Corporate Governance Mechanisms and Bank's Performance Evidence from Nepalese Commercial Bank

Associate Prof. Dr. Bijay Lal Pradhan
Tribhuvan University, Nepal
bijayapradhan@ac.tu.edu.np

Professor Dr. Hemant Kothari
Dean, PG Studies, Pacific University, India
deanpg@pacific-university.ac.in

Tika Ram Chalise
PhD Scholar, Pacific University, India
trchalise.tr@gmail.com

Received Mar. 13, 2023, Revised Jun. 5, 2023, Accepted Jun. 25, 2023
Published Jun. 30, 2023

Management Review: An International Journal, 18(1): 4-30.
https://doi.org/10.55819/mrij.2023.18.1.4

ABSTRACT

Good governance is foremost in order to develop good corporate working culture. Governance includes all formal and informal rules under certain principles of accountability, transparency, and the rule of law. The implementation of corporate governance certainly influences the performance of the firm. This study focuses on the corporate governance practices implemented by the commercial banks of Nepal and their impact on the bank's financial performance taking 11(2010-2020) years secondary data. The data were collected from Banking and Financial Statistics published by Nepal Rastra Bank. In addition to this, different published articles, reports, books, and magazines were also used. Multiple regression analysis was used to test the significance and importance of corporate governance in Nepalese Commercial Banks, where the dependent variable used was financial performance (ROA ROE and MB ratio), whereas the independent variables were Board Size, Independent directors, Board Meeting, Bank size, foreign ownership, government ownership, Bank Age. The result shows a positive relation of Age, Board size, independent directors, foreign ownership, firms' size with the performance of the bank, whereas board meeting and government ownership shows negative relation.

Keywords: Corporate governance, board size, board independence, return on assets, return on equity, MB ratio.

INTRODUCTION

Following the financial crisis in the middle of 2007, which resulted in bank insolvency, losses on the global stock market, and fall economy in emerging and developed countries thus, corporate governance has gained traction in the banking industry. There is no internationally recognized unique framework of corporate governance standards that can be applied in the case of developing countries like Nepal. The concept of corporate governance has been defined by different people in different ways. However, corporate governance has defined as a system by which organizations are controlled and directed (Ng'eni, 2015; Solomon, 2020). It is important for emerging nations to create their own corporate governance models that are suited to their own cultural, political, and technical circumstances (Christensen, Lægreid, & Røvik, 2020; Mulili & Wong, 2011). Researchers and industry experts have supported corporate governance in enterprises to relieve corporate scandals and fraud (Agrawal & Cooper, 2017; Ngoc et al., 2020).

Mechanisms denote all of the fundamental instruments, such as rules, regulations, codes of conduct, management methods, image building, risk management plan formulation, and so on, that direct and affect the operations and directions of any company. These are the methods that are utilized to defend the interests of the public as well as all stakeholders. Corporate Governance includes venture capital, financing, and reliability/ governance(Kim, 2018). Top management commitment & involvement, Policy deployment, process control and improvement, Research and development, training and education, maintaining suppliers' empowerment and relationship, customer relationship, employee empowerment and involvement, evaluation and assessment are the key factors to improve quality of the bank (Pradhan, 2017; Pradhan, 2018). There must be a supplier's code of conduct and CSR to survive large business (Moon, 2017). The significance of corporate governance cannot be overstated in today's dynamic economy, particularly given volatility of Nepalese banking. Many factors can impact bank performance, but corporate governance is important since it underlies the organizational environment for the bank's core functions and is a fundamental factor of business profitability and efficiency (Nyarko, Yusheng, & Zhu, 2017). As Nepal's central bank, the NRB has a clear mission to regulate and supervise Nepal's banks and financial organizations. NRB gives directions and recommendations to licensed BFIs in order to carry out its regulatory obligations. Commercial bank needs to choose appropriate costing system (Tuya, 2017). Similarly, NRB undertakes onsite inspections and offshore supervisions on a regular and need-based basis to examine risk profiles and compliance with current laws, regulations, and prudential standards.

While companies and banks in Nepal have been controlled in one manner or another since their incorporation, the financial sector reform of 1990s may be considered as a pioneer step towards the development of a formal governance system. The Nepalese central bank, NRB, has issued several corporate governance guidelines and principals for the development of banking sector. BAFIA is a key banking legislation relating to banks and financial institutions that aims to increase public trust in the country's overall banking and financial system, protect and promote depositors' rights and interests, and provide quality and reliable banking and financial intermediary services to the general public through healthy competition among banks and financial institutions. It also aims to reduce risks associated with the banking and financial sectors, as well as to strengthen and consolidate the Nepalese economy by liberalizing the banking and financial sectors. To promote good governance, the NRB published the unified directives, which contain recommendations for formation of boards of directors, board qualification, functioning, responsibility, committee, audit committee, management, and shareholders, the role of internal auditors, external auditors, and internal control, compensation plans, disclosure and transparency, prohibition of insider trading, related party transaction, fair and equitable treatment and so on (Kalika, 2017). Firm performance is a key concept that refers to the way and method in which sources of finance available to an institution are appropriately used to accomplish corporate goal of an organization that also keeps the organization in business and creates a significant prospect for future opportunities. The purpose of this research is to determine whether the corporate governance mechanisms and business performance are related. the study's aims are to investigate corporate governance mechanism like firms age, number of board meeting, firms' size, percentage of independent directors, government ownership, foreign ownership and board size with firm's performance (Return on assets, Return on Equity and Market to Book value).

REVIEW OF LITERATURE

Board Meeting

A board meeting is a meeting of an organization's board of directors during which the organization's coverage and major decisions regarding its future activities are addressed. A board meeting is also significant for facilitating the directors in obtaining information and keeping up with the company's progress (Eluyela et al., 2018). Furthermore, it is stated that method for identifying director behavior and work effort is to analyze board meeting participation (Chou et al., 2013). According to empirical study, board meetings have a favorable influence on business performance (Liang, Xu, & Jiraporn, 2013). The annual frequency of board meetings has also an inverse influence on financial performance (Vafeas, 1999). A board meeting is vital for assisting the directors in obtaining information and keeping up with the company's progress.

Firm's Size

Firm size has been commonly claimed to be connected to firm-level economies of scale. Larger organizations are projected to benefit from economies of scale, which lower operational costs and boost profitability (Olawale, Ilo, & Lawal, 2017). Lee (2009) has studied the impact of firm size on company profitability. The author utilized a fixed data model to analyze 7000 publicly traded corporations in the United States. The findings revealed that the size of the firm has a positive impact on firm's performance and profitability. The cause for the negative relationship between size and performance was discovered in the literature study; (Dedman & Kausar, 2012) ascribed the problem to company managers' pursuit of personal interests. (Shahid, Abbas, Latif, Attique, & Khalid, 2020) have brought up the issue of replacing management utility maximization for the profit maximization motive.

Board Size

Many corporate governance theories within the theoretical framework for corporate governance suggest the relationship between board size and financial performance. Both the agency and resource dependency theories advocate for a large number of members on the board of directors (Kiel & Nicholson, 2003). Board size as a variable that can influences corporate governance and firm performance. It is acknowledge that the board size and firm size are correlated (Bowen, Davis, & Rajgopal, 2002) and board size is related to firm performance (Kiel & Nicholson, 2003).There is no universal agreement on the size of the board. Board length may additionally have an effect on company overall performance directly and numerous factors are presented by many scholars. In line with sanders and chippie (1998), board size would mirror the complexity of firm's surroundings. Jensen (2003), states that oversized boards are the main cause of the company failure. Consistent with Fauzi and Locke (2012), keeping small boards can assist to enhance their overall performance and concludes that when board gets past seven or eight members Jensen (2001)or ten or more(Lipton & Lorsch, 1992) will interfere the decision and may decrease the board performance. Board size is positively related with firms' performance(Ntim, Opong, & Danbolt, 2015; O'Sullivan, Mamun, & Hassan, 2016).

From an agency perspective, larger companies require bigger boards to monitor and control the management's actions (Cambrea, Calabró, La Rocca, & Paolone, 2021). Therefore, in the academic literature, this variable is measured using total number of directors (Kyere & Ausloos, 2021). The same method will be used in this analysis. There's an inverse effect of board size on company overall performance (Kanakriyah, 2021) Supported with the aid of (Goel, Dhiman, Rana, & Srivastava, 2022), suggested that smaller forums may be associated with higher business enterprise performance and could be much less exposed to their CEOs.

Government Ownership

The political placement of management who may not be particularly productive and may be interested in pursuing political objectives can impact performance (Najaf & Najaf, 2021). For political, economic, or social reasons, governments may choose to invest in private enterprises(Zhou, Arndt, Jiang, & Dai, 2021). Government ownership is inefficient and bureaucratic, with no clear incentives for government enterprises to improve performance (Ajao & Ejokehuma, 2021). However, believe that government-owned businesses have an advantage since the government may spend cash in them to spur economic and financial development, particularly in nations with undeveloped economic institutions and government-financed social initiatives. Nonetheless, they argue that, in order to increase performance, the government should transfer control of the decision-making process from politicians to managers, as managers are more concerned with company performance than politicians. There is other study who support there is relation between corporate governance, firms' performance and government ownership (Wang & Shailer, 2018).

Foreign Ownership

positive impact of foreign investors on their performance was due to their involvement in accessing major resources, intensification of supervision, managerial skills, capital markets and modern technology(Kao, Hodgkinson, & Jaafar, 2019; Nakano & Nguyen, 2013). In contrary, several research indicate a negative or no influence on company performance on foreign ownership; (Andow & David, 2016).Many empirical researches have been conducted on the relationship between foreign ownership and company performance globally.

Percentage of Independent Directors

Since the failure of several large corporations, most organizations have recognized the critical responsibilities performed by independent directors. Independent directors might bring their own perspectives and actively engage in board meetings. The board of directors hires independent directors to oversee the performance of executive directors and top management. Unbiased non-executive directors are seen as beneficial because they could screen and manage the actions of opportunistic executive directors resolving corporation problems between managers and shareholders (Fama & Jensen, 1983). Alves (2014) attempted to investigate the influence of board independence on corporate earnings management. A sample of all firms whose stocks are listed on the Euronext Lisbon Exchange Market was used in this study. The purpose of this study was to compare the institutional and legal differences in the relationship between board independence and profits quality in Portugal and Anglo-Saxon nations. The findings revealed that independent board members had a positive and significant influence on enhanced quality of profit.

Bertoni, Meoli, and Vismara (2014) investigated the influence of board independence on corporate company value. Board independence was utilized as an independent variable in this study. This study combined the board of directors' two methods, namely value development and value protection. This study discovered a U-shaped curve that reflected the relationship between board independence and company age as a result of changes in the functions of the board of directors. Wu and Li (2015) attempted to examine the influence of independent directors on business financial performance. The finding shows that more independent directors had appositive and significant influence on business financial performance. The research recommended that additional independent directors be appointed to the board of directors in order to improve business performance.

Firm's Age

A rising number of researchers have looked at the link between firm age and performance(Ibrahim, El Frargy, & Hussainey, 2021) however the findings have been mixed. The majority of researchers believed that the age of a company impacts its growth. Older businesses dominate newer enterprises (Ismail, Rose, Abdullah, & Uli, 2010). This is because the hazard rate decreases over time (Audretsch & Mahmood, 1995), and firm survival rises with the business's age (Persson, 2004). New enterprises are seen as being unable to attain economies of scale (Barrett & Mayson, 2007), since they rarely have adequate management resources and knowledge in the field. Evans (1987) had a similar viewpoint when he stated that firm age influences company growth and performance.

Firms' Performance

ROA is a profitability ratio that assesses a company's capacity to create net income based on a specific amount of assets(Haris, Yao, Tariq, Javaid, & Ain, 2019; Le, Mai, & Nguyen, 2020; Mulchandani, Mulchandani, & Attri, 2019). According to the perspectives of numerous experts, the ROA is calculated by comparing net profit after taxes to total assets. This ratio is used to determine how well a corporation uses its current economic resources to generate profits from the assets it owns. A good ROA indicates that the company's total assets are capable of generating profits.

Return on equity (ROE), which is accounting-based measure, is another important indicator of business performance used in corporate governance research (Buallay, 2021; Shola, Terzungwe, & Joshua, 2021; Tanjung, 2021). The primary goal of an organization's operations is to create profits for the benefit of its shareholders. As a result, return on equity is a metric that shows investors the revenue earned from money invested by shareholders (Epps & Cereola, 2008). It is calculated by dividing net income by common equity.

Book-to-market ratio = book value of firm / market value of firm. Investors use the book-to-market ratio, a crucial financial statistic, to assess the relative worth of a company's stock. While a low ratio can signal that a company is overvalued, a high ratio shows that a company may be undervalued.

METHODOLOGY

This study empirically examined the quantitative effect of corporate governance and its impact on firm's performance of Nepalese commercial banks over the period of 11 years (2010 to

2020). Data were collected through audited annual reports, NEPSE, SEBON, online journal of individual banks, mero lagani, share shansar and web site of Nepal Rasta bank. The descriptive statistical tools like minimum, maximum, mean, skewness, kurtosis, standard deviation was used to measure the characteristics of corporate governance and financial performance of commercial banks of Nepal.

Table 1: Variables and its Operationalization

Variables	Operational Definition
Board Size	No of board of directors
Independent directors	percentage of Independent Directors on board
Board Meeting	The annual number of board Meeting
Bank size	Amount of Total assets
Foreign ownership	The percentage of equity shareholding by foreign joint venture partner
Government ownership	The percentage of equity shareholding by government
Age	Operation year
ROA	ROA is calculated as ratio of net income to total Assets
ROE	ROE is calculated as ratio of net income to total equity
MB ratio	The MB ratio is defined as ratio of market value of equity to book value of equity

Panel data were used to examine the relationship between corporate governance variables and firm's performance. Spearman's correlation and Multiple Regressions were used to examined the association between the corporate governance variables and firm performance variables. According to the theory discussed above ROA, ROE and MB ratio are the indicators which were used to measures the financial performance. The variables and its operational definition are stated in Table 1.

RESULTS AND DISCUSSION

Panel data were used to examine the relationship between corporate governance variables and firm's performance. Spearman's correlation and Multiple Regressions were used to examined the association between the corporate governance variables and firm performance variables. According to the theory discussed above ROA, ROE and MB ratio are the indicators which were used to measures the financial performance. The variables and its operational definition are stated in Table 1.

Descriptive Statistics

The descriptive statistics of the data are presented in Table 2. The descriptive statistics comprise the mean, median, maximum, minimum and standard deviation. Table 2 observed that for twenty-seven selected banks with their 11 years' data. Average mean and standard deviation of age of commercial banks stood of 19.72 and 16.49 respectively. Average ROA and ROE was about 1.577 and 15.107 respectively. This implies that the ROA and ROE can vary from its mean by about 1.026 and 14.448 respectively. The minimum value and maximum values of ROA generated over the study period are -5.020 and 8.150 whereas minimum and maximum value of ROE are -70.997 and 102.987 respectively.

Mean and standard deviation of sample banks in board size are7.240 and 1.024 with its minimum and maximum values are 5 and 9 respectively. The Percentage of independent directors who appear in board meeting stood 50.60 and standard deviation 17.94. Interestingly, the results reveal that foreign ownership about 9.904 of stake in the firms included in the analysis with its standard deviation 19.864. Minimum and maximum percentage of government ownership are 0 and 100. Board size represents total assets of bank. Mean and standard deviation of total assets are 78514.297 and 9223.372. MBR represents market to book value ratio. Minimum and maximum are -5.723 and 50.229 with its mean and standard deviation 3.170 and 3.565.

Table 2: Descriptive statistics of the variables

Variavbles	Min	Max	Mean	SD
AGE	1.000	83.000	19.720	16.493
ROA	-5.020	8.150	1.577	1.026
ROE	-70.997	102.987	15.107	14.448
BME	12.000	63.000	23.230	9.272
BSI	5.000	9.000	7.240	1.024
IND	11.111	100.000	50.605	17.940
FOR	0.000	75.000	9.904	19.864
GOO	0.000	100.000	7.550	22.779
FSI	1739.000	2003020.000	78514.297	9223.372
MBR	-5.723	50.229	3.170	3.565

Correlation Analysis

The descriptive statistics of the data are presented in Table 2. The descriptive statistics comprise the mean, median, maximum, minimum and standard deviation. Table 2 observed that for Table 3 presents Spearman's correlation for all the variables in the study. It mxamined the association between the corporate governance variables and firm performance variables. According to the correlation coefficients, illustrated in Table 3, there is a correlation between the corporate governance and firm's performance. Firms age is significantly correlated with Return on assets, board meeting, percentage of independent directors who appear in board meeting and government ownership at p < 0.01 (Pearson's correlation coefficient = 0.499,0.510, -0.517 and 0.746.

Table 3 Correlation between Variables

	AGE	ROA	ROE	BME	BSI	IND	FOR	GOO	FSI
ROA	.499**								
ROE	0.272	0.832**							
BME	.510**	0.380*	-0.129						
BSI	-0.118	0.059	0.079	0.205					
IND	-.517**	0.134	0.139	-.624**	-0.08				
FOR	0.148	.459*	.561**	-0.327	-0.315	.416*			
GOO	.746**	0.298	0.148	.566**	0.035	-.687**	-0.166		
FSI	.483*	0.450**	.515**	-0.001	-0.043	-0.285	0.015	0.347	
MBR	-0.15	0.334	.570**	-.547**	0.504**	.517**	.698**	-.414*	0.13

*Note: ***, **, * indicate significance at 1%, 5% and 10% levels, respectively*

The results also confirm a significant positive association between return on assets with Return on equity and Firms size at

$p < 0.01$ (Pearson's correlation coefficient = 0.832 and 0.450), and board meeting and foreign ownership at $p < 0.05$ (Pearson's correlation coefficient = 0.368). Nevertheless, there is an insignificant relationship between board size, percentage of independent directors, mb ratio and government ownership. The results also confirm a significant positive association return on equity with Market to book ratio, firms' size, age and foreign ownership at $p < 0.01$ (Pearson's correlation coefficient = 0.570,0.515,0.510 and 0.561) whereas Return on assets is significant at 5%level.

Board meeting is significantly negative correlated with MB ratio and percentage of independent directors, where as it is significantly positive relation with government ownership, age and return on assets. Board size is significantly negative correlated with market to book ratio at $p < 0.01$ (Pearson's correlation coefficient = -0.5170), but other sub-indexes (firms' size, government ownership, foreign ownership, percentage of independent director, return on assets, age and return on equity) have no association with board size. The correlation coefficients table show that there is a significant negative correlation between percentage of independent directors with age, board meeting and government ownership at $p < 0.01$ (Pearson's correlation coefficient = -0.687), but positively correlated with foreign ownership and market to book value ratio. This study also documents that positive significant relationship is detected between foreign ownership with MB ratio, return on assets, return on equity and percentage of independent directors at the 0.05 and 0.01 confidence levels. There is positive significant relationship between government ownership with board meeting and firms age however, perfectively negative significant relation with percentage of independent directors and mb ratio). Further, firms' size has a significant relationship with ROA and ROE at 1% level of significance whereas firms age at p <

0.05 (Pearson's correlation coefficient =0.483) but is not correlated with foreign ownership, board meeting, MB ratio and board size.

The data was checked for statistical issues of multicollinearity before executing the regression analysis. Multicollinearity is a condition in which the independent variables have extremely high inter-correlations or inter-associations. For all of the variables, it was assessed using the variance inflation factor technique (VIF), with the findings shown in Table 4.

Table 4 Variance Inflation Factors

Variables	AGE	BME	BSI	IND	FOR	GOO	FSI
1/VIF	0.247	0.402	0.842	0.370	0.553	*0.308*	0.613
VIF	4.056	2.487	1.188	2.703	1.810	3.248	1.613

Multicollinearity refers to a high degree of correlation between the independent variables. In other words, it demonstrates when the independent variables are connected to one another in a substantial way. These independent factors must be eliminated in such cases. Table 3 depicts the correlation matrix for all of the firm's performance and corporate governance-related factors taken into account in the panel data analysis. Because the correlation coefficients are either less than 75 percent or negative values, the table shows that there is no association between the independent variables. Because the variance inflation factors (VIFs) were within the permitted range, no multicollinearity was detected between any independent variables (less than 4.056). VIFs greater than 10 are thought to be indicative of multicollinearity (Gujarati & Porter, 2003). A VIF of 10 or more indicates the existence of multicollinearity among the independent variables, and it needs to be addressed (Nguyen, Locke, & Reddy, 2015).

Regression Analysis

The coefficients of determination show that around 51.3% of the variations in ROA, 49.1% variation in ROE, and 40.9% of variations in MB ratio are explained by the independent variables in the regression model. In general, there is a strong relation between corporate governance and firm's performance variable. F value of performance indicators are 7.743 on ROA 5.239 on ROE and 12.753 on MB ratio, which indicate models are significance.

Table 5. Results for Multiple Regressions with CG and Firms' Performance

	ROA		ROE		MBR	
Variable	Coefficient	SE	Coefficient	SE	Coefficient	SE
(Constant)	-1.052	0.979	-28.852**	14.152	-1.034	3.239
AGE	0.012*	0.006	-0.006	0.093	0.001	0.021
BME	0.003	0.008	-0.193*	0.11	-0.079***	0.025
BSI	0.109**	0.056	2.795***	0.809	0.688***	0.185
IND	0.012***	0.004	0.058	0.058	0.005	0.013
FOR	0.01***	0.003	0.129***	0.05	0.061***	0.011
GOO	0.007	0.004	0.08	0.059	-0.08*	0.014
FSI	0.16	0.182	4.925*	2.63	0.05	0.602
F Value	7.743		5.239		12.753	
P-value	0		0		0	
R Square	0.513	0.411	0.491	5.235	0.409	1.24

*Note: ***, **, * indicate significance at 1%, 5% and 10% levels, respectively*

The results in Table 5 also show that having older age significantly increased the performance of the firms in terms of improved ROA but it does not effect on ROE and market to book value ratio. This means that for commercial banks in Nepal, having higher age would increase firms' performance. This could be because older age banks have members who are experts in different fields that bring their expertise and experience. Interestingly, the results in Table 5 indicate that the board meeting is negative and statistically significant to ROE (coeff = -0.193) and MB ratio (coeff = -0.079), but no significant relation on (coeff = 0.003) ROA. It can be argued that regularly meeting on boards are destructive rather than constructive. This result contradicts the agency theory predictions. The table Shows that board size is positively significant correlated with ROA, ROE and MB ratio. This indicates that higher board size leads to an increase in the performance of banks. This might be because the larger board may bring diverse knowledge and ideas into the meeting, which facilitates better decision making and facilitates good monitoring and supervision (Andres & Vallelado, 2008). These findings are in line with resource dependent theory that states a larger board provides more specialist knowledge from different fields and therefore contribute to better decision making (Kanakriyah, 2021). Percentage of independent directors have positively significance with ROA (coeff = 0.012), which means independent directors are important in moderating conflicts between shareholder groups, which implies that the interests of minority investors are best protected and performance of the firm's increase. Again, there is positive relation with ROA and MB ratio but it is not significant. Independent directors are supposed to perform the monitoring and supervisory function of the board, especially ensuring that minority shareholders' interests are also represented in the board so inducting more independent directors into the board improves the monitoring and advising role of the board. The results show board independence as having significant positive impact on ROA which is consistent with previous studies (Liang et al., 2013). Foreign ownership has positive significant relationship with all three-performance based variable. This indicates that foreign banks in Nepal are found to adopt best practices of governance as per the governance codes of their parent companies and increase the performance of the bank. This result is similar with Studies by Malik et al. (2021); Nakano and Nguyen (2013); Ongore (2011) which consistently shows that foreign ownership has a positive impact on firms' performance. Government ownership has positive relation with ROA and ROE but not significant. Whereas, it is negatively significant with MB ratio. Finally, firm's size represents the total assets of the financial institution which is significantly positive relation with ROE.

CONCLUSION

The main objective of this paper is to examine the relationship between Corporate Governance mechanisms and Bank's performance evidence from Nepalese Commercial Banks. Dependent variable was used financial performance (ROA ROE and MB ratio), whereas the independent variables were Board Size, Independent directors, Board Meeting, Bank size, foreign ownership, government ownership, Bank Age. The research is based on secondary data collected through various published papers, reports, books, and magazines throughout the evaluation period of 2010 to 2020 of 27 Nepalese commercial banks. There is a strong relation between corporate governance and firm's performance variable. The performance of the enterprises improved dramatically as they grew older in terms of enhanced ROA, but it had no effect on ROE or the market to book value ratio.

This suggests that having a greater age will improve the performance of commercial banks in Nepal.

The negative impact on ROE implies that the agency cost (for example, refreshments, travel expenses, directors' meetings, and time) associated with holding more board meetings in Nepalese commercial banks effect the benefit that implying the frequent board meetings though perceived as a good corporate governance practice, corporate board in Nepalese commercial banks may not always devote quality time to discuss critical issues relating to the performance. As a result, such meetings bring costs, which will negatively affect bank performance. Therefore, a smaller number of board meetings are better for Banks in Nepal to improve performance. The significant effect of board meetings on firm performance is consistent with the agency theory's view, indicating that board meeting attendance is significant and is viewed as an indication of the board's successful monitoring activities. Board size is significantly positively relation with firms' performance. This suggests that having a larger board of directors improves bank performance. This might be because a larger board brings more diversified information and ideas to the table, allowing for better decision-making and better monitoring and oversight. Independent directors have significantly positive relation with firms performance which represents Independent directors are expected to conduct the board's monitoring and supervisory functions, including ensuring that minority shareholders' interests are reflected on the board, therefore adding more independent directors increases the board's monitoring and advising role. Foreign ownership has positive significant relationship with firm's performance base variable, this indicates that banks in Nepal are found to adopt best practices of governance as per the governance codes of their parent companies and increase the performance of the banks.

REFERENCES

Agrawal, A., & Cooper, T. (2017). Corporate governance consequences of accounting scandals: Evidence from top management, CFO and auditor turnover. Quarterly Journal of Finance, 7(01), 1-41.

Ajao, M. G., & Ejokehuma, J. O. (2021). Ownership structure and financial performance of manufacturing firms in sub-saharan africa. Facta Universitatis, Series: Economics and Organization, 18(2), 187-201.

Alves, S. (2014). The effect of board independence on the earnings quality: Evidence from portuguese listed companies. Australasian Accounting, Business and Finance Journal, 8(3), 23-44.

Andow, H. A., & David, B. M. (2016). Ownership structure and the financial performance of listed conglomerate firms in Nigeria. The Business & Management Review, 7(3), 231-240.

Andres, P. d., & Vallelado, E. (2008). Corporate governance in banking: The role of the board of directors. Journal of banking and finance, 32(12), 2570-2580.

Audretsch, D. B., & Mahmood, T. (1995). New firm survival: new results using a hazard function. The review of economics and statistics, 77(1), 97-103.

Barrett, R., & Mayson, S. (2007). Human resource management in growing small firms. Journal of small business and enterprise development, 14(2), 307-320.

Bertoni, F., Meoli, M., & Vismara, S. (2014). Board independence, ownership structure and the valuation of IPOs in continental E urope. Corporate Governance: An International Review, 22(2), 116-131.

Bowen, R. M., Davis, A. K., & Rajgopal, S. (2002). Determinants of revenue-reporting practices for internet firms. Contemporary

Accounting Research, 19(4), 523-562.

Buallay, A. (2021). Corporate governance, sharia'ah governance and performance: A cross-country comparison in the MENA Region. Al Qasimia University Journal of Islamic Economics, 1(1), 189-215.

Cambrea, D. R., Calabró, A., La Rocca, M., & Paolone, F. (2021). The impact of boards of directors' characteristics on cash holdings in uncertain times. Journal of Management and Governance, 26, 189-221.

Christensen, T., Lægreid, P., & Røvik, K. A. (2020). Organization theory and the public sector: Instrument, culture and myth: Routledge.

Dedman, E., & Kausar, A. (2012). The impact of voluntary audit on credit ratings: evidence from UK private firms. Accounting and Business Research, 42(4), 397-418.

Eluyela, D. F., Akintimehin, O. O., Okere, W., Ozordi, E., Osuma, G. O., Ilogho, S. O., & Oladipo, O. A. (2018). Board meeting frequency and firm performance: examining the nexus in Nigerian deposit money banks. Heliyon, 4(10), 1-14.

Epps, R. W., & Cereola, S. J. (2008). Do institutional shareholder services (ISS) corporate governance ratings reflect a company's operating performance? Critical Perspectives on Accounting, 19(8), 1135-1148.

Evans, D. S. (1987). Tests of alternative theories of firm growth. journal of political economy, 95(4), 657-674.

Fama, E. F., & Jensen, M. C. (1983). Agency problems and residual claims. The journal of law and Economics, 26(2), 327-349.

Fauzi, F., & Locke, S. (2012). Board structure, ownership structure and firm performance: A study of New Zealand listed-firms, 8(2), 43-67.

Goel, A., Dhiman, R., Rana, S., & Srivastava, V. (2022). Board composition and firm performance: empirical evidence from

Indian companies. Asia-Pacific Journal of Business Administration, 14(4), 771-789.

Gujarati, D. N., & Porter, D. C. (2003). Basic econometrics (ed.). Singapore: McGrew Hill Book Co.

Haris, M., Yao, H., Tariq, G., Javaid, H. M., & Ain, Q. U. (2019). Corporate governance, political connections, and bank performance. International Journal of Financial Studies, 7(4), 1-37.

Ibrahim, M. M., El Frargy, M. M., & Hussainey, K. (2021). The impact of corporate social responsibility as a marketing investment on firms' performance: A risk-oriented approach. Journal of Risk and Financial Management, 14(11), 1-17.

Ismail, A. I., Rose, R. C., Abdullah, H., & Uli, J. (2010). The relationship between organisational competitive advantage and performance moderated by the age and size of firms. Asian Academy of Management Journal, 15(2), 157-173.

Jensen, M. C. (2001). Value maximization, stakeholder theory, and the corporate objective function. Journal of applied corporate finance, 14(3), 8-21.

Jensen, M. C. (2003). A theory of the firm: governance, residual claims, and organizational forms: Harvard University Press.

Kalika, S. N. (2017). Banks and Financial Institutions Act, 2073: An Analysis of Major Provisions. Management Dynamics, 20(1), 97-110.

Kanakriyah, R. (2021). The impact of board of directors' characteristics on firm performance: a case study in Jordan. The Journal of Asian Finance, Economics and Business, 8(3), 341-350.

Kao, M.-F., Hodgkinson, L., & Jaafar, A. (2019). Ownership structure, board of directors and firm performance: evidence from Taiwan. Corporate Governance: The international journal of business in society, 19(1), 189-216.

Kiel, G. C., & Nicholson, G. J. (2003). Board composition and corporate performance: How the Australian experience informs contrasting theories of corporate governance. Corporate Governance: An International Review, 11(3), 189-205.

Kim, S. (2018). Domains and trends of entrepreneurship research. Management Review: An International Journal, 13(1), 65-90.

Kyere, M., & Ausloos, M. (2021). Corporate governance and firms financial performance in the United Kingdom. International Journal of Finance & Economics, 26(2), 1871-1885.

Le, T., Mai, V., & Nguyen, V. (2020). Determinants of profitability: Evidence from construction companies listed on Vietnam Securities Market. Management Science Letters, 10(3), 523-530.

Lee, J. (2009). Does size matter in firm performance? Evidence from US public firms. international Journal of the economics of Business, 16(2), 189-203.

Liang, Q., Xu, P., & Jiraporn, P. (2013). Board characteristics and Chinese bank performance. Journal of Banking & Finance, 37(8), 2953-2968.

Lipton, M., & Lorsch, J. W. (1992). A modest proposal for improved corporate governance. The business lawyer, 48, 59-77.

Malik, Q. A., Hussian, S., Ullah, N., Waheed, A., Naeem, M., & Mansoor, M. (2021). Simultaneous equations and endogeneity in corporate finance: the linkage between institutional ownership and corporate financial performance. The Journal of Asian Finance, Economics and Business, 8(3), 69-77.

Moon, J. (2018). Current Status of CSR in the Japanese MNCS. Management Review: An International Journal, 13(1), 4-19.

Mulchandani, K., Mulchandani, K., & Attri, R. (2019). An assessment of advertising effectiveness of Indian banks using Koyck model. Journal of Advances in Management Research.

16(4), 498-512.
Mulili, B. M., & Wong, P. (2011). Corporate governance practices in developing countries: The case for Kenya. International Journal of Business Administration, 2(1), 14-27.
Najaf, R., & Najaf, K. (2021). Political ties and corporate performance: why efficiency matters? Journal of Business and Socio-economic Development. 1(2), 182-196.
Nakano, M., & Nguyen, P. (2013). Foreign ownership and firm performance: evidence from Japan's electronics industry. Applied Financial Economics, 23(1), 41-50.
Ng'eni, F. B. (2015). The corporate governance and firm performance: A review of existing empirical evidence. Corporate Governance, 7(33), 92-98.
Ngoc, H. D. T., Thi, T. N., Phuong, L. T. M., Dat, P. M., Dung, V. T., & Manh, P. T. (2020). A set of international OECD and ICGN Corporate Governance Standards after financial crisis, Corporate scandals and manipulation-applications for Nigeria and implications for developing countries, 24(1), 56-80.
Nguyen, T., Locke, S., & Reddy, K. (2015). Does boardroom gender diversity matter? Evidence from a transitional economy. International Review of Economics & Finance, 37, 184-202.
Ntim, C. G., Opong, K. K., & Danbolt, J. (2015). Board size, corporate regulations and firm valuation in an emerging market: a simultaneous equation approach. International Review of Applied Economics, 29(2), 194-220.
Nyarko, F., Yusheng, K., & Zhu, N. (2017). Corporate governance and performance of firms: An empirical evidence from the banking sector of Ghana. Journal of Economics and International Business Management, 5(1), 14-29.
O'Sullivan, J., Mamun, A., & Hassan, M. K. (2016). The relationship between board characteristics and performance

of bank holding companies: before and during the financial crisis. Journal of Economics and Finance, 40(3), 438-471.

Olawale, L. S., Ilo, B. M., & Lawal, F. K. (2017). The effect of firm size on performance of firms in Nigeria. Aestimatio: The IEB International Journal of Finance, 15, 68-87.

Ongore, V. O. (2011). The relationship between ownership structure and firm performance: An empirical analysis of listed companies in Kenya. African Journal of Business Management, 5(6), 2120-2128.

Persson, H. (2004). The survival and growth of new establishments in Sweden, 1987-1995. Small Business Economics, 23(5), 423-440.

Pradhan, B. L. (2017). Confirmatory factor analysis of TQM implementation constructs: evidence from Nepalese manufacturing industries. Management Review: An International Journal, 12(1), 26-56.

Pradhan, B. L. (2018). Total Quality Management (TQM) implementations and impact in selected Nepalese manufacturing industries (Doctoral dissertation).

Shahid, M. N., Abbas, A., Latif, K., Attique, A., & Khalid, S. (2020). The mediating role of board size, philanthropy and working capital management between basic corporate governance factors and firm's performance. Journal of Asian Business and Economic Studies, 27(2), 135-151.

Shola, F. S., Terzungwe, N., & Joshua, O. (2021). Effect of corporate governance codes on return on equity of Nigerian deposit money banks. Gusau Journal of Accounting and Finance, 2(1), 2-15.

Solomon, J. (2020). Corporate governance and accountability: John Wiley & Sons.

Tanjung, P. R. S. (2021). The effect of good corporate governance, profitability and company size on sustainability report disclosure. EPRA International Journal of Economics, Business and Management Studies, 8(8), 69-80.

Tuya, T. (2017). Improving costing methodology based on commercial bank restructuring. Management Review: An International Journal, 12(2), 24-42.

Vafeas, N. (1999). Board meeting frequency and firm performance. Journal of financial economics, 53(1), 113-142.

Wang, K. T., & Shailer, G. (2018). Does ownership identity matter? A meta-analysis of research on firm financial performance in relation to government versus private ownership. Abacus, 54(1), 1-35.

Wu, X., & Li, H. (2015). Board independence and the quality of board monitoring: evidence from China. International Journal of Managerial Finance, 11(3), 308-328.

Zhou, P., Arndt, F., Jiang, K., & Dai, W. (2021). Looking backward and forward: Political links and environmental corporate social responsibility in China. Journal of business ethics, 169(4), 631-649.