therefore, believed to financial market that accelerates the performance of engine of growth of an economy. Good corporate governance is a need in financial system in that it controls market distortion from the various stakeholders in the system.

Commercial bank occupies quite an important place in the framework of every economy. It provides capital for the development of industry, trade & business investing the saving collected as deposit. All the economic activities of every country are greatly influenced by the commercial banking business of that country. Commercial banks, by playing active roles, have changed the economic structure of the world. Integrated & speedy development of the country is possible only when competitive banking services reach nooks & corners of the country (Olokoyo, 2011).

Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The

shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the directors include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The Board's actions are subject to laws, regulations and the shareholders in general meeting Cadbury commission (1992). In his most comprehensive sense, corporate governance comprises all the forces that effect on firm’s decision making process. It would protect not only the stockholder’s rights, but also the bounding agreement and collapsing power of debtors. Corporate governance also gains the commitment of the employees, customers and suppliers. In adding together it is the Power to diffuse the risks by combining all the forces.

In recent years, banking sector of Nepal has been transformed from a sluggish and government-dominated sector to a much more fragile, competitive and profitable industry. Different foreign banks have emerged recently which have increased the competition among commercial banks. In order to get competitive edge and to attract more and more customers, banks are focusing on providing better services to the customers (Boot and Thakor, 2009).

Traditionally corporate governance acknowledges the existence and importance of ‘other stakeholders’, yet it still focus on the traditional debate on the relationship between disconnected owners (shareholders) and often self-serving managers. Corporate governance consists of two elements: The long-term relationship, which has to deal with checks and balances, incentives for manager and communications between management and investors; the transactional relationship, which involves dealing with disclosure and authority.

Corporate governance also provides the framework for attaining a company's objectives; it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure. Hence, the purpose of corporate governance is to facilitate effective, entrepreneurial, and prudent management that can deliver the long-term success of the company.

1.2 Statement of the Problems and Questions

Effective corporate governance practices are essential to achieving and maintaining the public trust and confidence in the banking system, as a result they are critical to the proper functioning of the banking sector and economy as a whole. However, little attention has being given to corporate governance of banking sector especially in developing economies Lipunga (2014)

The study conducted by Gnawali (2018) to analyze the level and structure of corporate governance in Nepal and determine its effects on financial performance in commercial banks of Nepal found that corporate governance has played the significant role to keep the corporate governance in Nepalese commercial Banks which leads organizational success.

The empirical study suggests that the corporate governance has widespread role in organizational success that means there is positive relation between corporate governance and organizational success (Ilyas and Rafiq, 2012).

The subject of corporate governance in developing economies has recently received a lot of attention in the literature: credit accrue to the growth prospective of these economies. In addition, noise trading as opposed to fundamentals has been documented to affect markets of these economies Claessens and Yurtoglu (2012). These markets are, in general, less efficient and therefore, demands corporate 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.

This study identifies different factors significant to corporate governance in Commercial banks in Nepal to enable the banks to develop strategies to improve the corporate governance in the bank. This enhances the Bank’s competitive position in the banking industry and ensures survival of the bank, especially in this era of keen competition.

The study serves as a guide for banks to develop good governance which improves its level of corporate governance in the banks, especially in areas where gaps between expectations and reality are so wide to enhance working environment. The study will serve as a guideline for further research in corporate governance in the banking industry or related field. By virtue of improved guidelines banks can benchmark the policies and strategies for their effective working environment, quality improvement programmers leading to overall improvement in the banking sector and possibly translate to other sectors of the economy. This research is guided by the following questions:

i. What is the status of the corporate governance practice in Nepalese commercial banks?
ii. Is there any relationship between corporate governance elements (transparency, interdependence, accountability, fairness, social awareness, discipline & responsibility) and perceived organizational success in Nepalese commercial banks?
iii. What is the effect of corporate governance elements on perceived organizational success in Nepalese commercial banks?

1.3 Purpose of the Study

The main objective of this study is to examine effects of corporate governance on perceived organizational success of Commercial Banks in Nepal. The specific objectives are as follows;

i. To assess the present status of corporate governance practice in Nepalese commercial banks.
ii. To examine the relationship between corporate governance elements (transparency, accountability, fairness, discipline & responsibility) and perceived organizational success in practices in Nepalese commercial banks.
iii. To explore the effect of corporate governance on perceived organizational success of practices in Nepalese commercial banks.

1.4 Significance of the Study

The findings of this research project would contribute to improving understanding about corporate governance practices in Nepalese banking, and in what ways the banks can implement good corporate governance that aligns with bank performance.

Many Commercial Banks in Nepal will find the study very valuable to their operations and more so a benchmark to decisions to improve on corporate governance in the banking industry.

The policy makers in the banking business will find the study useful as a basis of formulating policies, which can be effectively implemented for better and easier regulation of the banking sector. The government will use the study so as to come up with policies and ways of promoting corporate governance financial institutions in the country.

The empirical results would also provide general indicators of corporate governance useful for both regulator and business people in making policies and decisions as well as in rewarding or punishing the banks that have great or little intention to improve their corporate governance aligning with managers-owners risk-taking behavior and bank performance. Other researchers and academic community will use this study as a basis for further studies on corporate governance in Nepalese commercial banks.

1.5 Limitations of the Study

Every study carries some limitations; this study has also some limitations these are as follows;

i. The analysis of this research is based on primary data, so any distortion of the reality from this study may be due to the business of the respondents.

ii. This study only take the sample from the banks working in Kathmandu city the scenario may be different in rural area.

iii. There are many components that are affecting the corporate governance but this study is considering only some limited components as independent variables.

iv. This study has only focused on bankers views on perceived organizational success but it does not consider the view of costumer.

v. Time frame is limited to carry out microscopic study on the topic, thus the study may not reveal the exact results.

vi. Only limited sample have been taken which may surely lacks accuracy.

Despite these limitations, this study has tried to provide valid result as well as in depth of corporate governance and its impact on perceived organizational success on Nepalese commercial banks.

1.6 Organization of the Study

This study focuses on the investigation of the effects of corporate governance on perceived organizational success of Nepalese commercial banks. With the intent of the above broad objectives attainment, the study is organized or structured as follows:

Chapter I: Introduction

The first chapter of the research project provides basic information related to the research topic and outline of the study. It showcases background of the study, statement of problem and research questions, objectives of the study, hypotheses, significance of the study, limitation of the study and operational definitions.

Chapter II: Literature Review

The second chapter is literature review. This chapter provides related words, definitions, and findings on the related topic from other researchers, journals, papers, and similar works which are very much important on guiding the research. Besides, this chapter includes theoretical framework around which the whole work have been put together.

The focus of this chapter is literature review on corporate governance with respect with the variables of corporate governance.

Chapter III: Research Methodology

This chapter presents the research design and methodology utilized in this research. The research design and methodology includes the planned methods used while conducting the research which has helped to guide the research towards its main findings and conclusion. It includes information on research design, data analysis methods, questionnaire, population and sample size, sampling techniques, data collection instrument, and the sources of data exclusively meant for this Project.

Chapter IV: Result

The fourth chapter deals with the main results of the study. After the collection of data and processing it is necessary to showcase the result and analyze the findings. Hence,

this chapter includes presentation of data and analysis of the findings using diagrammatic representations such as pie-charts, bar-graphs as well as mathematical and statistical tools like descriptive analysis, correlation analysis and regression analysis.

Chapter V: Conclusion

This chapter outlines the discussion of results and suggestions for further research. This is final chapter of the research work; hence it revolves around showcasing summarized report of whole work. It focuses on concluding the work highlighting the main findings as well as making recommendations and providing guidelines for the prospective users, readers and future researchers.

CHAPTER II

LITERATURE REVIEW

Review of literature means looking back or past event of experiences. Every scientific research must be based on past knowledge. The previous studies cannot be ignored because it provides the foundation to the present study of the perspective titles. So this chapter contains review of the relevant literature in the published books, journals, articles, theses and previous research works related to the past study.

2.1 Concept of corporate governance

The concept of corporate governance arose from the belief that the separation of ownership and management within a corporation might create substantial misuse of managerial discretion (including the possibility of abuse or conflict of interest) (Tirole, 2006). The term "corporate governance" was first coined in 1960 (Mason, 1960), derived from an analogy between the governance of cities, nations, or states and the governance of corporations (Becht et al., 2002). Corporate governance is "the system by which companies are directed and controlled" (Cadbury, 1992).

Okene (2010) citing Farar (2005) maintain that corporate governance was used as a term forty years ago. The root of the term "governance" was from the Latin words "gubarnare" and "gubernator" which refer to "steering a ship" and to the "steerer or captain of the ship" respectively. Mensah (2003) states that corporate governance is an institutional arrangement which provide the discipline and checks over excesses of controlling managers.

The term corporate governance has been identified to mean different things to different people. Magdi and Nadereh (2002) stress that corporate governance is about ensuring that the business is run well and investors receive a fair return. The corporate governance structure specifies the distribution of rights and responsibilities among different stakeholders in the corporation such as: the board, managers, shareholders, customers, employees, among others, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the companies' objectives are set and the means of attaining these objectives and monitoring performance (Akinsulire, 2006).

In placing corporate governance on a pedestal which reveals the relationship between providers of finance and corporate organizations, Shleifer and Vishny (1997) are of the opinion that corporate governance deals with the ways suppliers of finance to corporations assure themselves of getting a return on their investments. Corporate organizations need to ensure that managers do not misappropriate the capital or invest in bad projects.

Consequently, corporate governance is seen as “essentially about the prevention of theft”, which can take place craftily executed by either the management or board or both of them (ICAN, 2009). Much of the contemporary interest in corporate governance is concerned with mitigation of the conflicts of interest between stakeholders. Ways of mitigating or preventing these conflicts of interests include the processes, customs, policies, laws, and institutions which have impact on the way a company is controlled.

Effective corporate governance reduces “control rights” shareholders and creditors confer on managers, increasing the probability that managers invest in positive net present value projects (Shleifer and Vishny, 1997). Thus, the relationships of the board and management, according to Al-Faki (2006), should be characterized by transparency to shareholders, and fairness to other stakeholders. This will in effect mitigate the agency costs as predicted by Jensen and Meckling (1976).

The implications of the above definitions are that corporate governance is a system of corporate management and control to satisfy the strategic goals of all stakeholders while complying with the legal, ethical and other environmental needs of the society.

2.2 Theoretical review of literature

Historically, the literature of corporate governance is enmeshed with the study of economics with references to “the theory of the firm”. These were the initial attempts to understand the limitations of the perfect competition, macroeconomic model of market behavior. The literature set out the framework for the present day discussion and debate on how corporations behave and how they can be governed. Every life on earth, every little being to its atom, follows the rules bound by the creator.

A turning point in the discussion on corporate governance and the principal-agent issue was the work by Fama (1980) who questioned the foundation of the concept of a firm and its ownership.

Theories of corporate governance focus on the board of directors as a mechanism to reduce agency problems induced by the wide separation between ownership and control. The agency theory recognizes that in a modern corporation, there is a wide separation between ownership and management, resulting in the conflict of interests between the owners and the agents.

Haslinda and Benedict (2009) suggested that fundamental theories in corporate governance began with the agency theory, expanded into stewardship theory and stakeholder theory and evolved to resource dependency theory, transaction cost theory, political theory and ethics related theories.

Agency Theory

Agency theory is one of the theoretical principles underlining the issue of corporate governance developed by Jensen and Meckling (1976) resulting out of the separation of ownership and control. Investors have surplus funds to invest but due to technical constraints such as inadequate capital and managerial expertise to manage the funds, they employ the services of managers to invest their funds into profitable ventures so as to generate good returns, and managers rewarded for their services. The actions and inactions of managers do not always promote the interest of the financiers and of which some of their actions are detrimental to the fortunes of the financiers, hence the issue of agency problem. Thus, agency problem as described by Jensen and Meckling (1976), focuses on the consumption of perquisites by managers and other types of empire building (La Porta et al., 2000).

These managers, interestingly, often tend to entrenched themselves in position. According to Shleifer and Vishny (1989), managers can expropriate shareholders by entrenching themselves and staying on the job even if they are no longer competent or qualified to run the firm. Managerial expropriation of funds can also take more elaborate forms than just taking cash out, such as transfer pricing (Shleifer and Vishny, 1997). Such transfer pricing, asset stripping, and investor dilution though often legal, have largely the same effect as theft (La Porta et al.; 2000). More also, managerial expropriation can take the form of diversion of firm opportunities from the firm, installing possible unqualified family members or cronies on key managerial positions, or overpaying executives, using the profits of the firm to benefit themselves rather than the money to the investors (La Porta et al., 2000). As a result of the

interest of opportunistic, self-interested managers, there was an agency lost which is the extent to which returns to the residual claimants and; the owners fall below what they would be if the owners exercised direct control over the company (Jensen and Meckling, 1976).

The remedies to this idea of agency problem within corporate governance; involves the acceptance of certain 'agency cost' which is involved either in creating incentives or sanctions that will align executive interest with the interest of shareholders, or in monitoring the executive conduct in order to constrain their opportunism (Roberts, 2004). Thus, the principles of corporate governance are meant to control the internal and external entrenchment practices of executives through internal and external control mechanisms which either bring into line the interest of executives with the shareholders or monitor them directly (Boyd, 1994).

In further discussion of agency relationships and cost (Jensen and Meckling, 1976), describe agency relationship as a contract under which "one or more persons (principal) engage another person (agent) to perform some service on their behalf, which involves delegating some decision-making authority to the agent". In this scenario, there exists a conflict of interests between mangers or controlling shareholders; and outside or minority shareholders leading to the tendency that the former may extract "perquisites" (or perks) out of a firm's resources and be less interested to pursue new profitable ventures. Agency costs include monitoring expenditures by the principal such as auditing, budgeting, control and compensation systems, bonding expenditures by the agent and residual loss due to divergence of interest between the principal and the agent. The share price that shareholders (principal) pay reflects such agency costs. To increase the firm value, one must therefore reduce agency costs.

The following represent the key issues towards addressing opportunistic behavior from managers within the agency theory:

i. Composition of board of directors: The board of directors is expected to be made up of more Non-Executive Directors (NEDs) for effective control. It is argued that this reduces conflict of interest and ensures a board's independence in monitoring and passing fair and unbiased judgement on management.

ii. CEO duality: It is expected also that different individual occupies the positions of CEO and board chairperson as this reduces the concentration of power on one individual and thus greatly reduces undue influence of particular management and board members.

Stakeholder Theory

One argument against the strict agency theory is its narrowness, by identifying shareholders as the only interest group of a corporate entity necessitating further exploration. By expanding the spectrum of interested parties, the stakeholder theory stipulates that, a corporate entity invariably seeks to provide a balance between the interests of its diverse stakeholders in order to ensure that each interest constituency receives some degree of satisfaction (Abrams, 1951). The stakeholder's theory was developed by Freeman (1984) with emphasis on the need for managers to have corporate accountability to stakeholders instead of shareholders. Stakeholders are "any group or individual that can affect or is affected by the achievement of a corporation's purpose" (Freeman 1984). Donaldson and Preston (1995), defined stakeholders as identified groups or persons who have interest in a firm and these interests have intrinsic value. The theory is interested in how managerial decision making affect all stakeholders and no interest should be able to dominate the other (Donaldson and Preston, 1995). The stakeholder theory is therefore appearing better in explaining the role of corporate governance than the agency theory by highlighting the various constituents of a firm. Thus, creditors, customers, employees, banks, governments; and society are regarded as relevant stakeholders. Related to the above discussion, John and Senbet (1998) provide a comprehensive review of the stakeholders' theory of Corporate Governance which points out the presence of many parties with competing interest in the operations of the firm. They also emphasize on the role of non-market mechanisms such as the size of the board and; committee structure as important to firm performance.

Stakeholder theory has become more prominent because many researchers have recognized that the activities of a corporate entity have impact on the external environment requiring accountability of the organization to a wider audience than simply its stakeholders. For instance, McDonald and Puxty (1979) proposed that companies are no longer the instrument of shareholders alone but exist within society and, therefore, has responsibilities to that society. One must however point out that

large recognition of this fact has rather been a recent phenomenon. Indeed, it has been realized that economic value is created by people who voluntarily come together and cooperate to improve everyone's position (Freeman et al., 2004).

Despite the good intentions of the theory, it has been criticized for putting too much pressure or burden on managers by making them accountable to many stakeholders without specific guidelines for solving problems resulting from conflicting interests. This situation according to Jensen (2001), has given managers the discretionary powers to decide on whose interest to serve. Jensen (2001) posits that, managers should pursue objectives that would lead to increasing the long-term value of the firm since this would not be attained by ignoring the interest of some of the stakeholders. The argument of Jensen (2001) suggests that the performance of a firm is not and should not be measured only by gains to its stakeholders. Other key issues such as flow of information from senior management to lower ranks, inter-personal relations, working environment among others, are all critical issues that should be considered. An extension of the theory called an "enlightened stakeholder theory" was proposed to take care of the shortcomings. However, problems relating to empirical testing of the extension have limited its relevance (Sanda et al., 2005).

In this regard, the firm should take into consideration the interests and influences of people who are either affected or may be affected by the firm's policies and operations (Frederick et al., 1992). Donaldson and Preston (1995), as a result of the complex nature of the stakeholder relationship and the need for the better management of the various stakeholders, concedes that the stakeholder theory cannot be a single theory but categorized into three different approaches of descriptive, instrumental and normative.

Stewardship Theory

The stewardship theory emerged as a result of the seminar work by Donaldson and Davis (1991). The theory is based on the assumption that, the interest of shareholders and the interest of management are affiliated; therefore, management is motivated to take decisions that would maximize performance and the total value of the firm. It is the believe of the theory that, there is greater utility in cooperative than in individualism or individualistic behavior and hence whilst the actions of management would be to maximizing shareholders' wealth, it would at the same time be meeting

their personal ambitions or needs. The managers protect and maximize shareholders' wealth through firm performance, because by so doing, their utility functions are maximized (Davis et al., 1997). In order to achieve this goal, the shareholders must put in place appropriate empowering mechanism and governance structures, information and authority to facilitate the autonomy of management to take decisions that would maximize their utility as they achieve the goal of the firm rather than self-servicing objectives. For CEOs who are stewards, their pro-firm actions are best facilitated when the corporate governance structures give them high authority and discretion (Donaldson and Davis, 1991). Davis et al.; (1997), identified five components of the management philosophy of stewardship as trust, open communication, empowerment, long-term orientation and performance enhancement. One key distinguishing feature of the theory of stewardship is that it replaces the lack of trust to which agency theory refers with respect for authority and inclination to ethical behavior.

The stewardship theory considers the following summary as essential for ensuring effective corporate governance in any entity:

i. Board of directors: The involvement of Non-Executive Directors (NEDs) is viewed as critical to enhance the effectiveness of the board's activities because executive directors have full knowledge of the firm's operations. Thus, it is believed that the appointment of NEDs will enhance decision-making and ensure the sustainability of the business.
ii. Leadership: Contrary to the agency theory, the stewardship theory stipulates that the positions of CEO and board chair should be concentrated in the same individual. The reason being that it affords the CEO the opportunity to carry through decision quickly without the hindrance of undue bureaucracy. We must rather point out that this position has been found to create higher agency costs. The argument is that when governance structures are effectively working, there should not be undue bureaucratic delays in any decision-making.

Finally, it is argued that small board sizes should be encouraged to promote effective communication and decision-making. However, the theory does not stipulate a rule for determining the optimal board size and for that matter what constitutes small.

Resource Dependency Theory

This theory was developed by Pfeffer (1973) and Pfeffer and Salancik (1978) with the aim of emphasizing the important role played by the board of directors in providing access to resources that would enhance the firm's performance and protect it against externalities. Firms require resources in the areas of Finance, human, technical, information, communication and technology to function properly and to achieve their objectives. The accessibility to resources enhances organizational functioning, performance and survival (Daily et al., 2003). Hillman et al. (2000), argue that; resource dependence theory focuses on the crucial role that the directors perform in providing or securing essential resources to the firm through their linkages to the external environment. They contend that; directors bring resources to the firm in the form of skills, information, access to key constituents such as buyers, suppliers, public policy makers as well as legitimacy. Firms depend on each other for business because they form the largest proportion of the firm's customer base. This means that; the actions of one firm can greatly influence the financial performance of the other either positively or negatively. Therefore, there is need for firms to establish good relationships at board levels. This was collaborated by Johnson et al. (1996), by agreeing to the fact that, the theory provides focus on the appointment of representatives of independent firms as a means of gaining accessibility to resources that are so critical for the survival and success of the firm.

Pfeffer and Salancik (1976), posited that; boards provide advice, counsel and know-how, legitimacy and reputation, vehicle for communicating information with external firms and privileged access to commitments or support from weighty players outside the firm. The boards performed these functions through social and professional networking and interlocking directorates (Johannisson and Huse, 2000). Zahra and Pearce (1989), posited that; the diverse background of the directors enhance quality of their advice. Abdullah and Valentine (2009), also classified directors into four categories of business experts, support specialists, community influential and insiders.

2.3 Empirical review of literature

According to Jensen and Meckling (1976) a corporate board can effectively play its role if its size is small, has diverse skills, majority members are outside directors and the position of Chairman and CEO are separate. The role of corporate boards is also

specified to include: hiring and monitoring managers, protecting shareholders' interests, increasing corporate value and setting strategies in a firm .Consequently, many countries have developed codes of best governance practices, using the agency theory principles. Agency theory is therefore important to this study as it identifies the ideal corporate governance structures and practices that should be adopted by privatized companies.

Berle and Means (1932) suggested that what has now become the most important classic socio-scientific, treatise on the widely-held, public company. "The Modem Corporation and Private Property" published in 1932, set the debate on corporate governance rolling, focusing on the separation of ownership and control in large corporations. They described the modem corporation as: "Unlike small, private companies, these large companies raised capital from the wealth of numerous small private investors. The controlling managers of such organizations in many cases held a small or negligible share in the ownership capital of the firm. They derived their income mainly as a fixed salary and not a variable return based on the performance of the firm. The ownership of these firms, meanwhile, was increasingly vested in the hands of a multitude of small investors, who individually had little incentive to monitor the performance of the firm closely".

Lipton and Lorch (1992) presented a proposal for improved corporate governance that could be implemented voluntarily by business corporations and their boards, without relying on changes in laws, regulations, court decisions, or shareholder behavior. The central elements of the proposal involve: limiting board size; setting a two to-one ratio of independent to inside directors; increasing the time directors spend on board matters, including an annual two or three day strategy session; annual evaluation of the CEO by the outside directors; selecting a lead outside director; improving the flow of information to the board; systematically reviewing corporate and management performance against goals; creating an annual forum for the board to meet with major shareholders; and providing a special report to shareholders, and access to the proxy statement for major shareholders, in the event of unsatisfactory long-term results. The Board's actions are subject to laws, regulations and the shareholders in general meeting." Cadbury commission (1992). In his most comprehensive sense, corporate governance comprises all the forces that effect on firm's decision making process. It would protect not only the stockholder's rights, but also the bounding agreement and

collapsing power of debtors. Corporate governance also gains the commitment of the employees, customers and suppliers. In adding together it is the Power to diffuse the risks by combining all the forces.

According to Tricker (1994), CG is an umbrella term that includes specific issues arising from the interactions among senior management, shareholders, BOD and other corporate stakeholders. In its narrowest sense, the term may describe the formal system of accountability of senior management to the shareholders. At its most expansive sense, the term is stretched to include the entire network of formal and informal relations involving the corporate sector and their consequences for society in general.

Margaret Blair (1995) in his study has expressed the opinion that managers view employee wages as a cost to be reduced, yet, the return on firm-specific human capital is part of what society as a whole should want to see maximized. Employees are much more likely to participate in cost cutting and innovation if they are confident they will share in the wealth created. Corporate governance discussions need to recognize the importance of employees to wealth creation. Their firm specific investments should be recognized through formal compensation schemes organizational forms or other arrangements that place significant amounts of the company's equity under the control of the at-risk stake-holders and that assign control responsibilities commensurate with their equity stake to this group.

Countries make use of different mechanisms to solve this problem. The United States and the United Kingdom have a governance system characterized by a strong legal protection of investors and the lack of large investors, except when ownership is concentrated temporarily during the takeover process. In Continental Europe particularly Germany and Japan corporate governance relies more on large investors and banks to monitor managers; legal protection for investors is weaker and hostile takeovers very uncommon. What we see in the rest of the world is heavily concentrated ownership in families, some outside investors and banks; and an extremely limited protection of investors. Legal protection of investors and concentration of ownership are considered complementary approaches to corporate governance. All successful governance models (Anglo-Saxon, German or Japanese) are characterized by protecting efficiently at least some kind of investors.

Reddy and Raju (2000) mentioned that corporate governance is a journey for which a course has to be chartered, procedures have to be evolved and the best practices have to be developed to ensure effectiveness for the purpose it is intended. The stakeholder is the centre of corporate activity. The employees, customers, creditors, neighbours, suppliers, competitors, governments, local authorities, management and citizens, constitute its firmament or life space. Accountability, equity in the advancement of competing interests and value creation for the stakeholder are the focus areas.

Corporate governance comprises all the forces that effect on firm's decision making process. It would protect not only the stockholder's rights, but also the bounding agreement and collapsing power of debtors. Corporate governance also gains the commitment of the employees, customers and suppliers. In adding together it is the Power to diffuse the risks by combining all the forces.

In the study there is empirical support for the hypothesis that there is a positive relationship between the levels of corporate governance quality across firms and the relative efficiency levels of these firms. This hypothesis is related to Leibenstein's idea of X-efficiency. The data envelopment analysis (DEA) estimator to obtain proxies for X-efficiency of firms in the sample and then analyze them with respect to different ownership structures by comparing distributions and aggregate efficiencies across different groups. They also used truncated regression with bootstrap, following Simar and Wilson Estimation and influence in two stage, semi-parametric models of production process, Simar and Zelenyuk (2003) to infer on relationship of inefficiency to various indicators of quality of corporate governance, ownership variables, as well as industry and year specific dummies.

According to Arun and Turner (2004), corporate governance of banks in developing economies is important for several reasons. First, banks have dominant position in developing-economy financial systems and are important engines of economic growth. Second, banks in developing economies are typically the most important source of finance for the majority of firms. Third, banks in developing countries are usually the main depository for the economy's savings. Fourth, many developing economies have recently liberalized their banking systems through privatization/disinvestments and reducing the role of economic regulation. Consequently, managers of banks in these economies have obtained greater freedom in how they run their banks.

Lusaka (2005) suggested that corporate governance is the system of accountability among shareholders, the boards of directors and the management of corporate entity. For achieving strategic corporate objective decision making process must be held accountable. Furthermore, he also encompassed the essentials of good corporate governance like; fairness, transparency, accountability and responsibility are least standards which can offer maximum protection from financial crisis and can intensify the access to capital. One more developing inspection reports that transparency, independence, accountability, discipline, fairness and social responsibility are major principles in good corporate governance.

Haniffa and Hudaib (2006) conducted a study which investigates the relationship between the corporate governance structure and performance of 347 companies listed on the Kuala Lumpur Stock Exchange (KLSE) between 1996 and 2000. Result shows board size and top five substantial shareholdings to be significantly associated with both market and accounting performance measures. In addition, it was found that there is a significant relationship between multiple directorships and market performance while role duality and managerial shareholdings are significantly associated with accounting performance. The result is robust with respect to controls for gearing, company size, and industry membership and growth opportunities. Researches also explore the endogeneity in the determination of internal governance structures in Malaysia by using a different research method. Semi-structured interviews with those involved in the overseeing of the governance structures within the company may enhance our understanding of governance structures appropriate for adoption.

Good Corporate Governance is now widely recognized as an essential driver of establishing an attractive investment climate characterized by competitive companies and efficient financial markets. The absence of good CG may not only disrupt corporate operations but also have a far reaching impact on the economy overall. Anwar (2009) argues the U.S financial crisis occurred due to regulatory governance failures. He further describes a company as non-compliant when it fails to comply with the CG codes and creates opacity in place of transparency, accountability, monitoring and oversight of their own managerial practices.

Fisman, Khurana and Martenson (2009) mentioned that the existing model is fundamentally adversarial, rooted in the paradigm of principal-agent conflict. At its

base is an image of governance as a never-ending struggle between board members and executives—"principals" who guard the organization's resources but have limited information to "monitor" how these resources are used and "agents" who have insider knowledge and control the information-filtering apparatus of the organizations. Many of the concepts and ideas in this traditional model are shaped by a long history of governance failure and organizational pathology. It suffices as a solution to the challenge of meeting legal compliance standards through formal systems, but they believe it utterly fails to show how to create a governance system that supports organizational effectiveness. They propose a framework that gives equal weight to creating a governance system whose effectiveness is measured by the achievement of the organization's mission or purpose. In the article, they argue that the reluctance to evaluate an organization's governance against an organization's stated mission, coupled with a narrow focus on a rules-based approach to governance, are jointly responsible for the persistence of problems in governance performance, despite decades of high-priority attention.

Miles (2010) indicated that Anglo American model is based on normative free market principles relies on various pre-requisites for its successful operation, guides about corporate governance that it has focus on the association between company directors and shareholders. To alleviate corporate governance problems different system has been adopted under the Anglo American governance model to stream line the benefits of directors concerned to shareholders. The Model focuses first on director’s independency as it is integral part of corporate governance control because these are the eyes and ears of shareholders and it can invite a constituent of objectivity for internal communication of company. Secondly, it emphasis on independency not only because, it can help in internal discussion but also due to commandment usually consider board of directors liable for different integral duties of company.

Llyas and Rafiq (2012) mentioned that the corporate governance mechanisms in the Pakistan are normally thought to be less important to achieve organizational success. The research is aimed to suggest the results to commercial banks working in Lahore as banks are the central institutions for country’s economy. By enduring the good corporate governance organizations could enlarge the circumstances where management can convince the employees particularly and shareholders generally to capture long term organizational gains. This research paper infers that corporate

governance has become surprisingly the emerging concept in rising and competitive markets. This concept has also become a constraint in the innovative and emerging market to adopt readily changes in market. The study used five point Likert scale questionnaire to measure the corporate governance in banking sector of Pakistan. This empirical study suggests that the corporate governance has widespread role in organizational success.

The results suggest that discipline, social awareness, accountability, fairness and responsibility have significant effect on organizational success. However, effect of discipline and social awareness is higher than accountability, fairness and responsibility. Moreover, the study shows that independence and transparency do not effect on organizational success significantly. The study also suggested that Strategy makers should also focus on public policy, ethical behavior in organization, company culture that prohibits the employment of under-aged, responsibility of workers, fairness in record keeping and in selection criteria. Generally top management should take attention toward corporate governance in return to gain customers delighters which insure the overall organizational success.

Desoky and Mousa (2012) carried out the study on corporate governance practices: Transparency and disclosure evidence from the Egyptian exchange that focused on the impact of firm's transparency and disclosure as the main pillar of Corporate Governance. The main objective of this study was to evaluate the progress of a number of aspects of corporate governance practices by listed companies on the Egyptian exchange. To achieve the study's objectives, 12 factors were selected to be used in the evaluation of the progress of corporate governance. In addition to factors selected, a transparency and disclosure index of 65 items was used. This study employed statistical analysis to examine the relationship between firm characteristics from one side and transparency and disclosure from the other. The sample composed of 100 publicly traded companies and among these 100 companies there was one commercial bank, which was excluded from the sample because of different regulations imposed by the Central bank of Egypt. Similarly, to achieve the main objectives of the study, two indexes were developed. The first index "CG features Index" was developed to provide more description about progress of some aspects of CG practice by listed companies in the EGX. The second index "T & D Index" was developed to investigate the level of transparency and disclosure of financial and non-

financial information by listed companies in the EGX as main pillars of CG. The major findings of the univariate analysis was that there is a significant positive association between the dependent variables from one side and four of the independent variables namely foreign firm, firm size, audit firm from the other. And findings of the multivariate analysis were consistent with those of the univariate analysis especially for results related to the independent variable of foreign listing and firm size.

Tuteja and Nagpal (2013) explored corporate governance in banks as distinct concept that has assumed importance globally over time. Subsequently, the paper reviews the current state of corporate governance in India and explores the scope for improvement of the same. The study eventually links both the assessments and places factors critical for evaluation of corporate governance of banks in the Corporate Governance Index. The benchmark for the Index was Clause 49 of Listing Agreement of the Stock Exchanges in India. The Index thus formulated consists of essential factors like board of directors, audit committee, remuneration committee, nomination committee, risk management, related party transactions and disclosures. These factors were delineated further by defining sub-elements under each head. These sub-elements were assigned individual scores on the basis of review of literature performed while selecting factors. This study also provides a guideline to academicians, practitioners and policymakers for evaluating quality of corporate governance of an Indian bank.

The study examined how board leadership, company ownership structure, board composition and CEO duality affect Kenya Airways Ltd in achieving performance by Oyaro Christine Morra. The research study used descriptive research design. The sample for the study was 266 respondents based at the Kenya Airways Headquarters in Nairobi. The data was collected using structured questionnaires. Regression analysis was applied; which is a statistical tool used when investigating the relationship between variables. The collected data was analyzed and presented in the form of charts, tables and narratives using the Statistical Package for Social Sciences and Microsoft Excel Package.

The study concluded that board leadership, company ownership structure, board composition have a positive significant impact on the performance of Kenya Airways Ltd. CEO duality showed a negative relationship. 66% variations were explained by the independent variable 34% by factors that were not included in the study. This

showed that the all the independent variables did affect the dependent variable. The study recommends that the ownership structure be strengthened and more power be given to the owners in demanding performance from the company management. The study also recommends that the board composition be of individuals who have the best interests of the company at heart. The board needs to be comprised of individuals who are well educated and experienced so as they can be able to change the companies direction towards profitability. The study recommends that the management comes up with an elaborate strategy backed by its key shareholders such as KLM and the government in order to facilitate turnaround of the company's fortunes. Finally the study recommends that the company evaluates its board leadership, the chairman and the CEO and ensure that they are good performers and good leaders who are able to oversee the troubled carrier's recovery from a massive financial loss.

Htay (2013) conducted a study on corporate governance and strategic information disclosure in Malaysian listed banks: Panel data analysis which examined the impact of corporate governance on strategic information disclosure of Malaysian listed banks by using a panel data analysis. The sampled included the 12 listed companies whose main activity is banking from 1996 until 2005. This study observed that the governance is a very important organ of a corporation, which is more essentially required in the banking sector in order to have an influential power on information disclosure of the annual reports. The aim of this paper was to investigate the impact of corporate governance on the strategic information disclosure of the banks. The total number of observations was 120 observations. The main statistical method used in this study was panel data analysis (generalized least square method). This research finding showed that separate board leadership structure, higher proportion of independent non-executive directors on the board, higher board size, lower proportion of director ownership, lower proportion of block ownership and lower proportion of institutional ownership have more strategic information disclosure and hence, the findings from board size, block ownership and institutional ownership are not in line with the expectation derived from the agency theory.

Kar and Sarker (2014) stated that Corporate Governance is an important effort to ensure accountability and responsibility and is a set of principles, which should be incorporated into every part of the organization. Financial institutions like banks have

a significant role to play in the economy of any country. Banking sector should follow the Corporate Governance codes for Bangladesh. So, the paper had tried to evaluate the present scenario of Corporate Governance practices by the private banks in Bangladesh. The study has been conducted to attain some objectives. The primary objective of the study is to evaluate the practices of Corporate Governance codes by the Private Commercial Banks of Bangladesh. In order to do the study, the major issues were focused like rights and disclosure of information, disclosure and transparency, board issues, disclosure and transparency, financial reporting and HRM practices. The study also mentioned that the banking sector of Bangladesh is becoming stronger day by day and it is playing a pivotal role in the volatile economy of this country to become Bangladesh one of the growing economies of the world in near future. So to be more effective and to put more contribution for the betterment of Bangladesh, the banking sector should follow the CG codes properly to bring the authenticity in its operations and to bring the faith of the stakeholders as well as the people of Bangladesh.

Afolabi and Dare (2015) examined the Issues and challenges around Corporate Governance in the Nigerian Banking Industry. Data were sourced from survey questionnaire. The study suggested lack of presentation of information is common banks in pre-consolidation than post-consolidation era, frauds, override of internal control and non-adherence to limit of authority in a bid to meet set targets and recapitalization of bank play a vital role in promoting effective corporate governance. In addition, lack of effective corporate governance results to the failure of banks in Nigeria. The study recommends that promoting the culture of whistle blowing, promoting business ethics through moral education; strengthen the financial system to encourage compliance with the code of corporate governance as well as establishing strong anti-fraud controls that would serve as deterrents to fraudsters at every level within the deposit money banks. As a whole, the paper makes a contribution to the existing literature on the state of corporate governance development in the Nigerian banking sector, the impacts of the banking regulations and the efforts put in place at ensuring that the banks are well governed.

Stiglitz (2018) said that banks have the unique ability to attract funding in the form of deposits that are fully insured up to a limit and thus insensitive to k form of re fully insured up to a limit and thus insensitive to risk. Moreover, unhealthy banks are taken

over by regulators instead of having to face bankruptcy in public courts. Assets are subsequently sold to another institution or in case multiple bidders, to the highest bidder bankruptcy.

Corporate governance variables are represented by board size, independence and diligence, Audit Committee size, independence and diligence and ownership structure. The nonperforming loan variable is used for bank's efficiency. The regression analysis is used to examine the relationship between corporate governance and efficiency of bank. The findings show that bigger board and audit committee size and lower frequency of board meeting and lower proportion of institutional ownership lead to better efficiency in the commercial banks.

2.5 The Organization for Economic Cooperation and Development (OECD)

Another contrasting view on role of independency in good corporate governance has been described by OECD. The OECD Principles of Corporate Governance were first published in 1999. These principles were intended to provide guidelines in assisting governments in improving the legal, institutional and regulatory framework that underpins corporate governance (OECD 1999). It indicates that efficient corporate governance mostly relies upon the severances of power connecting a company's managers, directors and majority and minority shareholders. This study holds accountable to manger under the self-governing oversight by the board of directors and an external auditor. Good economic and political governance can result of good economic outputs, and for the business prosperity, good corporate governance is significant which can be assured by accountability. These principles were not binding, but rather provided guidelines for each country to use as required for its own particular conditions. These principles were published as the first international code of corporate governance approved by governments. Since then, they have been widely adopted.

The liberalization and deregulation of global financial markets led to efforts to devise international standards of financial regulation to govern the activities of international banks and financial institutions. An important part of this emerging international regulatory framework has been the development of international corporate-governance standards. The OECD has been at the forefront, establishing international norms of corporate governance that apply to both multinational firms and banking

institutions. In 1999, the OECD issued a set of corporate governance standards and guidelines to assist governments in their efforts to evaluate and improve the legal, institutional, and regulatory framework for corporate governance in their countries. The OECD guidelines also provide standards and suggestions for "stock exchanges, investors, corporations, and other parties that have a role in the process of developing good corporate governance." Such corporate-governance standards and structures are especially important for banking institutions that operate on a global basis. To this extent, the OECD principles may serve as a model for the governance structure of multinational financial institutions.

In its most recent corporate governance report, the OECD emphasized the important role that banking and financial supervision plays in developing corporate-governance standards for financial institutions. Consequently, banking supervisors have a strong interest in ensuring effective corporate governance at every banking organization. Supervisory experience underscores the necessity of having appropriate levels of accountability and managerial competence within each bank. Essentially, the effective supervision of the international banking system requires sound governance structures within each bank, especially with respect to multi-functional banks that operate on a transnational basis. A sound governance system can contribute to a collaborative working relationship between bank supervisors and bank management.

The OECD recommends that every member's corporate governance framework incorporate the board of directors' strategic focus in their disclosures. This would include, but not be limited to, the review of the monitoring and the decision making activities of the firm's management. The framework must explicitly state that the board of directors is directly accountable to the firm and its shareholders. The board of directors is also responsible for ensuring that the firm has established and implemented a training program to support high ethical standards within the firm. It is also expected that within the OECD member's corporate governance framework a detailed process outlining the selection and the compensation and evaluation of the board of directors is disclosed to shareholders. The board of directors is ultimately responsible for ensuring the integrity of the financial information disclosed by the firm. The board of directors also needs to have a "sufficient" number of independent board members who are not executives of the firm. In 2002, the OECD brought together representatives of 30 countries as well as other interested countries in

reviewing the existing five principles. The new principles (released in May 2004) were reworked from five to six principles. The principles cover the following areas:

a. Ensuring the basis for an effective corporate governance framework,

b. The rights of shareholders and key ownership functions,

c. The equitable treatment of shareholders,

d. The role of stakeholders in corporate governance,

e. Disclosure and transparency,

f. The responsibilities of the board.

The new principles were issued in response to the numerous corporate failures that have occurred throughout the world. These scandals have undermined the confidence of investors in financial markets and company boardrooms. The revised principles emphasize the importance of a regulatory framework in corporate governance that promotes efficient markets, facilitates effective enforcement and clearly defines the responsibilities between different supervisory, regulatory and enforcement authorities.

2.5 Corporate Governance Practices in Nepal

In this connection, Nepalese financial sector is in the course of consolidation in respect with the organized sector of the economy. Corporate governance matters even more in this phase of development. Although the subject of corporate governance in developing economies has recently received a lot of attention in the literature (Oman, 2001; Goswami, 2001; Lin, 2001; Malherbe & Segal, 2001), it has been almost ignored by researchers (Caprio & Levine, 2002). In Nepalese context also, in terms of numbers and scope of studies, research in the area of corporate governance needs to be emphasized.

Emerging market countries like Nepal improving corporate governance can serve 3 number of important public policy objectives. Good corporate governance reduces merging 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. Over the past several years, the importance of corporate governance has been highlighted by an increasing body of academic research (World Bank, 2005). Similarly, impact of improvements in

corporate governance quality on traditional measures of real economic activity-GDP growth, productivity growth, and the ratio of investment to GDP-is positive, significant, and quantitatively relevant, and the growth effect is particularly pronounced for industries that are most dependent on external finance (IMF, 2006).

Corporate governance reforms are of great significance for developing countries like Nepal, to gain a sustained effort to attract Foreign Direct Investment and Foreign Portfolio Management, and to mobilize greater saving through capital market Sapkota (2008). The implementation of the governance principles should be proportionate to the size complexity, structure, economic significance, and risk profile of the bank and the group to which it belongs. 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.

Pradhan and Adhikari (2009) studied the effect of fundamental variables on corporate governance in Nepal and the relationship between corporate governance variables such as institutional ownership, public capital and public director etc. with performance of the firm. Pooled cross sectional data for 14 enterprises other than financial institutions were studied using total of 98 observations. The study concluded that the company conducting AGM on time, financial statement submitted on time and appointment of ‘A’ class auditor had higher return on capital employed and MPS. In addition, increase in the percentage of institutional ownership, public capital and public director also increased performance of the firm. Furthermore, increase in size of firm led to increase in return and MPS. It was recommended that inadequate corporate disclosure in annual reports is likely to cause wide fluctuations in price of securities. In addition, in order to enhance the firm performance healthy corporate governance practices and compliance with international guidelines were also suggested to Nepalese firms.

Bad corporate governance in was also one of the many reasons of crisis of Nepalese financial sector. Now let us review the causes of Nepalese financial sector crises happened during last one decade. First it was Nepal Development Bank to go into

liquidation process and then Samjhana Finance followed suit. It is the second instance since 2009 when the central bank took a bold step to initiate the liquidation process of Nepal Development Bank. Gurkha Development Bank and United Development Bank were declared crisis-ridden. One common factor behind the misfortune of these institutions is bad corporate governance. Gurkha Development Bank fiasco is due to the tussle between promoters. Sapkota (2011) strongly argue that, due to the ignorance by the central bank on the unhealthy competition among BFIs, questionable lending to few sectors, governance practices by BFIs, the new BFIs pop up without even evaluating whether the economy needs so many and ultimately took damage control measures of late.

However, the high concentration of corporate ownership structure and dominance of family business in corporate affairs have become major constraints in exercising good corporate governance in Nepalese corporate sector .According to Armstrong and Spellman (2009), shareholders should act as owners of the corporations, is only through corporate governance which the interests of the o confidence can be restored governance abiding e-abiding by the letter, and the spirit of regime in compact-that trust of the owners are a director's reliable .

2.6 Research gap

From the foreigner review of literature, it can be understood that though many studies have been conducted on different aspects of corporate governance and perceived organizational success in India and even in foreign countries, a study specifically for perceived organizational success of banking sector in Nepal is missing in literature. Moreover, till date, there is little researches have been conducted on any aspects of perceived organizational success of banking sector in Nepal. Hence, the present study examines empirically the vital issues relating to the perceived organizational success in selected banks in Nepal and suggests which component of corporate governance is more effective for perceived organizational success of banking sectors in Nepal. Previous research has taken other factors to measure perceived success. This research has taken different seven aspects of corporate governance such as accountability, independence, transparency, social awareness fairness, discipline, and responsibility all together to determine the impact on perceived organizational success which previous research has not included.

2.7 Theoretical Framework

Figure 2.1 shows the theoretical frame work of study is depicting the influence of corporate governance on perceived organizational success. This frame works indicates corporate governance as Independent variable and perceived organizational success as dependent variable. Transparency, Interdependency, Accountability, Fairness, Social Awareness, Discipline and Responsibility are dimensions to measure the corporate governance as a construct variable. Below figure is the schematic representation of factors that guide our research question.

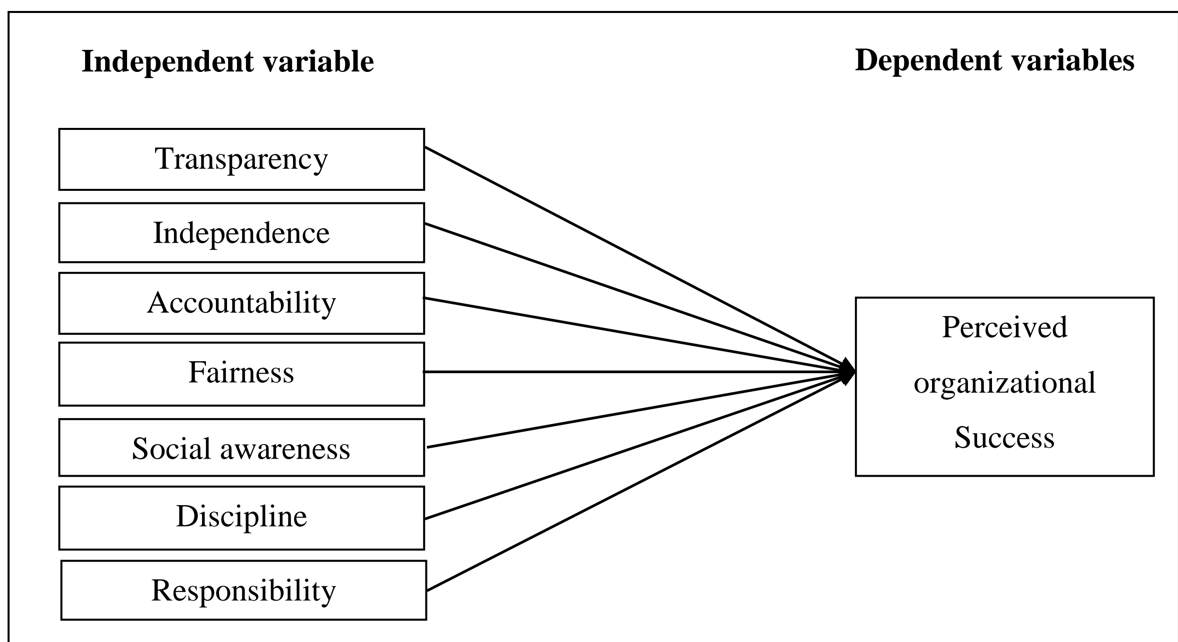

Figure: Conceptual frame work

Source: Credit Lyonnais securities Asia (CLSA).

2.8 Operational definitions

Every words carries many meaning, in different situation they give different meaning. So to be sure about meaning in particular situation it must define. For this study the meaning of all dependent and independent variables are defined as below

I. Transparency

Ensure timely, accurate disclosure on all material matters, including the financial situation, performance, ownership and corporate governance. Corporate transparency describes the extent to which a corporation's actions are observable by outsiders. This is a consequence of regulation, local norms, and the set of information, privacy, and business policies concerning corporate decision-making

and operations openness to employees, stakeholders, shareholders and the general public. From the perspective of outsiders, transparency can be defined simply as the perceived quality of intentionally shared information from the corporation.

Recent research suggests there are three primary dimensions of corporate transparency: information disclosure, clarity, and accuracy.

II. Independence

It means independency in taking decision, self-determination, and self-governance.

III. Accountability

In corporate governance, accountability is answerability, blameworthiness, liability, and the expectation of account-giving. Accountability means to be accountable upon their job, duty and authority.

IV. Fairness

Fairness means treating people with equality. It entails avoiding of bias towards one or more entities as compared to the other(s). Fairness is usually considered with various stakeholders of a company in mind. The choice as to what is fair and will most likely is made by taking into account the stakeholder’s position on the power-interest matrix.

V. Discipline

Discipline consists of to obey rule, regulation and policies of the organization and a code of behavior.

VI. Responsibility

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. Responsibility means responsibility of all employees towards their customers, their job and organization.

VI. Perceived Organizational success

In this study perceived organizational success means the position of factors employee’s commitment, employee’s loyalty towards organization, employee’s productivity, decrease in rate of employee’s turnover and employee selecting procedure which leads organizational success.

2.9 Setting of Hypotheses

This research illustrates 7 dimensions which are gathered from a variety of researchers in terms of corporate governance they are the most significant ones. Although some terms have been repeated in most studies’ others have different definitions in different studies.

According to several previous researches, Transparency, independence, Accountability, fairness Responsibility, Discipline, and social awareness are one of the most key determinants of corporate governance. Therefore the hypothesis to be tested in this research study would be:

Alternative Hypothesis 1 (H_1)

There is a significant relationship of transparency on perceived organizational success.

Alterative Hypothesis 2 (H_2)

There is significant relationship of independence on perceived organizational success.

Alternative Hypothesis 3 (H_3)

There is significant relationship between accountability and perceived organizational success.

Alternative Hypothesis 4 (H_4)

There is significant relationship between fairness and perceived organizational success.

Alternative Hypothesis 5 (H_5)

There is significant relationship between social awareness and perceived organizational success.

Alternative Hypothesis 6 (H_6)

There is significant relationship between discipline and perceived organizational success.

Alternative Hypothesis 7 (H_7)

There is significant relationship between responsibility and perceived organizational success.

CHAPTER III

RESEARCH METHODOLOGY

This chapter is designed to explain the research methods used to meet the stated objectives of the study. This chapter hence provides information about research design, sources of data, questionnaire, data collection procedures, pilot study, population and sampling, instrumentation, administration of instrument and data analysis plan.

3.1 Research Design

Research design is a master plan specifying the methods and procedures for collecting and analyzing the necessary information. A descriptive as well as analytical research design has been used for the purpose of this research. The research is descriptive and analytical in nature so, it has described all the collected information and data. It has also analyzed the impact of corporate governance on perceived organizational success.

The finding of this research is mainly based on the primary survey. The data is collected by formulating a set of questionnaire which was distributed to the respondents. The reliability of scales is analyzed by using Cronbach's alpha since Cronbach's alpha test is the best measure for multiple scale items which is also the most popular test for the inter-item consistency reliability. The finding of research is completely based on the data and facts provided by the sampled respondents.

3.2 Population and Sample

Population or universe refers to the entire group of people, events or things of interest that the researcher wishes to investigate. A sample is a representative portion of population which possesses all the characteristics that are exist in population.

The entire population of this study is the all 28 commercial banks in Nepal. Among population five banks have been selected as sample on the basis of financial performance or success. The respondents of the research were those people who work in Commercial Banks of Nepal. This study obtained data from 200 employees from Commercial Banks of Nepal working all over Kathmandu Valley. Although questionnaires were distributed to total of 200 sample respondents, only 175 of them responded.

3.3 Source of data

Mainly this study is based on primary data. But at the initial phase, for the purpose of developing theoretical framework, the data collection procedure was secondary. Basically, the secondary source of data was internet, books and journals and related articles. Similarly, in the later stage the primary source of data collection was used for the purpose of collecting data so as to analyze data for ascertaining the results. The primary source of data was structured questionnaires, which consisted of multiple choice questions and rating scales so as to meet the intended objective of the study.

The data for research was collected with the help of a questionnaire based on a 5-point rating scale ranging from 1-strongly disagree to 5strongly agree. The rating scale ranges from 1 to 5 as follows:

1 – Strongly disagree

2 – Disagree

3 – Neutral

4 – Agree

5 – Strongly agree

42 opinion statements were set to measure 8 different variables among which 7 are independent variables, 1 is dependent variable. 37 different opinion statements were used to describe independent variables namely “transparency”, “independence”, “accountability”, “fairness”, “social awareness”, “discipline” and “responsibility”. 5 different opinion statements described dependent variable which is “perceived organizational success”.

3.4 Data Collection Procedures

In this research, primary data collection method was used for which Survey questionnaire method was used as it is best suited for descriptive study. Questionnaires were handed out through delivery and collection method. Delivery and collection of questionnaires allow researcher to confirm that the questionnaires were filled up completely and reduce the occurrence of missing data. It facilitates the researcher to explain respondents about any queries they may have regarding the questionnaire. This, in turn, would increase the accuracy of the data being collected.

Questionnaires for this study were handed out to employees of service sector (bank) organizations. The data collection phase was estimated to be spanned over a total of 10 days. The respondents were asked to respond on the close-ended questionnaire based on the 7-variables. Responses on the questionnaire were received within a period of 15days.

3.5 Pilot Test

A questionnaire should be piloted with a reasonable sample of respondents representing the target population. Weakness in design and instrumentation can be detected through a pilot study and it can provide proxy data for selection of suitable sample. A total of 10 respondents were chosen for the pilot test. The questionnaire were distributed to employees of commercial bank in order to determine the reliability of the instrument that is used to measure the variable of this study prior to performing data collection in order to achieve the objectives of the study. The Cronbach's Alpha (α) value of 10 respondents was more than 0.6 which is acceptable, Sekaran (2000).

3.6 Reliability test of data

In order to understand whether the question in this questionnaire all reliably measure the variables under study a Cronbach's Alpha(α) was run on a sample of 175 items. Quality and consistency of survey was assessed with Cronbach's Alpha.

Table: 3.1 Reliability test of dependent and independent variables

S.N.	Variables	Cronbach's Alpha	No of item (N)
1.	Transparency	.693	6
2.	Independence	.685	6
3.	Accountability	.644	5
4.	Fairness	.640	6
5.	Social awareness	.641	4
6.	Discipline	.763	4
7.	Responsibility	.683	4
8.	Perceived organizational success	.667	5

Sources: Field Survey, 2019

Table 3.1 shows the Cronbach's alpha coefficients of independent variables- Transparency, Independence, Responsibility, Social awareness, Discipline, Fairness

and Accountability. It is typically associated with internal consistency with values ranging from 0 to 1. Cronbach's Alpha coefficient less than 0.6 is considered as 'poor'; greater than 0.6 but less than 0.8 is considered 'acceptable' and greater than 0.8 is considered 'good' Sekaran(2000). Here, Cronbach's Alpha of all variable is between 0.6 to 0.8 so they are acceptable. Therefore, the instruments used in this research are considered to be reliable.

3.7 Data analysis tools and techniques

This section reflects how analyses have been carried out in chapter four. It is necessary to follow certain steps and procedures in analyzing data in order to understand the results and generalize the findings. The analysis starts with the analysis of primary data through SPSS. The primary data is collected from service sector organizations through the preparation of questionnaire, for analyzing the relationship of internal communication climate with employee engagement. Total responses collected from the respondent were coded and tabulated into SPSS worksheet. Cronbach's alpha coefficient was used for scaled items to test the reliability. MS-Excel is used for quantitative data entry and analyses. Simple descriptive statistics such as frequency count, percentage, mean and standard deviation, etc. were used particularly to analyze the corporate governance in Nepalese commercial banks.

To assess the position of corporate governance in Nepalese commercial banks and to analyze the factors affecting perceived organizational success, various statistical tools are used. Statistical tools were used primarily for two purposes: to see the distribution and tendency of the data collected through questionnaire and to test the hypothesis set to achieve the objective of the study. To see the distribution and tendency of the data, several graphical tools like tables, charts and diagrams were used. Particularly, the descriptive study part used graphs, tables, pie charts, mean, standard deviation and percentage distribution for presentation and analysis. And, the hypothesis testing part included tables, mean, standard deviation, Pearson's correlations and linear regression.

Mean or Average

An average line which represents group of values. In other words, the quantities which are the representative of the huge mass of quantities are known as average. The most popular mean is arithmetic mean or average, which is calculating the sum of all variables divided by the number of variables. The mean is the arithmetic average of a variable.

Standard Deviation

Standard deviation (S.D.) is the most popular and the most useful measure of dispersion. It indicates the ranges and size of deviance from the middle or mean. It measures the absolute dispersion. Higher the values of standard deviation higher the variability and vice versa. It is the positive square root of average sum of squares of deviations of observations from the arithmetic mean of the distribution.

Correlation analysis

Correlation is one of the most useful statistics. In other words, correlation is the statistical tool measures the degree of relationship of one variable with other variable. Two or more variables are said to be correlated if change in the one variable appears to be related or linked with the change in the other variables value. Correlation says just degree of relationship between two or more variables. It does not tell us anything about cause and effect relationship. Correlation may be positive or negative. Correlation lies between -1 & +1. When Pearson's correlation(r) is close to 1 then there is strong relationship between two variables. This means that change in one variable are strongly correlated with change in second variable. When correlation(r) is close to zero then there is weak relationship between two variables.

Regression analysis

A technique for determining the statistical relationship between two or more variables where a change in a dependent variable is associated with, and depends on, a change in one or more independent variables. Multiple regression is a statistical tool used to derive the value of a criterion from several other independent, or predictor, variables. It is the simultaneous combination of multiple factors to assess how and to what extent they affect a certain outcome. It can be used to forecast effects or impacts of changes. The multiple linear regression analysis can be used to get point estimates.

Regression model

$\hat{Y} = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_{6+}\ \beta_7X_{7+}\ e_i$

Where,

$\hat{Y}$	=	Perceived organizational success (dependent variable)
X_1	=	Transparency
X_2	=	Independence
X_3	=	Accountability
X_4	=	Fairness
X_5	=	Social awareness
X_6	=	Discipline
X_7	=	Responsibility
α	=	Constant
$\beta_1, \beta_2\ldots\ \beta_7$	=	Regression coefficients of Factor 1 to Factor 7 respectively
e_i	=	Error term.

CHAPTER IV

RESULTS

This chapter describes the analysis results generated from the process of data collection. It deals with the analysis and interpretation of the primary data collected through questionnaire from 175 respondents. Data were analyzed with reference to the objectives of this research as mentioned in the earlier chapter. The primary purpose of this chapter is to analyze and interpret the collected data and present the results derived from the analysis of the data.

4.1 Respondent Profile

Respondents profile has been shown in the following table;

Table 4.1 Distribution of Respondents Profile

Profile		Frequency	Percent
Age	Below 30	32	18.3
	31-35	56	32
	36-40	63	36
	Above 40	24	13.7
	Total	**175**	**100**
Gender	Male	113	64.6
	Female	62	35.4
	Total	**175**	**100**
Educational Level	Bachelor’s Degree	23	13.1
	Master's Degree	128	73.1
	Above Master's Degree	24	13.8
	Total	**175**	**100**
Job Position/level of respondents	Supervisor/JO level	46	26.30
	Officer level	115	65.70
	Managers level and above	14	8.0
	Total	**175**	**100**

Sources: Field Survey, 2019

4.1.1 Age of Respondents

According to Table 4.1, 18.3% of the respondents are of the age group of below 30. Similarly, 32% of the respondents belong to age group of 31-35 fill up the questionnaire. Similarly, out of the total respondents, 36% belongs to age group 36-40 and 13.7% to the age over 40 respectively. Hence, it is quite obvious that the respondents under 36-40 age groups are the dominant user of the commercial banks services.

4.1.2 Gender of the Respondents

Table 4.1 shows that out of total respondents, 64.5% of the respondents are male and 35.5% are female. So, can conclude that most of the respondent in the study are male being 64.5%.

4.1.3 Educational Level of the Respondents

According to Table 4.1, 13.1% of the respondents are the bachelor's level. Similarly, out of the total respondents, 73.1% belongs to master's level and 13.8% to the above master's respectively. Hence, it is quite obvious that the respondent's master's level is the dominant user of the commercial banks services.

4.1.4 Job position/Level of the Respondents

According to Table 4.1, 26.3% of the respondents are supervisor level/ joiner officer level. Similarly, out of the total respondents, 65.7% belongs to officer level and 8.0% to the manager level and above.

4.2 Descriptive Statistics

Descriptive statistics is used to analyze the data collected from the respondents. In this part we present frequency distribution for each e-service dimensions which they create our dependent variables and show other information such as minimum, maximum, mean and standard deviation for each of them.

In this part we present frequency distribution for each corporate governance dimensions which they create our dependent variables and show other information such as minimum, maximum, mean and standard deviation for each of them.

4.2.1 Transparency

Transparency is one of the independent variable of the research. Descriptive study of each question drafted and overall descriptive study on this variable is shown below:

Table 4.2 Descriptive Statistics of Transparency

Code	Opinion statement	N	Test Value	Mean	Std. Deviation
TRA1	Management has disclosed three or five year's performance.	175	3	4.16	1.08
TRA2	Public announcement of results have been no longer than two working days of board meeting.	175	3	2.76	1.074
TRA3	The reports are clear and informative. (Based on perception of analyst).	175	3	3.61	.801
TRA4	Analyst has good access to senior management.	175	3	3.28	1.363
TRA5	The bank has a website where results and announcements are updated promptly (no later than one business day).	175	3	3.22	1.357
TRA6	The bank consistently discloses major and market sensitive information punctually.	175		4.26	.717
	Transparency	175	3	3.55	.687

Sources: Field Survey, 2019

In Table 4.2, which is related for the items of variable (TRA), the mean of each question is between 2 to 5. The highest value of mean is 4.16 with standard deviation of 1.08 for "Management has disclosed three or five year's performance". Similarly, the lowest value of mean is 2.76 with standard deviation of 1.074 for "Public announcement of results have been no longer than two working days of board meeting." which indicates most of the respondents neutral or disagree in the statement. Similarly, the overall mean value for transparency is 3.551 with standard deviation of .687. This indicates that the information in the commercial bank is more transparent.

4.2.2 Independence

Independence is one of the independent variable of the research. Descriptive study of each question drafted and overall descriptive study on this variable is shown below:

Table 4.3 Descriptive Statistics of Independence

Code	Opinion statement	N	Test Value	Mean	Std. Deviation
IND1	The chairman is an independent, non-executive director.	175	3	3.88	1.209
IND2	Company has an executive or management committee which is substantially different from members of the board and not believed to be dominated by referrals.	175	3	3.47	1.183
IND3	Company has an audit committee. It is chaired by a perceived genuine independent director.	175	3	3.80	1.056
IND4	Company has a remuneration committee. It is chaired by a perceived genuine independent director.	175	3	3.64	1.151
IND5	External auditors of the company are in other respects seen to be completely unrelated to the company.	175	3	3.55	1.244
IND6	The board includes no direct representatives of banks and other large creditors of the company.	175	3	3.95	1.010
	Independence	**175**	**3**	**3.71**	**.714**

Sources: Field Survey, 2019

Above Table 4.3, which is related for the items of variable independence (IND), the mean of each question is between 3 to 4. The highest value of mean is 3.95 with standard deviation of 1.010 for “The board includes no direct representatives of banks and other large creditors of the company”. Similarly, the lowest value of mean is 3.47 with standard deviation of 1.183 for “Company has an executive or management committee which is substantially different from members of the board and not

believed to be dominated by referrals." which indicates most of the respondents neutral or agree in the statement. Similarly, the overall mean value for independence is 3.71 with standard deviation of .714.

4.2.3 Accountability

Accountability is also one of the independent variable of the research. Descriptive study of each question drafted and overall descriptive study on this variable is shown below:

Table 4.4 Descriptive Statistics of Accountability

Code	Opinion statement	N	Test Value	Mean	Std. Deviation
ACC1	The board members of executive or management committee should be substantially different (i.e.no more than half of one committee sits on the other).	175	3	4.13	1.028
ACC2	Fully board meetings are held at least once a quarter.	175	3	4.11	.974
ACC3	Audit committee nominates and conducts a proper review of the work done by external auditors.	175	3	4.06	0.789
ACC4	The audit committee supervises internal audit and accountability procedures.	175	3	4.18	.695
ACC5	There are any foreign nationals on the board.	175	3	3.87	1.168
	Accountability	**175**	**3**	**4.07**	.607

Sources: Field Survey, 2019

Here we have five different opinion statements were used to describe the Accountability of the service quality of commercial banks. The mean of each question are greater than 3 (>3). The highest mean is 4.18 with the standard deviation of .695 for the statement "The audit committee supervises internal audit and accountability procedures". Similarly, the lowest mean of the variable is 3.87 with the standard deviation of 1.168 for the statement "There are any foreign nationals on the board" .The overall mean value for Accountability is 4.07 with standard deviation of .607.

This indicates that the employee feels that accountability in commercial bank is quiet good as most of the respondent agree and strongly agree on this.

4.2.4 Fairness

The overall descriptive study of this variable is shown below:

Table 4.5 Descriptive Statistics of Fairness

Code	Opinion statement	N	Test Value	Mean	Std. Deviati on
FAI1	All the employees have access to their appraisal record.	175	3	4.07	.935
FAI2	Criticism/suggestions are easily given to employees.	175	3	4.25	.791
FAI3	All necessary information for appraisal criteria is made available prior to evaluation.	175	3	4.17	.682
FAI4	There have been no questions or controversy over whether bank has issued transparency report or not.	175	3	3.54	1.207
FAI5	Is it true that over past five years the total director's remuneration has not increased faster than employees?	175	3	4.23	.613
FAI6	The head of department report to either CEO or board member concerned to employee's equality.	175	3	4.15	.851
	Fairness	**175**	**3**	**4.07**	.519

Sources: Field Survey, 2019

Six different opinion statements were used to describe the fairness (FAI) of commercial banks. The mean of each question are more than 3 (>3), in other words frequency of the answer agree and strongly agree is more in this variable. The highest mean is 4.25 with standard deviation of 0.791 for the statement

"Criticism/suggestions are easily given to employees". Similarly, the lowest mean is 3.54 with standard deviation of 1.207. The overall mean value for Fairness is 4.07 with the standard deviation of 0.915, which means that employee agree that there is fairness in commercial bank.

4.2.5 Social awareness

Social awareness is one of the independent variable of the research. Descriptive study of each question drafted and overall descriptive study on this variable is shown below:

Table 4.6 Descriptive Statistics of Social awareness

Code	Opinion statement	N	Test Value	Mean	Std. Deviation
SOC 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.	175	3	3.96	1.002
SOC 2	Company has a policy/culture that prohibits the employment of the under-aged.	175	3	4.13	.969
SOC 3	Company has an explicit equal employment policy.	175	3	4.07	.894
SOC 4	Company is explicitly environmentally conscious.	175	3	4.17	.473
	Social awareness	**175**	**3**	**4.081**	**.597**

Sources: Field Survey, 2019

Four different opinion statements were used to describe the Social awareness (SOC) of commercial banks. The mean of each question are more than 3 (>3), in other words frequency of the answer agree and strongly agree is more in this variable. The highest mean is 4.17 with standard deviation of 0.473 for the statement "Company is explicitly environmentally conscious". Similarly, the lowest mean is 3.92 with standard deviation of 1.002. The overall mean value for Social awareness is 4.081 with the standard deviation of 0.597, which means that employee agree that there is Social awareness in commercial bank.

4.2.6 Discipline

Discipline is one of the independent variable of the research. Descriptive study of each question drafted and overall descriptive study on this variable is shown below:

Table 4.7 Descriptive Statistics of Discipline

Code	Opinion statement	N	Test Value	Mean	Std. Deviation
DIS1	The bank has issued a mission statement that clearly places a priority on good corporate governance.	175	3	3.96	1.002
DIS2	Over the past 5 years, is it true that the bank has declared any warrants against indiscipline's?	175	3	4.09	1.071
DIS3	Over past 5 years, is it true that the bank has not built up disciplinary action report?	175	3	3.85	1.137
DIS4	The bank's Annual Report includes a section devoted to the bank's performance in implementing corporate governance principles.	175	3	4.15	.588
	Discipline	**175**	**3**	**4.01**	.743

Sources: Field Survey, 2019

Four different opinion statements were used to describe the discipline of the corporate governance in commercial banks. The highest value of mean is 4.15 with standard deviation of .588 for "The bank's Annual Report includes a section devoted to the bank's performance in implementing corporate governance principles" which indicates most of the respondents' are agree and strongly agree in the statement. Similarly, the lowest value of mean is 3.85 with standard deviation of 1.137 for "Over past five years, is it true that the bank has not built up disciplinary action report?" which indicates most of the respondents strongly agree, agree and neutral in the statement. The overall mean is 4.01 with the standard deviation of 0.743. So, the discipline in commercial bank is quite good.

4.2.7 Responsibility

Responsibility is the final independent variable of this research. Descriptive study of each questions drafted and overall descriptive study on this variable is shown in Table 4.8.

Table 4.8 Descriptive Statistics of Responsibility

Code	Opinion statement	N	Test Value	Mean	Std. Deviation
RES1	There is any corrective action on the decision made by board on their favor at the expense of management.	175	3	3.99	1.020
RES2	There were any punishments given to the responsible person for misbehavior or business failures.	175	3	4.18	.614
RES3	There were any questions over whether the board takes measures to safeguard the interest of all and not just one.	175	3	3.85	1.137
RES4	There is mechanism to allow punishment of the management committee in the event of mismanagement.	175	3	4.08	.656
	Responsibility	**175**	**3**	**4.02**	**.634**

Sources: Field Survey, 2019

Table 4.8, which is related for the items of variable Responsibility (RES), the mean of each question are greater than 3 (>3), in other words frequency of the answers: (strongly agree) and (agree) are more. The highest value of mean is 4.18 with standard deviation of .614 for “There were any punishments given to the responsible person for misbehavior or business failures”. Similarly, the lowest value of mean is 3.85 with standard deviation 1.137 for the statement “There were any questions over whether the board takes measures to safeguard the interest of all and not just one”. The overall mean value for Responsibility is 4.02 with standard deviation of 0.634. Here according to the result, the member in board of directors are not well qualified and experienced director as the Board of director and most of the respondent agree that board and the management have clearly defined roles and responsibilities.

4.2.8 Perceived organizational success

Perceived organizational success is the independent variable of the research. Descriptive study of each question drafted and overall descriptive study on this variable is shown below:

Table 4.9 Descriptive Statistics of organizational success

Code	Opinion statement	N	Test Value	Mean	Std. Deviati on
POS1	Employees' commitment towards bank has been loyal due to good corporate governance.	175	3	4.09	1.011
POS2	The employee productivity of the bank has increase.	175	3	4.33	.722
POS3	The rate of employees' turnover has decreased.	175	3	4.10	.814
POS4	Distribution of gender on the board and other levels are fair.	75	3	3.64	1.140
POS5	The procedure of selecting employee for the post is open and fair with clear job description.	175	3	4.23	.572
	Perceived organizational success	**175**	**3**	**4.07**	**.8518**

Sources: Field Survey, 2019

Table 4.9 reflects descriptive data for the perceived organizational success. Perceived organizational success is a dependent variable used in this research. 5 different opinion statements were used to describe the Perceived organizational success of commercial banks. The mean of each question are greater than 3 (>3), in other words frequency of the answers: (strongly agree) and (agree).

The highest value of mean is 4.33 with standard deviation of 0.722 for the statement "The productivity of the bank has increase", which indicates most of the respondents agree or strongly agree in the statement. Similarly, the lowest value of mean is 3.64 with standard deviation of 1.140 for the statement "Distribution of gender on the board and other levels are fair" which indicates most of the respondents strongly

agree or agree in the statement. The overall mean value for perceived performance is 4.07 with standard deviation of 0.8518. This indicates that the perceived organizational success in commercial banks is good in Nepal as most of the respondents agree or strongly agree on this variable.

4.3 Inferential Analysis

The purpose of this section is to present the method for analyzing the empirical results, test the hypothesis set, built in previous chapter. Inferential statistics are procedures used that allow researchers to infer or generalize observations made with samples to the larger population from which they were selected. It enables use of one or more samples of observations to infer values of a population. Inferential analysis test hypotheses to determine if observed differences between groups or variables are real or occur simply by chance. It produces new information by making predictions and generalizations based on samples. This section consists of two analysis tools which are:

4.3.1 Correlation Analysis

Pearson Correlation analysis is used to determine the relation between various independent and dependent variables associated with the research. It measures the linear correlation between any two variables. This analysis was carried out for variables having simple multi option answers. Correlation matrix was computed to assess the extent or degree of relationship in between the research variables. A positive correlation reveals that the direction of the relationship is positive with one increasing in reaction to the other's increase. Meanwhile, a negative correlation reveals an inverse of the above; an increase in one when the other decreases. Correlation between Independent and Dependent variables is shown in Table 4.10:

Table 4.10 Correlation Analysis

Variables		Perceived Performance
Transparency:	Pearson Correlation	.299**
	Sig. (2-tailed)	.000
	N	175
Independence:	Pearson Correlation	.185*
	Sig. (2-tailed)	.014
	N	175
Accountability:	Pearson Correlation	.169*
	Sig. (2-tailed)	.025
	N	175
Fairness:	Pearson Correlation	.201**
	Sig. (2-tailed)	.008
	N	175
Social awareness:	Pearson Correlation	.321**
	Sig. (2-tailed)	.000
	N	175
Discipline:	Pearson Correlation	.371**
	Sig. (2-tailed)	.000
	N	175
Responsibility:	Pearson Correlation	.357**
	Sig. (2-tailed)	.000
	N	175
Perceived organizational success:	Pearson Correlation	1
	Sig. (2-tailed)	
	N	175

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

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

Sources: Field Survey, 2019

4.3.1.1 Relationship between Transparency and Perceived organizational success

The Pearson Correlation coefficient between the independent variable transparency and dependent variable Perceived organizational success is .299, which implies that the two variables are positively correlated and there is correlation between transparency and Perceived organizational success. The positive coefficient of correlation is .299 at 1% significant level.

4.3.1.2 Relationship between Independence and Perceived organizational success

The Pearson Correlation coefficient between the independent variable independence and dependent variable Perceived organizational success is .185, which implies that the two variables are positively correlated and there is correlation between independence and Perceived organizational success. The positive coefficient of correlation is .185 at 5% significant level.

4.3.1.3 Relationship between Accountability and Perceived organizational success

The Pearson Correlation coefficient between the independent variable accountability and dependent variable Perceived organizational success is .169 which implies that the two variables are positively correlated. The positive coefficient of correlation is .169 at 5% significant level.

4.3.1.4 Relationship between Fairness and Perceived organizational success

The Pearson Correlation coefficient between the independent variable fairness and dependent variable Perceived organizational success is .201, which implies that the two variables are positively correlated. The positive coefficient of correlation is .201 at 1% significant level.

4.3.1.5 Relationship between Social awareness and Perceived organizational success

The Pearson Correlation coefficient between the independent variable social awareness and dependent variable Perceived organizational success is .321, which implies that the two variables are positively correlated The positive coefficient of correlation is .321 at 1% significant level.

4.3.1.6 Relationship between Discipline and Perceived organizational success

The Pearson Correlation coefficient between the independent variable discipline and dependent variable Perceived organizational success is .371, which implies that the two variables are positively correlated. There is strong correlation between discipline and perceived performance at 1% significant level.

4.3.1.7 Relationship between Responsibility and Perceived organizational success

The Pearson Correlation coefficient between the independent variable responsibility and dependent variable Perceived organizational success is .357, which implies that the two variables are positively correlated. The positive coefficient of correlation is .357, which means there is mode rate correlation between Responsibility and Perceived Performance at 1% significant level.

4.3.2 Hypothesis Testing

The results of hypothesis are shown as below;

a) Alternative Hypothesis 1 (H_1)

There is relation between transparency and Perceived organizational success.

Results presented in Table 4.10 shows that Pearson Correlation Coefficient between transparency and Perceived organizational success is r = 0.229. This shows that a positive correlation exists between transparency and perceived performance. This correlation is significant at 1% significant level, as p-value is less than alpha i.e. $0.001 < 0.01$. Hence, H_1 is accepted.

b) Alternative Hypothesis 2 (H_2)

There is relation between independence and Perceived organizational success.

Results presented in Table 4.10 shows that Pearson Correlation Coefficient between transparency and Perceived organizational success is r = 0.185. This shows that a positive correlation exists between transparency and perceived performance. This correlation is significant at 5% significant level, as p-value is less than alpha i.e. $0.014 < 0.05$. Hence, H_2 is accepted.

c) Alternative Hypothesis 3 (H_3)

There is relation between Accountability and Perceived organizational success.

The result shows that Pearson Correlation Coefficient between Accountability and Perceived organizational success is $r = 0.169$. This shows that a positive correlation exists between Accountability and Perceived Performance. This correlation is significant at 5% significant level, as p-value is less than alpha i.e. $0.025 < 0.05$. Hence, H_3 is accepted.

d) Alternative Hypothesis 4(H_4)

There is relation between Fairness and Perceived organizational success.

The result shows that Pearson Correlation Coefficient between Fairness and Perceived organizational success is $r = 0.201$. This shows that a positive correlation exists between Fairness and Perceived organizational success. This correlation is significant at 1% significant level, as p-value is less than alpha i.e. $0.008 < 0.01$. Hence, H_4 is accepted.

e) Alternative Hypothesis 5 (H_5)

There is relation between social awareness and Perceived organizational success.

The result shows that Pearson Correlation Coefficient between Fairness and Perceived organizational success is $r = 0.321$. This shows that a positive correlation exists between Fairness and Perceived organizational success. This correlation is significant at 1% significant level, as p-value is less than alpha i.e. $0.001 < 0.01$. Hence, H_5 is accepted.

f) Alternative Hypothesis 6 (H_6)

There is relation between Discipline and Perceived organizational success.

The result shows that Pearson Correlation Coefficient between Discipline and Perceived organizational success is $r = 0.371$. This shows that a positive correlation exists between Discipline and Perceived organizational success. This correlation is significant at 1% significant level, as p-value is less than alpha i.e. $0.001 < 0.01$. Hence, H_6 is accepted.

g) Alternative Hypothesis 7 (H_7)

There is relation between Responsibility and Perceived organizational success.

The result shows that Pearson Correlation Coefficient between Responsibility and Perceived organizational success is $r = 0.357$. This shows that a positive correlation exists between Responsibility and Perceived organizational success. This correlation is significant at 1% significant level, as p-value is less than alpha i.e. $0.001 < 0.01$. Hence, H_7 is accepted.

4.3.3 Regression Analysis

The general purpose of multiple regressions is to learn more about the relationship between several independent or predictor variables and a dependent or criterion variable. In statistical modeling, regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. A correlation analysis can only tell whether or not a strong relationship exists between two variables. But even if a correlation coefficient indicates that a strong relationship exists between two variables, the exact shape of the relationship between the two variables cannot be determined. In this case, regression analysis provides more information about the slope of the relationship. It is used to describe the nature of a relationship and to make predictions. So, for deeper understanding of the impact of internal communication climate on employee engagement, the regression analysis is conducted. This section determines which independent variable explains variability in the outcome, how much variability in dependent variable is explained by independent variables and dependent variable, and which variables are significant (over other variables) in explaining the variability of the dependent variable. Multiple regressions were used to explore the impact of independent variables (transparency, Independence, Accountability, Fairness, Social awareness, Discipline, Responsibility,) on dependent variable Perceived organizational success.

Multiple linear regression analysis is used to predict the impact of independent variables Perceived organizational success. The equation for Impact of independent variables of perceived performance is expressed in the following equation:

$$\hat{Y} = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_{6+} \beta_7X_{7+} e_{i.}$$

Where,

$\hat{Y}$	=	Perceived organizational success (dependent variable)
X_1	=	Transparency
X_2	=	Independence
X_3	=	Accountability
X_4	=	Fairness
X_5	=	Social awareness
X_6	=	Discipline
X_7	=	Responsibility
α	=	Constant
$\beta_1, \beta_2 \ldots \beta_7$	=	Regression coefficients of Factor 1 to Factor 7 respectively
e_i	=	Error term

The results of model summary, analysis of variance (ANOVA) and beta coefficients of impact of independent variables of corporate governance on perceived organizational success are presented in the following tables respectively:

Model summary of impact of independent variables of Corporate Governance on perceived organizational success

Table 4.11 Model Summary

Model	R	R Square	Adjusted R	Std. Error of the Estimate
1	.546[a]	.298	.269	.32626

Predictors: (transparency, Independence, Accountability, Fairness, Social awareness, Discipline, Responsibility)

Sources: Field Survey, 2019

Model summary indicates the R- square also known as coefficient of determination which can help in explaining variance. The value of R-square value as evident from Table 4.9 is 0.298 which means 29.8 % variation in Perceived organizational success is explained by the independent variables. However, the remaining 70.2 % is still

unexplained in this research. In other words, there are other additional variables of corporate governance of Nepalese commercial banks that are important in explaining Corporate Governances that have not been considered in this research.

Similarly, adjusted R-square is 0.269 which means 26.9% variation in Perceived organizational success is explained by the independents variables after adjusting degree of freedom (df). This shows moderate relationship between all variables of corporate governance and Perceived organizational success. Model summary also indicates the standard error of the estimate of 0.32626 which shows the variability of the observed value of Perceived organizational success from regression line is 0.32626 units.

ANOVA of impact of independent variables of Corporate Governance on Perceived organizational success

Table 4.12 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.548	7	1.078	10.131	.000[b]
	Residual	17.776	167	.106		
	Total	25.324	174			
Dependent Variable: Perceived organizational success						
Predictors: (transparency, Independence, Accountability, Fairness, Social awareness, Discipline, Responsibility)						

Sources: Field Survey, 2019

Based on ANOVA, the p-value is 0.000 which is lesser than alpha value 0.01. Therefore, the model is a good predictor of the relationship between the dependent and independent variables. As a result, the independent variables (transparency, responsibility, discipline, fairness, accountability social awareness, independence) are significant in explaining the variance in Perceived organizational success. In other words, at least one of the 7 independent variables has important contribution to Perceived organizational success.

Beta coeffecients[a] of impact of independent variables on Perceived organizational success.

Table 4.13 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
1 (Constant)	2.034	.362		5.614	.000
Transparency	.173	.036	.312	4.764	.000
Independence	.092	.035	.172	2.613	.010
Accountability	.068	.047	.109	1.440	.152
Fairness	.080	.056	.109	1.429	.155
Social awareness	.074	.122	.116	.606	.545
Discipline	.132	.134	.258	.985	.326
Responsibility	.124	.097	.207	1.281	.202

Sources: Field Survey, 2019

The results presented in Table 4.13 also summarizes the values of unstandardized beta coefficients (β_1, β_2… β_7) and the constant α with which the estimated equation for Impact of independent variables on Perceived organizational success can be written. Using the values of unstandardized beta coefficients and constant, we can write the estimated equation as follows:

$\hat{Y}$ =2.034 + 0. 173X_1 + 0.092X_2 + 0.068X_3 + 0.080X_4 +0.074 X_5 +0.132 X_6 +0.124 X_7 + e_i.

In the regression analysis, the beta coefficients are used to explain the relative importance of the independent variables in contribution to the variance in dependent variable. The results presented in Table 4.13, shows that transparency (β_1=0.173, p=0.000) carries the heaviest weight for Perceived organizational success, followed

by independence (β_2=0.092, p=0.010), Accountability (β_3=0.068, p=0.152), fairness (β_4=0.080, p=0.155), Social awareness (β_5=0.074, p=0.545), discipline (β_6=0.132, p=0.326 Responsibility (β_7=0.124, p=0.202). The results showed that a one-unit increase in discipline would lead to a 0.132 unit increase in Perceived organizational success keeping other variables constant. Similarly one unit increase in Transparency factor would lead to a 0.173 unit increase in Perceived organizational success, one unit increase in accountability factor lead to a 0.068 unit increase in in Perceived organizational success and so on. In conclusion, transparency, responsibility, discipline and fairness dimensions are significant. Thus, the result of multiple regression analysis accepts alternative hypotheses that there is relationship between independent variables of Corporate Governance and Perceived organizational success.

4.4 Major Findings of Study

This study focuses on the impact of corporate governance on perceived organizational success in Nepalese commercial banks. The major finding or results obtained from descriptive statistics for the dependent variables and independent variables are summarized as below:

i. The overall average mean value of Transparency is 3.5541, which shows that respondents agree that transparency is an important factor for perceived organizational success.
ii. The overall average mean value of independence is 3.7166, which shows that respondents agree that independence is an important factor for perceived organizational success.
iii. The overall mean of Accountability is 4.072 which show that respondents agree that accountability is an important factor of corporate governance that affects perceived organizational success
iv. The overall mean of Fairness is 4.070 which show that the employee of banking sector organizations give importance to fairness as the important factor.
v. The overall mean of social awareness is 4.081 which show that the employee of banking sector organizations give importance to social awareness as the important factor.

vi. The overall mean of Discipline is 4.010 which show that the employee of banking sector give importance to discipline and it influences the perceived organizational success of Nepalese commercial banks.

vii. The aggregate mean of Responsibility is 4.0243 which show that the employee of banking sector organizations feels that responsibility is very important in commercial bank and it influence the perceived organizational success.

viii. The aggregate mean of perceived organizational success is 4.324 which show that the levels of perceived organizational success in Nepalese commercial banking sector are good.

ix. The objective of this research is to determine the influence of corporate governance to the perceived success in Nepalese commercial banking sector. Seven research hypotheses were formulated and tested to test the impact of seven dimensions of corporate governance (transparency, independence, responsibility, discipline, fairness, accountability, social awareness) considering perceived organizational success

x. The significance of the hypothesis between the variable are also analyzed from the significant value drawn from the sample. All seven alternatives are accepted.

xi. The correlation results were used to answer the seven research hypotheses. The Pearson Correlation coefficient between all seven independent variables and dependent variable perceived organizational success was done, which implies that five variables (transparency, fairness, social awareness, discipline, and responsibility) are positively correlated at 1% significant level and remaining two variables (independence and accountability) are positively correlated at 5% significant level.

CHAPTER V

CONCLUSIONS

This chapter is final chapter which summarizes the research summary, conclusion and implications of the study. The entire chapter is summarized in three sections. The first one summarizes the study and general overview about research findings. The second section derives the conclusion of the study and the third one suggests few recommendations.

5.1 Summary

The main objective of the research study was to find out the relationship between corporate governance components and perceived organizational success. To answer this question, several literatures with the subject of corporate governance, which are the main variable that effect the corporate governance, which drivers would help to achieve it and finally how we measure corporate governance have been discussed. On the other hand, concept and studies about corporate governance, its dimensions and the relation between other variable have been studied. In chapter two based on the above discussions, 7 dimensions were chosen to measure corporate governance. After all, conceptual frame of reference 7 hypotheses were generated to answer the research question.

For the purpose of conducting the study, the questionnaire with 42 questions was adapted to answer research hypotheses. 200 questionnaires were distributed among respondents which included groups of employees of the Commercial Banks. Finally 175 valid questionnaires were selected and data analysis was applied to them. Finally, the researcher came to know that all the tested variables have impact on perceived organizational success.

In order to determine the survey result, different statistical tests have been performed. At first, descriptive analysis was done to determine the average value and standard deviation of each variable under each hypothesis. There were at least 4 to 6 questions or variables to measure each hypothesis. Respondents answered on a five-point Likert scale ranging from ‘Strongly Disagree’ to ‘Strongly Agree’. The responses were collected and the data was arranged and analyzed using Microsoft Excel and SPSS software packages.

5.2 Conclusions

The main purpose of this study was to find out the status of corporate governance in Nepalese commercial banks and the relationship of perceived organizational success with the corporate governance variables which are transparency, independence, responsibility, social awareness, discipline, fairness and accountability. Upon examining the perceived organizational success and factors of corporate governance it has been found that a relationship between the two does exist. The results indicated that commercial bank should give importance to the corporate governance to improve to overall success of the bank.

To its advocate, the role of corporate governance in organizational success is vital and integral to ensure the accomplishment. Analysis of study tells that the corporate governance has different impact on organizational success. Discipline, fairness, transparency and responsibility play a stronger role in making organizations successful in commercial banks operating in Nepal. According to this study these four variables significantly contribute in creating good corporate governance in the commercial bank.

The most general corporate governance problem in organizations is basically a failure to have board of director and the member of the management are not different and also the employee are also not satisfied with the performance of audit committee. Employee also feels that boards meeting of the bank are also not held as per the requirement. Although the bank have written code of conduct but they are not performing up to the mark.

Presented research demonstrates that the governance is a very important organ of a corporation, which is more essentially required in the banking sector in order to have an influential power on information disclosure.

By this survey, it has shown that corporate governance in the Nepalese commercial banks can sustain their advantage through the maintained of corporate governance in the commercial bank of Nepal. This study would catch the attention of the analysts, policy makers and practitioners to be forward looking and not get caught in the myopic trap resulting in the assessment of corporate governance only from financial measures and short-term benefit (losses). This may have resulted because of growing sector in which the prime concern of corporate governance revolves around financial governances of firms. Strategy makers

should also focus on public policy, ethical behavior in organization, company culture that prohibits the employment of under-aged, responsibility of workers, fairness in record keeping and in selection criteria.

To sum up the results, it can be concluded that variable of corporate governance can have significant effects on banks along with its dimensions. The corporate governance of the bank also has the significant impact when the dimension of the corporate governance is also evaluated like transparency, responsibility, discipline, fairness and accountability. In view of the above analysis, Corporate Governance is necessary to the proper functioning of banks and their variables have also important role in the management of the corporate governance. Generally top management should take attention toward corporate governance in return to gain customers delighters which insure the overall organizational success.

5.3 Implications

Based on the research findings of this study, the following recommendations are prescribed to serve as a guideline for future research work of similar nature, apart from improving on the aspect of corporate governance in the Nepalese banking sector.

According to the interpretations of the study propose that policy makers should focus more on transparency, responsibility and accountability too. Results suggests that commercial banks working in Nepal focus more on disciplinary actions, corporate governance practices should explicitly implemented. Strategy makers should also focus on discipline in organization, responsibility of workers, fairness in record keeping and in selection criteria. Generally top management should take attention toward corporate governance in return to gain customers delighters which insure the overall organizational success.

i. This research only focused on the seven factors/components of corporate governance to know the effect on perceived organizational success.
ii. This study was conducted using a sample from commercial bank which cannot be generalized across other sector.
iii. This study is purely an academic research, so sample size is small. For the professional research purpose, in order to reduce the error and to make the result more pervasive sample size should be increased.

iv. This research was confined within Kathmandu valley. Research can be conducted in overall country to make the research more effective and genuine.

v. A recommendation for future researcher is to use a larger sample of participants comprised of the entire banking sector as a whole so that the result of banking sector in Nepal can be identified.

vi. This study primarily touched upon how do five competencies for the study of corporate governance in Nepalese commercial Bank. However, it would be more interesting to see further research, not only on the five competency groups between employees but also the other factor that may affect perceived organizational success and its improvement levels. This type of research could provide organizations information on a valuable internal resource.

vii. The data were collected only through questionnaire, survey form and feedback. Future researcher can collect the response through conducting detailed interview techniques to understand the corporate governance and perceived organizational success.

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Appendix-1

Questionnaire on effect of Corporate Governance on perceived organizational success in Nepalese Commercial Banks

Dear Participants,

First of all, I would like to thank you for taking out your valuable time from your busy schedule to fill this survey form. I am conducting this survey as a part of my Master's Degree (MBS) from Central Department of Management, Tribhuvan University. I would assure you that the information provided will be kept highly confidential and will be strictly used for research purpose only.

Section 1: Participant Information (Please tick an appropriate option)

Gender	☐Male		☐Female	
Age	☐Below 30	☐31-35	☐36 to 40	☐Above 40
Level of employee	☐Supervisor level	☐Officer level	☐Managers and above	
Educational Level	☐Bachelor	☐Masters	☐Above Masters	

Screening Question: Please tick mark on your best suited option.

1. Name of the Banking Organization you work for

Rastriya Banijya Bank Ltd.	☐	NIC Asia Bank Ltd.	☐
NABIL Bank Ltd.	☐	Nepal Investment Bank Ltd.	☐
Siddhartha Bank Ltd.	☐		

2. For how long have you been working this particular bank (chosen bank)?

Less than 3 years	☐	between 3- 6 years	☐
More than 6 years	☐		

For Section:2 Please use the following rating scale and tick mark the best suited options.

1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree

Variables	**code**	**Opinion statement**	**1**	**2**	**3**	**4**	**5**
Transparency	TRA1	Management has disclosed three or five year's performance.					

	TRA2	Public announcement of results have been no longer than two working days of board meeting.					
	TRA3	The reports are clear and informative. (Based on perception of analyst).					
	TRA4	Analyst has good access to senior management.					
	TRA5	The bank has a website where results and announcements are updated promptly (no later than one business day).					
	TRA6	The bank consistently discloses major and market sensitive information punctually.					
Independence	IND1	The chairman is an independent, non-executive director.					
	IND2	Bank has an executive or management committee which is substantially different from members of the board and not believed to be dominated by referrals.					
	IND3	Bank has an audit committee. it is chaired by a perceived genuine independent director.					
	IND4	Bank has a remuneration committee. It is chaired by a perceived genuine independent director.					
	IND5	External auditors of the company are in other respects seen to be completely unrelated to the company.					

	IND6	The board includes no direct representatives of banks and other large creditors of the company.					
	ACC1	The board members of executive or management committee should be substantially different (i.e.no more than half of one committee sits on the other).					
	ACC2	Fully board meetings are held at least once a quarter. (Here employees are accountable to the concerned officer)					
	ACC3	Audit committee nominates and conducts a proper review of the work done by external auditors.					
	ACC4	The audit committee supervises internal audit and accountability procedures.					
Accountability	ACC5	There are any foreign nationals on the board.					
	FAI1	All the employees have access to their appraisal record.					
	FAI2	Criticism/suggestions are easily given to employees.					
	FAI3	All necessary information for appraisal criteria is made available prior to evaluation.					
	FAI4	There have been no questions or controversy over whether bank has issued transparency report or not.					
Fairness	FAI5	Is it true that over past five years the total director's remuneration has not increased faster than					

		employees?					
	FAI6	The head of department report to either CEO or board member concerned to employee’s equality.					
	SOC1	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.					
	SOC2	Company has a policy/culture that prohibits the employment of the under-aged.					
	SOC3	Company has an explicit equal employment policy.					
Social Awareness	SOC4	Company is explicitly environmentally conscious.					
	DIS1	The bank has issued a mission statement that clearly places a priority on good corporate governance.					
	DIS2	Over the past 5 years, is it true that the bank has declared any warrants against indiscipline’s?					
	DIS3	Over past 5 years, is it true that the bank has not built up disciplinary action report?					
Discipline	DIS4	The bank’s Annual Report includes a section devoted to the bank’s performance in implementing corporate governance principles.					

	RES1	There is any corrective action on the decision made by board on their favor at the expense of management.					
	RES2	There were any punishments given to the responsible person for misbehavior or business failures.					
	RES3	There were any questions over whether the board takes measures to safeguard the interest of all and not just one.					
Responsibility	RES4	There is mechanism to allow punishment of the management committee in the event of mismanagement.					
	POS1	Employees' commitment towards bank has been loyal due to good corporate governance.					
	POS2	The employee productivity of the bank has increased.					
	POS3	The rate of employees' turnover has decreased.					
	POS4	Distribution of gender on the board and other levels are fair.					
Perceived Organizational Success	POS5	The procedure of selecting employee for the post is open and fair with clear job description.					

Thanks for your time and consideration

Appendix-2

Correlations									
		Perceived organizational success	Transparency	Independence	Accountability	Fairness	Social awareness	Discipline	Responsibility
Perceived organizational success	Pearson Correlation	1	.299**	.185*	.169*	.201**	.321**	.371**	.357**
	Sig. (2-tailed)		.000	.014	.025	.008	.000	.000	.000
	N	175	175	175	175	175	175	175	175
Transparency	Pearson Correlation	.299**	1	-.077	-.025	.046	.007	.015	-.024
	Sig. (2-tailed)	.000		.310	.741	.546	.927	.846	.757
	N	175	175	175	175	175	175	175	175
Independence	Pearson Correlation	.185*	-.077	1	-.005	.043	.049	.089	.079
	Sig. (2-tailed)	.014	.310		.948	.575	.517	.243	.297
	N	175	175	175	175	175	175	175	175
Accountability	Pearson Correlation	.169*	-.025	-.005	1	.509**	.053	.050	.033
	Sig. (2-tailed)	.025	.741	.948		.000	.489	.512	.667
	N	175	175	175	175	175	175	175	175
Fairness	Pearson Correlation	.201**	.046	.043	.509**	1	.069	.078	.013
	Sig. (2-tailed)	.008	.546	.575	.000		.365	.302	.868
	N	175	175	175	175	175	175	175	175
Social awareness	Pearson Correlation	.321**	.007	.049	.053	.069	1	.938**	.826**
	Sig. (2-tailed)	.000	.927	.517	.489	.365		.000	.000
	N	175	175	175	175	175	175	175	175
Discipline	Pearson Correlation	.371**	.015	.089	.050	.078	.938**	1	.909**
	Sig. (2-tailed)	.000	.846	.243	.512	.302	.000		.000

	N	175	175	175	175	175	175	175	175
Responsibility	Pearson Correlation	.357**	.024	.079	.033	.013	.826**	.909**	1
	Sig. (2-tailed)	.000	.757	.297	.667	.868	.000	.000	
	N	175	175	175	175	175	175	175	175

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

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

Appendix-3

Regression

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.546[a]	.298	.269	.32626	.298	10.131	7	167	.000

a. Predictors: (Constant), Responsibility, Fairness, Transparency, Independence, Accountability, Socail awareness, Discipline

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.548	7	1.078	10.131	.000[b]
	Residual	17.776	167	.106		
	Total	25.324	174			

a. Dependent Variable: Perceived organizational success

b. Predictors: (Constant), Responsibility, Fairness, Transparency, Independence, Accountability, Social awareness, Discipline

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.034	.362		5.614	.000
	Transparency	.173	.036	.312	4.764	.000
	Independence	.092	.035	.172	2.613	.010
	Accountability	.068	.047	.109	1.440	.152
	Fairness	.080	.056	.109	1.429	.155
	Social awareness	.074	.122	.116	.606	.545
	Discipline	.132	.134	.258	.985	.326
	Responsibility	.124	.097	.207	1.281	.202

a. Dependent Variable: Perceived organizational success

The effect of corporate governance on perceived organizational success in Nepalese Commercial Banks

A Thesis proposal

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1. Background of the study

The concept of corporate governance arose from the belief that the separation of ownership and management within a corporation might create substantial misuse of managerial discretion (including the possibility of abuse or conflict of interest) (Tirole, 2006). The term “corporate governance” was first coined in 1960 (Mason, 1960), derived from an analogy between the governance of cities, nations, or states and the governance of corporations (Becht et al., 2002). Corporate governance is “the system by which companies are directed and controlled” (Cadbury, 1992). Many existing studies mention that good corporate governance practice: strengthens the board, helps in effective board monitoring, improves firm profitability and performance, and achieves better economic efficiency and growth (Al-Baidhani, 2015; OECD, 2004; Sarkar & Sarkar, 2018).

Organization for Economic Cooperation and Development (OECD) principles of corporate governance are categorized into six parts: 1) ensuring the basis for an effective corporate governance framework; 2) the rights of shareholders and key ownership functions; 3) the equitable treatment of shareholders; 4) the role of stakeholders in corporate governance; 5) disclosure and transparency; and, 6) the responsibilities of the board (OECD, 2004).

Adams & Mehran, (2003) define corporate governance as "the mechanism through which stakeholders (shareholders, creditors, employees, clients, suppliers, the government and the society, in general) monitor the management and insiders to safeguard their own interests." Morin and Jarrel (2001) define it as follows: "It is a framework through which monitors and safeguards the concerned actors in the market (managers, staff, clients, shareholders, suppliers and the board of administration." It is management through which the company is guided and monitored for the purpose of striking a balance between its interests, on the one hand, and the interests of other related parties such as investors, lenders, suppliers and clients in addition to the environment and society."

Corporate governance is about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that would foster good corporate performance (Gnawali, 2018).

The board of directors is an intermediate layer of governance between the shareholders

and management. As Salmon (1993) suggests in the ongoing debate over America's competitive position, winning is everything but, without an effective board you are not even in the game." This supports the idea that Role of the Boards is primarily important for good governance. It is inevitable that debates on corporate governance center on the board composition, perks of directors and ensuring their accountability to shareholders Gouri (1998). Similarly, culture is also an important factor that affects governance. Shrestha (1995) states that along with the establishment of all types of companies, corporate and professional culture is supposed to be more important for strengthening their positioning in national economy.

Corporate governance in financial system aims at promoting healthy market practice and reducing financial anomalies resulting from agency problem. Among various other functions, banking system fundamentally performs an intermediary role in capital formation accepting deposits from customers, raise capital from investors or lenders (supply-side of credit) and then use lend this money to the business ventures and other economic activities (demand side of , buy securities and provide other financial services to customers. Financial system is therefore, believed to financial market that accelerates the performance of engine of growth of an economy. Good corporate governance is a need in financial system in that it controls market distortion from the various stakeholders in the system.

Commercial bank occupies quite an important place in the framework of every economy. It provides capital for the development of industry, trade & business investing the saving collected as deposit. All the economic activities of every country are greatly influenced by the commercial banking business of that country. Commercial banks, by playing active roles, have changed the economic structure of the world. Integrated & speedy development of the country is possible only when competitive banking services reach nooks & corners of the country Olokoyo (2011).

Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of

the directors include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The Board's actions are subject to laws, regulations and the shareholders in general meeting Cadbury commission (1992). In his most comprehensive sense, corporate governance comprises all the forces that effect on firm’s decision making process. It would protect not only the stockholder’s rights, but also the bounding agreement and collapsing power of debtors. Corporate governance also gains the commitment of the employees, customers and suppliers. In adding together it is the Power to diffuse the risks by combining all the forces.

In recent years, banking sector of Nepal has been transformed from a sluggish and government-dominated sector to a much more fragile, competitive and profitable industry. Different foreign banks have emerged recently which have increased the competition among commercial banks. In order to get competitive edge and to attract more and more customers, banks are focusing on providing better services to the customers Boot and Thakor (2009).

2 Statements of the Problems and Questions

Effective corporate governance practices are essential to achieving and maintaining the public trust and confidence in the banking system, as a result they are critical to the proper functioning of the banking sector and economy as a whole. However, little attention has being given to corporate governance of banking sector especially in developing economies Lipunga (2014).

The subject of corporate governance in developing economies has recently received a lot of attention in the literature: credit accrue to the growth prospective of these economies. In addition, noise trading as opposed to fundamentals has been documented to affect markets of these economies Claessens and Yurtoglu (2012). These markets are, in general, less efficient and therefore, demands corporate 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.

This study identifies different factors significant to corporate governance in Commercial banks in Nepal to enable the banks to develop strategies to improve the corporate governance in the bank. This enhances the Bank's competitive position in the banking industry and ensures survival of the bank, especially in this era of keen competition.

The study serves as a guide for banks to develop good governance which improves its level of corporate governance in the banks, especially in areas where gaps between expectations and reality are so wide to enhance working environment. The study will serve as a guideline for further research in corporate governance in the banking industry or related field. By virtue of improved guidelines banks can benchmark the policies and strategies for their effective working environment, quality improvement programmers leading to overall improvement in the banking sector and possibly translate to other sectors of the economy. This research is guided by the following questions:

iv. What is the status of the corporate governance practice in Nepalese commercial banks?

v. Is there any relationship between corporate governance elements (transparency, interdependence, accountability, fairness, social awareness, discipline & responsibility) and perceived organizational success in Nepalese commercial banks?

vi. What is the effect of corporate governance elements on perceived organizational success in Nepalese commercial banks?

3 Purpose of the Study

The main objective of this study is to examine effects of corporate governance on perceived organizational success of Commercial Banks in Nepal. The specific objectives are as follows;

iv. To assess the present practices on corporate governance practices in Nepalese commercial banks?

v. To explore the relationship between corporate governance elements (transparency, accountability, fairness, discipline & responsibility) and perceived organizational success in practices in Nepalese commercial banks?

vi. To examine the effect of corporate governance on perceived organizational success of practices in Nepalese commercial banks?

4. Conceptual Framework

The theoretical frame work of study is depicting the influence of corporate governance on perceived organizational success. This frame works indicates corporate governance as Independent variable and perceived organizational success as dependent variable. Transparency, Interdependency, Accountability, Fairness, Social Awareness, Discipline and Responsibility are dimensions to measure the corporate governance as a construct variable.

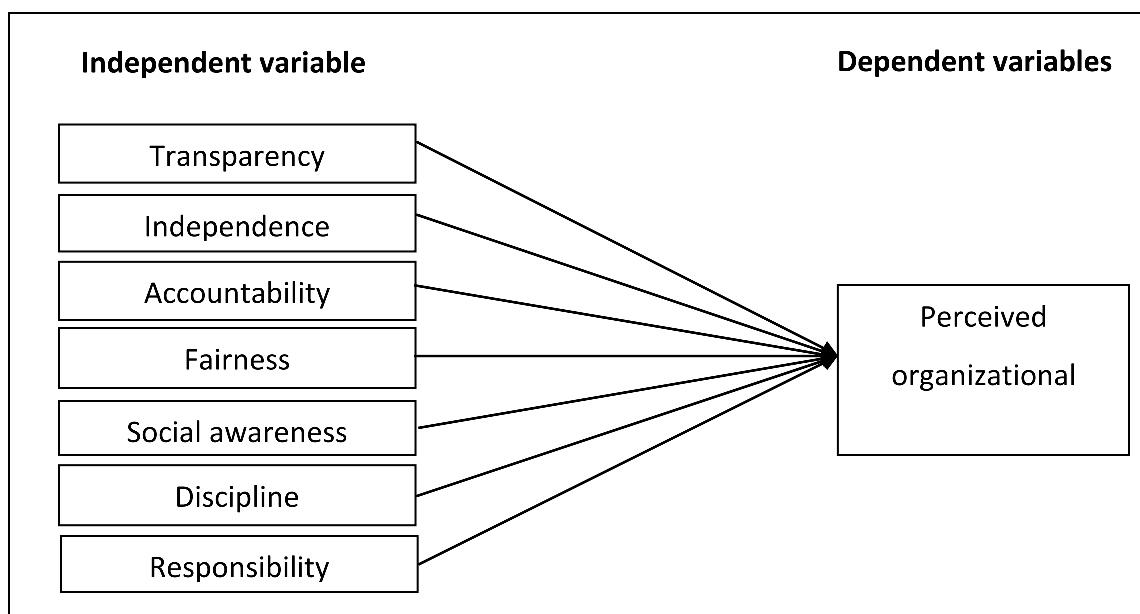

Figure: Conceptual frame work

Source: Credit Lyonnais securities Asia (CLSA).

5. Significance of the Study

The findings of this research project would contribute to improving understanding about corporate governance practices in Nepalese banking, and in what ways the banks can implement good corporate governance that aligns with bank performance. Many

Commercial Banks in Nepal will find the study very valuable to their operations and more so a benchmark to decisions to improve on corporate governance in the banking industry.

The policy makers in the banking business will find the study useful as a basis of formulating policies, which can be effectively implemented for better and easier regulation of the banking sector. The government will use the study so as to come up with policies and ways of promoting corporate governance financial institutions in the country.

The empirical results would also provide general indicators of corporate governance useful for both regulator and business people in making policies and decisions as well as in rewarding or punishing the banks that have great or little intention to improve their corporate governance aligning with managers-owners risk-taking behavior and bank performance. Other researchers and academic community will use this study as a basis for further studies on corporate governance in Nepalese commercial banks.

6. Limitation of the study

vii. Most of the analysis will be based on primary data, so any distortion of the reality from this study may be due to the business of the respondents.

viii. This study only take the sample from the banks working in Kathmandu city the scenario may be different in rural area.

ix. There are many components that are affecting the corporate governance but this study will be considered only some limited components as independent variables.

x. This study will only focused on bankers views on perceived organizational success but it does not consider the view of costumer.

xi. Time frame is limited to carry out microscopic study on the topic, thus the study may not reveal the exact results.

xii. Only limited sample will be taken which may surely lacks accuracy. .

Despite these limitations, this study will try to provide valid result as well as in depth of corporate governance and its impact on perceived organizational success on Nepalese commercial banks.

7. Review of literature

Review of literature means looking back or past event of experiences. Every scientific research must be based on past knowledge. The previous studies cannot be ignored because it provides the foundation to the present study of the perspective titles. So this chapter contains review of the relevant literature in the published books, journals, articles, theses and previous research works related to the past study.

7.1 Concept of Corporate Governance

Historically, the literature of corporate governance is enmeshed with the study of economics with references to “the theory of the firm”. These were the initial attempts to understand the limitations of the perfect competition, macroeconomic model of market behavior. The literature set out the framework for the present day discussion and debate on how corporations behave and how they can be governed. Every life on earth, every little being to its atom, follows the rules bound by the creator. Without framework or any guidance no existence would able to live on peace. Any financial institution needs a structure to rise and guidance to follow. Corporate governance does the work as the guidance.

Smith (1776) was the first economist who foresaw the problems of the modem organization that had a structure, which separated ownership and control, when he wrote: The directors of such joint-stock companies however being the managers of other people’s money rather than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance which the partners in private copartners frequently watch over their own. Like the stewards of a rich man, they are apt to consider attention to small matters as not for their master’s honor, and very easily give themselves a dispensation from having it. Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company.

Berle and Means (1932) suggested that what has now become the most important classic socio-scientific, treatise on the widely-held, public company. "The Modem Corporation and Private Property" published in 1932, set the debate on corporate governance rolling, focusing on the separation of ownership and control in large corporations. They described the modem corporation as: "Unlike small, private companies, these large companies raised capital from the wealth of numerous small private investors. The controlling managers of such organizations in many cases held a small or negligible share in the ownership capital of the firm. They derived their income mainly as a fixed salary and not a variable return based on the performance of the firm. The ownership of these firms, meanwhile, was increasingly vested in the hands of a multitude of small investors, who individually had little incentive to monitor the performance of the firm closely".

Coase (1937) showed that traditional basic microeconomic theory was incomplete because it only included production and transport costs, whereas it neglected the costs of entering into and executing contracts and managing organizations. Such costs are commonly known as transaction costs and they account for a considerable share of the total use of resources in the economy. Thus, traditional theory had not embodied all of the restrictions, which bind the allocations of economic agents. When transactions costs are taken into account, it turns out that the existence of firms, different corporate forms, variations in contract arrangements, the structure of the financial system and even fundamental features of the legal system can be given relatively simple explanations. By incorporating different types of transaction costs, Coase paved the way for a systematic analysis of institutions in the economic system and their significance.

Corporate governance builds only to governing the corporate entity. The responsibility of the board is to oversee the functions run smoothly, so that the organization well runs to rise. Corporate governance is becoming the top issue for tea-table discussion now days. Philosophers and researchers are concerning about its succession. Most of the financial institutions have already been adapted it. It can be concluded that corporate governance is an important part of the financial institutional body and also for its success.

The impending loss of control of owners of capital over the firms was anticipated by Galbraith (1973) wrote about the inability of these "outsiders" (shareholders) to acquire

sufficient expertise to be able to pass informed judgment on the merits of managers' strategic decisions. Not only were shareholders physically detached from day-to-day affairs of the business, but they were also excluded from what Galbraith termed the corporate "techno structure" : the collective body of corporate officers (including senior managers themselves), a highly-trained group of experts, who command exclusive strategic control over the firm's ongoing productive operations on account of their unique intellectual capital. Galbraith believed that, in the modem corporate economy, where operations were increasingly technical and specialized in nature, the real power within the large company rested with those that possessed the relevant knowledge, rather than the wealth, that comprised the business, thereby excluding shareholders from the realm of effective corporate control. The major body of literature focuses on this loss of control by security owners/shareholders/suppliers of finance. What are the ways to overcome this basic issue of principal-agent asymmetry of information & knowledge? What methods can be used to align the interests of principals and their agents? Can managers be disciplined? And who or how will they be disciplined?

It is believe that the World wide privatization wave, Mergers and takeovers, deregulation and capital market integration, Scandals and failures at major corporations are some of the strong reasons that imitated debate over Corporate Governance all over the world. In 1991 the Government of United Kingdom appointed the Cadbury committee with a broad mandate to address the financial aspects of corporate governance. The committee was chaired by Sir Adrain Cadbury, CEO Cadbury Confectionery. In December 1992 the committee issued its report, the cornerstone of which was the code of Best practice, which presents the committee's recommendations on the structure and responsibilities of corporate boards of Directors.

According to Freixas and Rochet (1997), the specificity of banks lies in the fact that their creditors are also their customers, and this entails a much more serious free rider problem related to the monitoring of widely held banks. Their reasoning goes as follows. While in non-financial firms "professional investors", such as, banks, venture capitalists or "informed" private investors, hold the majority of the debt; in the case of banks the debt is mostly held by uninformed, dispersed small agents (mostly households) that could poorly monitor the banks' activities. To make things worse, these securities can be used

as a means of payment (which moderates the free rider problem involved in monitoring), and the capital structure of banks is characterized by a substantially higher proportion of debt than in non-financial firms by Freixas and Rochet (1997).

Micro-economists use agency theory to study the problems of motivating and controlling cooperative action Scott (1998). Their primary focus is the situation where one party (the principal) seeks some outcome but requires the assistance of an agent to carry out the necessary activities (e.g., supervisor-subordinate). It is assumed that both parties are motivated by self-interest and that these interests may diverge Scott (1998).

A major corporate governance challenge for banks involves the principal-agent problem and how it can undermine financial stability when the incentives of bank management and directors are not aligned with those of the owners of the firm Kern (2004). This may result in different risk preferences for management as compared to the firm's owners, as well as other stakeholders, including creditors, employees, and the public. Because of high transaction costs and institutional barriers, aligning the interests of these groups may be difficult, if not impossible, without regulatory intervention. At the same time, banks are both opaque and complex.

Anderson and Campbell (2004) stated that corporate governance alone is not the cause of the current financial crisis. However, Corporate Governance could have prevented some of the worst aspects of the crisis had effective governance operated throughout the period of time during which the problems were developing and before they crystallized. Furthermore, effective Corporate Governance could have helped to reduce the catastrophic impacts that the global and national economies are now suffering.

The principal objective of a business enterprise is to generate economic returns to its owners. Although the link between the forms of governance and economic performance is debated, good corporate governance practices provide an important framework for a timely response by a corporation's board of directors to situations that may directly affect stockholder value. Corporate governance is not an abstract goal, but rather exists to serve corporate purposes by providing a structure within which stockholders, directors and management can pursue most effectively the objectives of the corporation. The absence of good corporate governance, even in a corporation that is performing well financially,

may imply vulnerability for stockholders because the corporation is not optimally positioned to deal with financial or management challenges that may arise (The Business Roundtable, 2005).

Effective corporate governance requires a proactive, focused state of mind on the part of directors, the CEO and senior management, all of whom must be committed to business success through maintenance of the highest standards of responsibility and ethics. Good governance is far more than a check list of minimum board and management policies and duties. Even the most thoughtful and well-drafted policies and procedures are destined to fail if directors and management are not committed to enforcing them in practice. A good corporate governance structure is a working system for principled goal setting, effective decision-making and appropriate monitoring of compliance and performance. Through such a vibrant and responsive structure, the CEO, the management team and the board of directors 19 can interact effectively and respond quickly to changing circumstances within a framework of solid corporate values, to provide enduring value to the stockholders who invest in the enterprise.

7.2 Review of Research Articles

The theory developed by Jensen and Meckling (1976) asserts that the wide separation gives the manages a leeway to pursue private interests which may lead to inefficiency, expropriation of corporate cash flows, assets and loss of market value of corporate entities. Agency theory identifies corporate boards as a mechanism to protect shareholders interests and to ensure increase in firm market value. According to Jensen and Meckling (1976) a corporate board can effectively play its role if its size is small, has diverse skills, majority members are outside directors and the position of Chairman and CEO are separate. The role of corporate boards is also specified to include: hiring and monitoring managers, protecting shareholders' interests, increasing corporate value and setting strategies in a firm .Consequently, many countries have developed codes of best governance practices, using the agency theory principles. Agency theory is therefore important to this study as it identifies the ideal corporate governance structures and practices that should be adopted by privatized companies.

Jensen and Meckling (1976) in their paper examined the relationship between principal and agent within the theory of the firm. Agency theory has identified the existence of two agency relationships. First, is the manager-shareholder relationship and second is the shareholder-debt holder relationship. In both of these relationships, the interests of the agent and principal are separated, imposing agency costs. It is too costly to align the interests of shareholders and management perfectly. The costs incurred after monitoring and bonding are characterized as the residual loss. Jensen and Meckling developed the idea that managers' pursuit of their own self-interest causes them to choose a level of investment different from the optimum level for a completely manager-owned firm.

Llyas & Rafiq (2012) Stated that the role of corporate governance in organizational success is vital and integral to ensure the accomplishment. Authors analysis of the study tells that the corporate governance has different impact on organizational success. Discipline and responsibility plays a stronger role in making organizations successful in commercial banks operating in Lahore, Pakistan. According to the study these two variables significantly contribute in creating good corporate governance which insures organizational success.

Based on the finding of the study authors propose some suggestion that policy makers should focus more on discipline and social awareness. Furthermore, if consumer banks working in Lahore, Pakistan focus more on disciplinary actions, corporate governance practices should explicitly implemented. This study also proposes that social awareness also contributes in developing good corporate governance but the study does not show the significant effect of transparency and interdependence on organization success but jointly these have significance. Strategy makers should also focus on public policy, ethical behavior in organization, company culture that prohibits the employment of under-aged, responsibility of workers, fairness in record keeping and in selection criteria. Generally top management should take attention toward corporate governance in return to gain customers delighters which insure the overall organizational success.

8. Research methodology

This chapter is designed to explain the research methods used to meet the stated objectives of the study.

8.1 The Research Design

Research design is a master plan specifying the methods and procedures for collecting and analyzing the necessary information. A descriptive as well as analytical research design will be carried out for the purpose of this research. The research will be descriptive in nature so, it will be describes all the collected information and data. It also will be analyze the impact of corporate governance on perceived organizational success.

The findings of this research will mainly be based on the primary survey. The data will be collected by formulating a set of questionnaire which will be distributed to the respondents. The findings will be completely based on the data and facts provided by the sampled respondents.

8.2 Population and Sample

Population or universe refers to the entire group of people, events or things of interest that the researcher wishes to investigate. Sometimes, the entire population is sufficiently small, and one can include the entire population in the study. Such type of study is called census study.

The entire population of this study will be the all 28 commercial banks in Nepal. The employee working in different banks will be selected in sample by using simple random sampling. Out of total population about 200 employees (from five banks) will be selected as a sample.

8.3 Source of Data

Primary data will be used to fulfill the objective of this study. Primary data play main role to find out the result of the study and the primary data will be collected by using questionnaire.

8.4 Collection and Processing Procedure

Primary data is the original data collected by the researcher for the research project in hand. Thus, primary data will be collected to meet the specific objectives of the study. Primary sources of data include interviews, questionnaires and observations.

The collected information from the primary data are like raw data and there is the need to process the data to get required result. The information collected from field survey will be arranged, tabulated in master table by using computer software program.

8.5 Data analysis tool and techniques

Data analysis is an important stage of the research process. The purpose of analyzing the data is to change it from an unprocessed form to an understandable presentation. Raw data must be compiled, analyzed, and interpreted carefully before its full meaning and implications can be understood. For this research study, tables, graphs and charts will be used to present the data collected during the field work. Similarly, various statistical tools like mean, median, standard deviation, mean deviation and other tools will be used according to the need of the study. Computer software like Microsoft Excel and SPSS will also be used to analyze the data.

The Regression Model:

Following Regression model will be employed to show the inter-relationship between the various components of corporate governance with perceived organizational success.

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_{6+}\ \beta_7X_{7+}\ e_{i.}$$

Where,

Y	=	Perceived organizational success (dependent variable)
X_1	=	Transparency

X_2	=	Independence
X_3	=	Accountability
X_4	=	Fairness
X_5	=	Social awareness
X_6	=	Discipline
X_7	=	Responsibility
α	=	Constant
$\beta_1, \beta_2 \ldots \beta_7$	=	Regression coefficients of Factor 1 to Factor 7 respectively
e_i	=	Error term

9. Chapter plan

This study will focus on the investigation of the effects of corporate governance on perceived organizational success of Nepalese commercial banks. With the intent of the above broad objectives attainment, the study structure will as follows:

Chapter-I: Introduction

This chapter will describe the basic concept and background of the study. It includes basic information of the research area, focus of the study, problems of the study, objectives of the study, hypothesis and research question, need or significance of the study and limitation of the study. It is oriented for readers for reporting giving them the perspective they need to understand the detailed information about coming chapter.

Chapter -II: Review of Literature

The second chapter of the study will assure readers that they are familiar with important research that has been carried out in similar areas. The study will link in a chain of research that is developing and emerging knowledge and review about concerned field.

Chapter - III: Research Methodology

Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view. It will describe about the various source of data related with study and various tools and techniques employed for presenting the data.

Chapter - IV: Results

This chapter will analyze the data related to the study and presents the finding of the study and also comments briefly on the on the basis of result.

Chapter -V: Summary, Conclusion

This will be the last chapter of the study. On the basis of the results from data analysis, the researcher will concludes the performance of the sample banks for better improvement.

Reference, Bibliography and appendixes will also include at the end of the analysis.

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