Corporate Governance and firm Performance: A Study on listed Banks of Bangladesh

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Abstract:

Corporate governance plays a major role in macroeconomic stability and provides the appropriate environment for economic growth as well as society welfare. Good corporate governance practices are important in reducing risks for investors, attracting investment capital and enhancing performance of firms. The aim of this paper is to observe the relationship between corporate governance and firm performance in banking industries of Bangladesh. This study gave attention to nine variables i.e. Board Size, Board Composition, Board Ownership, Institutional Ownership, Foreign Ownership, Brand name of Audit firm, Quality of Audit Committee, Audit Committee Meeting and Gender are used to measure the corporate governance whereas return on assets is used to measure the firm’s performance. Fifteen (15) banking companies of Bangladesh representing the period of 2010 to 2015 were selected purposively used in this study. The descriptive analysis, correlation and multiple regression analysis were applied to test the impact of corporate governance on firm performance. The results showed that there were impacts of corporate governance on ROA. However, the study found a positive and also inverse relationship between the variables of corporate governance and firm’s performance.

Keywords: Corporate Governance, Firm Performance, ROA, Bangladeshi Banks.

Introduction:

Corporate governance issue was raised in early 1990s in England, Canada and America in response to the problems caused due to the inefficiency of administrative boards at big companies of the world. Corporate Governance is quite an old topic in financial research. Different people define corporate governance differently (Mohanty, 2003). Corporate governance is the system by which company is directed and controlled. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and shareholders and should facilitate effective monitoring, thereby encouraging firms to use resources more efficiently.” (OECD Principles of Corporate Governance, 1999). Early studies mainly focused on ownership structure and how this structure can minimize the agency
cost (Shleifer and Vishny 1996). This field took a sharp turn in focus after the collapse of major US corporations like Enron and World Call. Now the econometric research on corporate governance concerns mainly the relationships between various categories representing firm’s performance and the variables describing the governance level. Although corporate governance in developing economies has recently received a lot of attention, yet corporate governance of banks in developing economies as it relates to financial performance has almost been ignored by researchers (Ntim, 2009). Even in developed economies the corporate governance of banks and their financial performances has only been discussed recently in literature (Macey and O’ Hara, 2011). In recent years, corporate governance has progressed a lot globally. International organizations such as International Corporate Governance Network (ICGN), International Chamber of Commerce (ICC), World Bank, Common wealth Association for Corporate Governance, Organization for Economic Cooperation and Development (OECD), International Federation of Accounting (IFAC) and Standard & Poor Institute, defined internationally acceptable standards in this regard. The United States, Great Britain and other countries are continuously reinforcing their corporate governance system and are paying special attention to the stockholders and their relations, responsibility of administrative board and improving its performance, administrative board committees, auditing committees, auditors, accounting systems, and internal control. In recent years, corporate governance has presented itself as one of the major and dynamic aspects of commerce and it is attracting attentions in daily increasing manner. Recent studies have proved that structure of corporate governance is directly related with a company’s success or failure and it plays role in the future status of companies (Hassas Yeganeh, 2005).

The widely held view that corporate governance determines firm performance and protect the interests of shareholders has led to increasing global attention. Corporate Governance of banks plays important role in the global financial scene. In order to attract foreign direct investment, organizations such as the World Bank and International Monetary Fund (IMF) are promoting better governance for their member countries and wider networks. Earlier researches noted that the nexus between corporate governance and firm performance is subject to endogeneity, or reverse causality. Hence, it is not clear whether performance causes governance or whether corporate governance causes performance. Many studies have found a positive contemporaneous correlation between firm performance and good governance, which has led to numerous attempts to reform governance by institutional investors, stock exchanges and Congress. The existing literature has found that governance levels is contemporaneously correlated with both firm performance and firm.
Literature Review:

In order to understand corporate governance in Bangladesh, a review of relevant literature is fundamental one to discuss corporate governance practices and firm performance in the organization perspective. The impact of corporate governance variables on firm performance has been investigated in many studies around the world. This part will review some of these relevant studies that are related to our study in somehow from different countries. According to the Organization for Economic Co-operation and Development (2004), the corporate governance framework should be developed with a view to its impact on overall economic performance, market integrity and the promotion of transparent and efficient markets.

In any organization, corporate governance is one of the key factors that determine the health of the system and its ability to survive economic shocks. The health of organization depends on the soundness of its individual components and the economics between them. It is argued that, the unique nature of the banking firm, weather in the developed or developing world requires that a broad view of corporate governance, which encapsulates both shareholders and depositors, be adopted for banks. Better corporate governance is supposed to lead to better corporate performance by preventing the expropriation of controlling shareholders and ensuring better-making.

Most of the initial research studies on corporate governance concentrate on ownership structure and in a specific owner-agent context. Both theoretical and empirical studies suggest that relation between corporate governance characteristics and corporate performance can be positive (Morck et al., 1989); negative (Lehmann & Weigand, 2000) or none (Demsetz & Lehn, 1985; Burkart et al., 1997; Bolton & Von Thadden, 1998; Demsetz & Villalonga, 2001). As perceived that corporate governance can affect performance, similarly firm performance can cause the firm to change its governance structure (Hermalin & Weisbach, 1988 and Weisbach, 1988). A comprehensive study by Brown & Caylor (2004) in United States relates Governance Score to operating performance, valuation, and shareholder payout for 2,327 firms, and they find that better-governed firms are relatively more profitable, more valuable, and pay out more cash to their shareholders.

It also increases the firms’ responsiveness to the need of the society and results in improving long-term performance (Gregory & Simms 1999). Velnampy and Pratheepkanth in a study, entitled “Corporate Governance and Firm Performance: A Study of Selected Listed Companies in Sri Lanka” for corporate governance practices during the year between 2006 to 2010 in Selected Listed Companies in Sri Lanka, showed a positive relationship between the variables of corporate governance and firm’s performance. According to the
studies of Black, Jang and Kim, 2006; Drobetz, Schillhofer and Simmermann (2004); Ong, Wan and Ong (2003), and Gedajlovic and Shapiro (2002), there was the positive significant relationship between corporate governance practices and firm performance in various countries, in contrast, based on the studies of Guler, Mueller and Yurtoglu (2001), Hovey, Li, and Naughton (2003) and Alba, Claessens And Djankov (1998), there was no significant relationship between corporate governance and firm performance.

Any empirical study trying to find a meaningful relationship between the corporate governance and firm performance assumes that corporate governance is not set at the optimum level. While this assumption may not be directly testable, it is still used by numerous academics that aim to investigate the effects of corporate governance on firm performance (Black et al., 2003; Core et al., 1999; Durnev & Kim, 2004; Gompers et al., 2003; Larcker et al., 2004; Black, 2001; Yermack, 1996).

Numerous studies have investigated the role of BoDs, particularly its responsibilities and its composition, and found no concrete evidence regarding its impact on firm performance (Borokhovich et al., 1996, Agrawal & Knoeber, 1996). CEO/Chairman of the BoD duality is another important corporate governance issue. While Jensen (1993) argues that CEO and chairman roles should be separated, Brickley, Coles & Jarrell (1997) find evidence that costs of separating these roles outweigh the benefits. They also find no significant evidence that separating CEO and Chairman Roles improves firm performance. However, the composition of the board Prevost et al. (2002) find a positive correlation between the two.

Abu-Tapanjeh (2006) evaluated the connection between good corporate governance mechanism and financial performance of Jordanian firms using multivariate regression technique. The results of the study show that board structure has positive relationship with financial performance. Aljifri & Moustafa (2007) employed cross-sectional regression analysis technique to find out the impact of board characteristics on performance of firms in United Arab Emirates. The results reveal that board size has an insignificant impact on firms' performance. The results further reveal that governmental ownership has a significant relationship with firm performance while the institutional ownership has no significant relationship with firm performance.

Bathula (2008) performed a study in New Zealand while director ownership is negatively related with firm financial performance. Babatunde & Olaniran (2009) positive relationship between board size and ROE. Ibrahim et al. (2010) The results also show that ownership structure has a significant impact on return on equity but has significant on return on equity. Amran (2011) studied the
relationship between board characteristics and performance of Malaysian firms using panel data methodology. His findings reveal that board size has a significant negative relationship with firm performance. Al-Manaseer et al. (2012) employed pooled data analysis technique to investigate the impact of corporate governance on performance on Jordanian banks. The results reveal that there is a significant negative relationship between board size and return on equity.

Lastly Corporate governance enhance the performance and ensure the conformance of corporate to creating and maintaining a business environment that motivates managers and entrepreneurs to maximize firm operational efficiency, returns on investment and long term productivity growth. The ultimate outcome of these corporate governance benefits are higher cash flows and superior performance of the firm (Love, 2011).

Since most of the findings of the previous researches are from the developed counties those can’t be converted or generalized to other developing countries especially in Bangladesh, because the rules and regulations, market settings, cultures, practices, and standards are different. Thus, it can be concluded that there is a lack of empirical evidence on the issue of corporate governance practices and firm performance by the listed companies in Bangladesh.

**Figure 01: Research framework:**

|----------------|----------------------|--------------------|---------------------------|---------------------|-------------------------------|-----------------------------|-----------------------------|--------|

Firm Performance (ROA)

1. This study provides evidence of whether or not the corporate governance and performance indicators of the Bangladesh Banking companies which are listed at Dhaka Stock Exchange (DSE).
2. Provides the important indicators to the Bangladesh banking industries firms to solve the different strategic problem.

**Problem statement:**

The main idea of this study is to determine the firms’ performance indicators through corporate governance. To know the performance of the business, many factors can be kept in mind like Return on assets (ROA).

The study will answer the following research questions:

1. What factors of corporate governance might affect the performance of banks?
2. Is there any significant relationship between corporate governance and banks’ performance?

**Objectives of the study:**

The overall objective of this study is to find out the relationship between corporate governance practices and firm performance in listed banks in Bangladesh in the years of 2010-2015. Specifically, the study seeks to:

1. Examine the relationship between board size and banks performance.
2. Ascertain the influence of the composition of board members on firms’ financial performance.
3. Find out ownership of different individual, institutions and foreign entities is of any value in the promotion of firms’ financial performance.
4. Know how Brand name of audit firm, quality of audit committee, number of audit committee meeting and gender affect the firm’s performance.

**Methodology:**

For the purpose of this study, panel data set covers fifteen commercial banks(AB bank, Al-Arafah bank, City bank, Dhaka bank, Islami bank Bangladesh ltd, IFIC, Mercantile bank, NCC bank, One bank, Trust bank, Prime bank, Premier bank, Exim bank, SEBL, and Jamuna bank) in Bangladesh as at 2015. The time frame considered for this study is 2010-2015. The judgmental sampling technique was used in selecting the 15 listed banks out of the 54 banks. The required data has been gathered from the annual reports of these firms. All the financial data has been mentioned in terms of Bangladeshi Taka. In this study, we have used tools to analysis variables such as Excel, SPSS, Eview.

**Measurement of Variables**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Symbols</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Predictor Variables:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board Size</td>
<td>BS</td>
<td>Total number of members on the board</td>
</tr>
<tr>
<td>Board Composition</td>
<td>BC</td>
<td>Proportion of outside directors on the board i.e. non-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>executive directors in the board</td>
</tr>
<tr>
<td>Board ownership</td>
<td>BO</td>
<td>Directors hold % of shares of total outstanding share</td>
</tr>
<tr>
<td>Institutional ownership</td>
<td>IO</td>
<td>Institutions hold % of shares of total outstanding share</td>
</tr>
<tr>
<td>Foreign ownership</td>
<td>FO</td>
<td>Foreigners hold % of shares of total outstanding share</td>
</tr>
</tbody>
</table>
Brand name of the audit firm | BN | Code “1” if A category audit firm perform and “0” otherwise
--- | --- | ---
Quality of the audit committee | QAC | Code “1” if CA professional hold on the audit committee “0” otherwise
Audit committee meeting | ACM | Number of meeting hold in a year
Gender | G | Code “1” if women hold in the board and “0” otherwise

**Predicted Variables:**
Return on assets | ROA | Earnings before tax and interest/Total Assets

**Concepts of Variables in this study:**

In this study researcher have considered two types of variable such as independent variables (Board Size, Board composition, Board ownership, Institutional ownership, Foreign ownership, Brand name of the audit firm, Quality of the audit committee, Gender) and the dependent variable (Return on assets).

**Board Size:** According to the Bangladesh Code of corporate governance, to ensure a well-functioning and involved board, the size of the board should be large enough to include directors with diverse expertise and experience, but should not be too large to enable involvement by all directors.

**Board Composition:** The composition of boards of directors is one of the areas targeted by good governance in an organization. For ensuring good governance recently focus on board composition and diversity (Expertise, experience, and non executive) continued to gain steam in corporate governance.

**Ownership:** Ownership refers of a firms share owned by a given number of the largest shareholders. A high shareholder tends to create more pressure on managers to behave in ways that are value maximizing.

**Brand name of the audit firm:** There is a growing body of research that has provided evidence for the use of auditor size (“A” Category) as a proxy for audit quality. More evidence has recently been revealed in the world that Big audit firms have positively impact on firm performance.

**Quality of the audit committee:** Audit committees which include a financial expert or financial literacy are able to monitor the quality of financial reporting. At least one financial expert in the audit committee has greater interplay with their internal and external auditors.

**Audit Committee Meeting:** The audit committee is a committee of the board of directors responsible for oversight of the financial reporting process, selection of the independent auditor and receipt of audit results both internal and external. Several number of studies about audit committee found that audit committee play a vital role for ensuring corporate governance. Minimum 6-10 times audit committee meeting should be meet in a year and finally outcomes of the meeting assist to the board of directors to fulfill its corporate governance.

**Gender:** Male and female members board is very effective than the single gender board.

**Return on assets:**

ROA is calculated as operating income before interest and taxes divided by the total assets. ROA gives an idea as to how the efficient management uses it to generate earnings.
Hypothesis of the study:

From the introduction, vast literature review and to fulfill the research objective the researcher has decided to develop some important hypothesis on the basis of several variables to measure firm performance.

1H₀: There is no relationship between board size and firm performance

1Hₐ: There is a relationship between board size and firm performance

2H₀: Outside directors on the board are not related to firm performance

2Hₐ: Outside directors on the board are related to firm performance

3H₀: Board -ownership companies are not more likely to control their earnings.

3Hₐ: Board -ownership companies are more likely to control their earnings.

4H₀: Institutional -ownership companies are not more likely to control their earnings.

4Hₐ: Institutional -ownership companies are more likely to control their earnings.

5H₀: Foreign -ownership companies are not more likely to control their earnings.

5Hₐ: Foreign -ownership companies are more likely to control their earnings.

6H₀: Brand Name (Name of the Audit Firm) is not positively related to firm performance.

6Hₐ: Brand Name (Name of the Audit Firm) is positively related to firm performance.

7H₀: Quality Member’s of Audit Committee will not positively contribute to firm performance.

7Hₐ: Quality Member’s of Audit Committee will positively contribute to firm performance.

8H₀: Number of audit committee meeting does not play a positive role on firm performance.

8Hₐ: Number of audit committee meeting plays a positive role on firm performance.

9H₀: Female member represent in the board is not positively contributed to the firm performance.

9Hₐ: Female member represent in the board is positively contributed to the firm performance.

Model Specification

The general form of the panel data analysis model is specified as:

\[
\text{Performance (ROA)} = \beta_0 + \beta_1 \text{BS} + \beta_2 \text{BC} + \beta_3 \text{BO} + \beta_4 \text{IO} + \beta_5 \text{FO} + \beta_6 \text{BN} + \beta_7 \text{QAC} + \beta_8 \text{ACM} + \beta_9 \text{G} + \epsilon
\]

Where:

\( \text{ROA} = \text{Return on Assets (dependent variable)} \)

\( \beta_0 = \text{constant} \)

\( \beta = \text{is the coefficient of the explanatory variable (Corporate governance mechanisms)} \)

\( \text{BS}=\text{Board Size} \)

\( \text{BC}=\text{Board Composition} \)

\( \text{IO}=\text{Institutional Ownership} \)

\( \text{FO}=\text{Foreign Ownership} \)

\( \text{BN}=\text{Brand Name of the Audit Firm} \)

\( \text{QAC}=\text{Quality of the Audit Committee} \)
ACM= Audit Committee  
Meeting  
G= Gender  
e = error term (assumed to have zero mean and independent across time period)

**Analysis and Results:**

**Table 01:** Descriptive statistics of variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Size</td>
<td>90</td>
<td>7.00000</td>
<td>13.00000</td>
<td>9.78820</td>
<td>2.84791</td>
</tr>
<tr>
<td>Board Composition</td>
<td>90</td>
<td>0.00000</td>
<td>6.00000</td>
<td>1.48000</td>
<td>1.40100</td>
</tr>
<tr>
<td>Board Ownership</td>
<td>90</td>
<td>0.02000</td>
<td>0.45000</td>
<td>0.16230</td>
<td>0.15331</td>
</tr>
<tr>
<td>Institutional Ownership</td>
<td>90</td>
<td>0.09000</td>
<td>0.77000</td>
<td>0.23630</td>
<td>0.16662</td>
</tr>
<tr>
<td>Foreign Ownership</td>
<td>90</td>
<td>0.00010</td>
<td>1.83770</td>
<td>0.23287</td>
<td>0.37538</td>
</tr>
<tr>
<td>Brand name of Audit firm</td>
<td>90</td>
<td>0.00000</td>
<td>1.00000</td>
<td>0.61000</td>
<td>0.49000</td>
</tr>
<tr>
<td>Quality of Audit Committee</td>
<td>90</td>
<td>0.00000</td>
<td>1.00000</td>
<td>0.31000</td>
<td>0.46600</td>
</tr>
<tr>
<td>Audit Committee Meeting</td>
<td>90</td>
<td>3.00000</td>
<td>41.00000</td>
<td>10.71000</td>
<td>7.81500</td>
</tr>
<tr>
<td>Gender</td>
<td>90</td>
<td>0.00000</td>
<td>6.00000</td>
<td>1.49000</td>
<td>1.64600</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>90</td>
<td>0.00000</td>
<td>0.96000</td>
<td>0.03640</td>
<td>0.12917</td>
</tr>
</tbody>
</table>

*Source: Authors’ Calculations (2016)*

As shown in table (01) above, board size reported a mean value of 9.78820 which means that on the average sample companies have a board size of 10 directors while the proportion of the board composition is 1.48000. The result also indicates that mean of ROA is 0.03640. The standard deviation reported relatively small values 2.84791 while board composition reported Standard deviation of 1.40100, board ownership 0.15331 and brand name of audit firm is 0.49000.

**Table 02: Pearson Correlation among variables**

<table>
<thead>
<tr>
<th>Variables (1)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>BS (1)</td>
<td>1</td>
<td>.293**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BC (2)</td>
<td></td>
<td>1</td>
<td>-.396</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BO (3)</td>
<td></td>
<td></td>
<td>1</td>
<td>.686**</td>
<td>-.396</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IO (4)</td>
<td></td>
<td></td>
<td></td>
<td>-.054</td>
<td>-.166</td>
<td>-.327</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FO (5)</td>
<td></td>
<td></td>
<td></td>
<td>.127</td>
<td>.005</td>
<td>.250</td>
<td>-.109</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BN (6)</td>
<td></td>
<td></td>
<td></td>
<td>-.134</td>
<td>.161</td>
<td>-.051</td>
<td>-.071</td>
<td>-.121</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>QAC (7)</td>
<td></td>
<td></td>
<td></td>
<td>-.279*</td>
<td>.125</td>
<td>-.788**</td>
<td>.113</td>
<td>.029</td>
<td>.159</td>
<td>1</td>
</tr>
<tr>
<td>ACM (8)</td>
<td></td>
<td></td>
<td></td>
<td>.195</td>
<td>.134</td>
<td>-.629*</td>
<td>.077</td>
<td>-.160</td>
<td>.045</td>
<td>.250*</td>
</tr>
<tr>
<td>G (9)</td>
<td></td>
<td></td>
<td></td>
<td>.334**</td>
<td>-.316**</td>
<td>.577*</td>
<td>-.314*</td>
<td>.261</td>
<td>-.087</td>
<td>-.406**</td>
</tr>
<tr>
<td>ROA (10)</td>
<td></td>
<td></td>
<td></td>
<td>.215</td>
<td>.039</td>
<td>.225</td>
<td>-.011</td>
<td>.227</td>
<td>.280*</td>
<td>.268*</td>
</tr>
</tbody>
</table>

*Correlation is significant at the 0.01 level; * Correlation is significant at the 0.05 level

**Source: Authors’ Calculations (2016)**

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

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

As shown in the above table (02) reveals the strength of relationships among the variables used in the models. This analysis was carried out to observe the negative or positive relationship among all variables. The Return on Assets(ROA) is positively related to board size(.215), Quality of audit committee(.268),
and Brand name of audit firm (.280) with a significant value at p<.05 while that of Board composition, Board ownership, Foreign ownership is insignificant. A negative and insignificant relationship exist among Return on Assets (ROA), Institutional Ownership (-.011), Gender (-.160) and Return on equity(-.060). There are no high correlations of .90 or above in these results. But the highest positive coefficient of correlation is .686. And in this analysis there is no collinearity and multicollinearity problem.

Table 03: Regression Analysis

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Dependent Variable(ROA) Coefficient (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.0020</td>
</tr>
<tr>
<td>Board Size</td>
<td>1.9475*</td>
</tr>
<tr>
<td>Board Composition</td>
<td>2.4121**</td>
</tr>
<tr>
<td>Board Ownership</td>
<td>0.4540*</td>
</tr>
<tr>
<td>Institutional Ownership</td>
<td>-.7190</td>
</tr>
<tr>
<td>Foreign Ownership</td>
<td>.0030*</td>
</tr>
<tr>
<td>Brand name of the audit Firm</td>
<td>.0040*</td>
</tr>
<tr>
<td>Quality of the audit Committee</td>
<td>.0040*</td>
</tr>
<tr>
<td>Audit Committee Meeting</td>
<td>7.192**</td>
</tr>
<tr>
<td>Gender</td>
<td>.000</td>
</tr>
</tbody>
</table>

R = .886
R-squared = .784
Adjusted R Squared = .640
Std. Error of the Estimate = .00506
F- statistics = 5.452
Significant P value = .002

Source: Authors’ Calculations (2016)

** P < 0.01; * P < 0.05

According to the table (03) adjusted R square is .784. It means that there is a 78.4% of the impact of the independent variable (corporate governance) on the dependent variable (firm performance). From the ANOVA summary of the regression analysis, significant P value is .002. It is less that the significant level 0.05. Therefore, we can conclude that 64% (Adjusted R square) of the impact is in the significant level.

From the regression analysis result reveal that Board size, Board composition, Board ownership, Foreign ownership, brand name of audit firm, Quality of audit committee and Audit committee meeting are significant at P<0.05 and P<0.01 i.e positively impact on firm performance(ROA). But only Institutional ownership and Gender variables are not significant as P- value are greater than 5%. The result of the regression analysis summarized in the above tables show that corporate governance contributes significantly to the firm performance (F = 5.452; P<0.05) and 64 percent of the variation found.
Hypothesis Testing based on significant

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is no relationship between board size and firm performance.</td>
<td>Rejected</td>
</tr>
<tr>
<td>Outside directors on the board are not related to firm performance.</td>
<td>Rejected</td>
</tr>
<tr>
<td>Board -ownership companies are not more likely to control their earnings.</td>
<td>Rejected</td>
</tr>
<tr>
<td>Institutional -ownership companies are not more likely to control their earnings.</td>
<td>Accepted</td>
</tr>
<tr>
<td>Foreign -ownership companies are not more likely to control their earnings.</td>
<td>Rejected</td>
</tr>
<tr>
<td>Brand Name (Name of the Audit Firm) is not positively related to firm performance.</td>
<td>Rejected</td>
</tr>
<tr>
<td>Quality Member’s of Audit Committee will not positively contribute to firm performance.</td>
<td>Rejected</td>
</tr>
<tr>
<td>Number of audit committee meeting does not play a major role on firm performance.</td>
<td>Rejected</td>
</tr>
<tr>
<td>Female member represent in the board is not positively contributed to firm performance.</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Recommendation and conclusion:

This study examined the relationship between corporate governance and firm performance of Bangladeshi listed banking companies. When Return on Assets (ROA) was used as dependent variable, all the corporate governance variables were positively associated with firm performance except institutional ownership and gender. Researcher observe some recommendation based on their accounting analysis and from the literature review that are: (1) board size should be productive and eligibility of directors should be revised and streamlined among key regulators. (2) Majority of the board member should be independent and their academic background & expertise must be different from each other. (3) In case of firm value maximization directors and foreign owners always keep under pressure to the management that means acts as a pressure group and should consider good corporate governance practices as investment decision. (4) Bangladesh Bank should make and provide guidelines to individual banks for doing audit work through “A” grade firm and at least one FCA should be
hold in the audit committee & should set criteria with a minimum number of meetings should be held in a year that’s may be 12 to 15 times.

Effective corporate governance practices are essential to achieve and maintain public trust and confidence in the banking system, which are critical to the proper functioning of the banking sector and economy as a whole. In fact, corporate governance should be used as a “competitive weapon” in this sector. Bangladesh is on the way of practicing this culture of corporate governance in its banking sector. Since this study finds a highly significant relationship between some of corporate governance variables and firm performance, so future research might investigates the relation between rest of the corporate governance mechanisms.

References:


