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Influence of Corporate Governance Practices on Financial Success: Insights from Nepalese Commercial Banks

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ABSTRACT

This study seeks to examine how board characteristics of corporate governance dimensions influence the financial health of commercial banks in Nepal. The descriptive and causal-comparative research design is employed to achieve the stated objectives. The population includes all 20 commercial banks licensed by NRB, from which 10 were selected as the sample. The analysis is based on longitudinal data collected from secondary sources over a ten-year period, from 2014 to 2023. Statistical techniques such as regression analysis and correlation are employed to analyze the data. The study reveals that after the enforcement of BAFIA in 2017, the obligatory requirements concerning board size, board independence, and board committees were strictly followed. Furthermore, the boardrooms during the study period exhibited a limited presence of women and independent directors. The results show that the size of the board and the presence of board committees have a statistically significant negative effect on ROE, while board independence has no significant impact on financial performance measures. However, board diversity shows a significant positive impact on the financial performance of commercial banks in Nepal. The results of this study hold practical significance for banking regulators, legislators, and financial institutions in formulating policies concerning board attributes.

1. INTRODUCTION

In today's globalized and competitive world, the competitiveness, transparency, and governance structures of businesses play crucial roles in driving and creating economic value (Ayorinde et al., 2012). Transparency and confidence are key issues and requirements for corporate governance within business organizations. Corporate governance has emerged as a modern concern owing to its crucial role in fostering the economic progress and advancement of nations. The lack of effective corporate governance stands as a primary reason for the downfall of numerous once-thriving companies. The prosperity of businesses mirrors the economic health of a nation. Consequently, inadequate corporate governance practices can be held responsible for the underdevelopment of firms.

Corporate governance entails the set of guidelines, methodologies, and operational procedures guiding the leadership and oversight of a company. It serves as the structure through which organizations are administered and supervised (Yasser et al., 2011; Sapkota & Poudel, 2022). A key aspect of corporate governance is its role in harmonizing the interests of key stakeholders, including shareholders, management, suppliers, financiers, government bodies, and customers. This alignment is facilitated through a blend of regulatory frameworks, operational systems, procedural protocols, activities, and ethical standards. By fostering entrepreneurial spirit and sound management principles, corporate governance aims to safeguard the sustained prosperity of the entity. Corporate governance thus acts as a comprehensive system encompassing rules, regulations, responsibilities, and obligations to its major stakeholders (Jensen & Meckling, 2001; Fama & Jensen, 2003; Shleifer & Vishny, 2015).

Corporate governance encompasses a set of practices and policies that companies adopt to align their operations with the interests of stakeholders and achieve organizational goals. It is also a key area within economics that examines the complexities arising from the separation of ownership and control. The corporate governance framework outlines the distribution of rights and responsibilities among various stakeholders, such as the board of directors, management, shareholders, and other interested parties. It also establishes protocols for decision-making within the corporation to ensure transparency, accountability, and effective oversight (Pradhan & Adhikari, 2011). Effective corporate governance relies on core principles such as accountability, transparency, fairness, and responsibility in managing a company, all of which are crucial for its success (Ehikioya, 2009). Corporate governance encompasses the methods by which a company is managed and regulated. Without robust corporate governance practices, companies risk failing to be accountable to their diverse stakeholders. It serves as a mechanism employed to guide and oversee the operations of firms and organizations (Amarneh, 2014).

In a developing nation like Nepal, prioritizing improvements in corporate governance can address several critical issues. Effective corporate governance not only enhances resilience against financial crises in emerging markets but also reinforces property rights, reduces transactional expenses and capital costs, and fosters the development of robust capital markets.

On the other hand, poor corporate governance frameworks erode investor confidence and can deter external investment.

Implementing corporate governance in developing countries remains challenging. There is a pressing need for comprehensive research into crafting corporate governance policies, frameworks, and structures tailored to these contexts. Unfortunately, corporate governance in these nations often receives insufficient attention. Their internal challenges, such as political instability, high unemployment rates, widespread poverty, and civil unrest, divert resources and focus away from governance reforms (Mulili, 2011). Arun and Turner (2004) underscored the importance of enhancing corporate governance within the banking sector of developing countries. Given the significant role, banks play as the primary source of finance due to underdeveloped financial markets, they are pivotal for economic growth. Furthermore, recent liberalization efforts have granted bank managers greater autonomy, amplifying the need for robust governance mechanisms to ensure accountability and stability.

In Nepalese banks, corporate governance frameworks are primarily guided by several key regulations: the Bank and Financial Institutions Act, 2017, the Companies Act, 2006, and Nepal Rastra Bank's Directive No. 6 on Good Corporate Governance. These regulatory documents establish the foundational principles and practices for effective corporate governance within the banking sector. However, there is a pressing need for reform within these laws and regulations to implement a more robust governance system. Key areas requiring attention include clarifying the authority and responsibilities of board directors, establishing stringent qualifications for directors, enhancing board governance mechanisms, strengthening the oversight role of independent directors, and promoting transparent reporting and disclosure practices conducted in an ethical manner. The absence of transparency and inadequate disclosure practices have been identified as significant contributors to corporate scandals and governance lapses globally in recent years. These issues not only erode public confidence but also hinder the reliability of financial institutions. It is imperative for the Nepalese financial sector to adopt comprehensive good governance practices to enhance its credibility and competitiveness within the economy (Adhikari, 2014). In light of emerging concerns and debates surrounding board diligence and board busyness, this study seeks empirical investigation within the context of Nepalese banking. Considering this fact, this study aims to fill this gap by examining the role of good corporate governance practice to enhance the financial health of banking sectors. Hence, the primary objective of this research is to investigate the corporate governance practice and financial success of Nepalese commercial banks.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Resource dependence theory was examined by Daily et al. (2003), Hillman and Dalziel (2003) and Pfeffer and Salancik (1978), In order to better understand the intricate dynamics of principal-agent relationships and corporate governance, Hillman and Dalziel (2003) recognized the need for a more comprehensive approach and proposed integrating agency theory with resource dependence theory. They placed particular emphasis on the qualities of

boards and firm performance. Similar to this, Freeman (1984) pointed out the shortcomings of agency theory and suggested multiple agency theory as a more thorough framework for examining corporate governance, performance of the firm, and board characteristics. Research on board characteristics and financial performance has a strong theoretical base to the integration of multiple agency theory and other theories, as demonstrated by Rahman and Yilun (2021).

Agency theory emphasizes the critical role of the corporate board in mitigating agency conflicts and associated costs, thereby enhancing governance and firm performance. Conversely, resource dependency theory focuses on the board's role in connecting the firm with external resources, impacting financial performance, and ensuring stability. Stakeholder theory suggests that board composition is crucial for steering companies toward ethical and sustainable business practices. This approach considers the interests of various stakeholders, ultimately enhancing financial performance. While stakeholder theory and other theories acknowledge the significance of the board in shaping firm performance, they diverge in their emphasis on various mechanisms. Stakeholder theory focuses on balancing diverse interests and addressing ethical considerations, whereas other theories may prioritize conflict resolution, resource allocation, and governance structures.

Poudel and Hovey (2013) found that larger board and audit committee sizes, combined with fewer board meetings and a lower proportion of institutional ownership, enhance the efficiency of Nepalese commercial banks. Pradhan (2015) determined that board size and having an executive CEO significantly impact ROE, while total assets have an insignificant effect on ROE, concluding that corporate governance significantly influences ROE in financial institutions, particularly in Nepalese commercial banks. Gyawali (2018) also demonstrated that corporate governance significantly affects the financial performance of Nepalese commercial banks, as indicated by ROE.

The case study of an international bank highlighted the critical role of effective corporate governance mechanisms in strengthening crisis management (Sivaprasad & Mathew, 2021). The main components of corporate governance included evaluations of management performance, a well-structured board of directors, transparency, independent board, and professional internal committees. These elements collectively instilled trust in the bank. Additionally, Broadstock et al. (2021) found that firms with robust governance mechanisms experienced reduced credit risk. Similarly, Scherer and Voegtlin (2020) reported that these mechanisms encouraged innovation, leading to improved financial performance. Additionally, effective boards were able to communicate well with the external environment during crises, improving trust and sending positive signals to depositors and other stakeholders (Jorgensen,2022). Demir and Danisman (2021) studied 1,927 banks from 110 countries during the first four months of 2020 and found that there is significant influence of corporate governance dimensions on bank returns.

2.1 Board Size and Financial Performance

It is generally believed that a smaller board size positively affects banking performance due to factors such as effective communication, quicker decision-making, and more efficient planning. Research supports this notion, indicating a negative relationship between board size and firm performance (Yermack, 1996). Similarly, scholars like Singh and Davidson (2003); Adusei (2012); Sapkota (2020) have also identified a negative relationship between board size and bank performance. This suggests that smaller boards can enhance a bank's performance. Lamichhane (2018) emphasized that a large board of directors can lead to co-ordination and control issues, prolonging decision-making processes and ultimately reducing performance. Similarly, Hajer and Anis (2018) found that oversized boards negatively affect bank performance. This is due to decreased efficiency in governance mechanisms, which reduces overall performance. However, Bhattarai (2017) found that a larger board size improves the efficiency of commercial banks. Based on the above facts, the following hypothesis has been developed:

H_1: Board size negatively affects on financial performance.

2.2 Board Independence and Financial Performance

The independence of the board is crucial as it ensures that board members are not unduly influenced by the CEO and management, thereby avoiding conflicts of interest. This independence is demonstrated through the composition of the board. External board members, who are not involved in the day-to-day operations of the firm, but their experiences contribute to the generation of novel perspectives and ideas regarding earning performance. of the company (Swamy, 2011). Similarly, non-executive directors play a crucial role in safeguarding shareholders' interests when making corporate decisions (Bhaduri & Selarka, 2016). According to agency theory, conflicts often arise between the objectives of owners and managers within a firm (Fama & Jensen, 1983). In terms of corporate governance, the agency theory highlights the necessity of robust monitoring mechanisms to protect shareholders from potential managerial misconduct. Consequently, the presence of a majority of external directors on the board is generally associated with improved firm financial performance (Jensen & Meckling, 1976). Ruigrok & Keller (2016) highlighted that presence of outside director on board improves the practicability of board and firm performance. The entrance of outside directors on board is attributed as board independence and it is is one of the significant determinants of board effectiveness (Adams & Mehran, 2016). Based on the above facts, the following hypothesis has been developed.

H_2: Board independence positively affects on financial performance.

2.3 Board Diversity and Financial Performance

Board diversity includes both the tangible and intangible qualities of board directors. Tangible diversity includes factors such as gender, age, and ethnic background, while intangible diversity includes experiences, education, skills, and other personal qualities of

directors (Fama, 1980). However, diversity extends beyond mere demographics; it influences how individuals perceive, behave, and interact within a group, making it a crucial aspect of the boardroom dynamic. Board diversity and financial success of the business are positively correlated (Acharya, 2018; Arvanitis et al., 2023; Carter et al., 2010; Kathuria & Dash, 2016; Terjesen et al., 2015).

Conversely, Darmadi (2011); Arora and Sharma (2016); Subedi (2015) have presented opposing views, suggesting a more nuanced relationship between board diversity and firm outcomes. Rijal and GC (2010) observed a positive correlation between the board diversity and financial performance of Nepalese banking industry. Similarly, Pradhan (2015) noted a noteworthy link between board diversity and the return on assets (ROA) and return on equity (ROE) of commercial banks. Likewise, Acharya (2016) concluded that corporate governance element board diversity has significant influence on firm value and it positively affects on financial performance. Islam & Imran (2018) documented significant associations between board diversity variables and both Tobin's Q and market share per value. Based on the above discussion, the following hypothesis has been developed:

H_3: Board diversity positively affects on financial performance.

2.4 Board Committee and Financial Performance

Board committees, overseen by members of a company's board of directors, play a pivotal role in optimizing resource allocation, leveraging skills, and clarifying roles within a smaller subset of directors, thereby enhancing governance effectiveness (Carter et al., 2010). This practice allows directors to channel their time and expertise into key areas, bolstering governance mechanisms. The establishment of board committees contributes to firm performance by capitalizing on specialization and concentrated focus within the boardroom by fostering transparency and streamlining governance processes, (García-Ramos and García-Olalla, 2011). A significant body of research demonstrates the positive effect of board committees on company performance, despite inconsistent results in earlier studies (Carter et al., 2010; García-Ramos et al., 2011; Alodat et al., 2021). In contrast, studies by Al-Matari et al. (2012) and Pucheta-Martínez and Gallego-Álvarez (2020) show that board committees have a negative correlation with both return on equity (ROE) and Tobin's Q, a market-based indicator used to quantify business performance.

Kasthury and Saratha (2021) highlighted that the board committees like audit committee, remuneration committees, grievance committee affects the entities' financial performance positively. It revealed that the committee had a significantly positive impact on earnings per share as well as other financial indicators. Similarly, Mohammad (2023) also revealed that the specialized board committees have positive and significant impact on firms return on asset (ROA) and return on equity (ROE). It concluded that board members having expertise in the related areas helps in executing the business plan and improve the quality of financial information reporting which positively affect the financial performance. Based on the above discussion, the following hypothesis has been developed:

H_4: Board committees positively affects on financial performance.

3. RESEARCH METHODS

This study employs a descriptive and causal-comparative research design to achieve its stated objectives. The population includes all the 20 commercial banks as of July 2023 authorized by NRB as well as listed on the Nepal Stock Exchange (NEPSE). 10 commercial banks were selected as the sample based on criteria such as operating for more than ten years up to FY 2022/2023 and not incurring losses during the study period. The study used secondary data, which was collected from periodical reports and statements published by Nepal Rastra Bank (NRB), annual reports and financial statements of the concerned banks, securities board of Nepal (SEBON) and Nepal Stock Exchange (NEPSE) database. The study utilized both descriptive and inferential statistical techniques to analyze the data, including mean, standard deviation, correlation, and multiple linear regression models. These methods were employed to assess the impact of board characteristics on the financial success of commercial banks in Nepal. A validated model, based on the approaches of Carter et al. (2010), García-Ramos et al. (2011), and Gafoor et al. (2018), was adopted to evaluate how board characteristics influence the financial performance of Nepalese commercial banks. Information was gathered from 10 banks spanning a decade, from 2014 to 2023.The basic model of the study is;

$$ROE\ (Y) = \beta 0 + \beta 1BS + \beta 2BI + \beta 3BD + \beta 4\ BC + + \varepsilon t$$

Where, ROE = Return on Equity	BS = Board Size
BI=Board Independence	BC= Board Committee
BD= Board Diversity	β0= coefficient of constant
β1, β2, β3 and β4 = coefficient of explanatory variables	εt = error term

4. RESULTS AND DISCUSSIONS

The study examines the impact of corporate governance on financial performance of Nepalese commercial banks. Table 1 presents the descriptive analysis and correlation coefficients of the variables used in the study. The average value of ROE is 20.5 percent. This performance variable indicates that their performance is relatively stable, as evidenced by the smaller standard deviation in comparison to the mean.

The average size of board 7 members. These statistics align with the provisions of the Bank and Financial Institution Act (BAFIA), 2017. Section 14 of the Act pertains to the formation of the Board of Directors, stating that a bank or financial institution shall have five to seven members. The average number of independent directors in the board was one, which is consistent with the provision of the Bank and Financial Institution Act (BAFIA) 2017. Section 14, clause 3 of the act stipulates the appointment of independent directors that *the Board of Directors shall appoint at least one Professional Director from among individuals possessing the requisite qualifications and experience.* The average number of female directors

In the board was 0.29. However, out of 20 A-class commercial banks in Nepal, only 13 commercial banks have women on their Board of Directors. In this study, out of the 10 sample banks, currently, NMB Bank Ltd. and Siddhartha Bank Ltd. has no women director in their board. The average number of board committee in the bank was 4. The main board committees formed in Nepalese commercial banks are, Risk Management Committee, Audit Committee, Employee Welfare and Remuneration Committee.

The Pearson Correlation Coefficient test was employed to analyze the correlation between corporate governance dimensions and financial performance of Nepalese commercial banks. Table 1 demonstrates that the number of board member in the board has insignificant relationship (0.181) with the performance of bank. It has insignificant relationship with ROE at 0.05 level. The result shows that the number of members on the board does not significantly affect on ROE. Similarly, the number of independent directors in the board has insignificant relationship (0.087) with ROE. It indicates that, the increasing or decreasing the number of independent directors in the board, does not significantly affect on ROE of commercial banks in Nepal. Likewise, the number of female directors or board diversity has significant positive relationship (.324**) with ROE. It indicates that, increasing the number of female directors in the board, increases ROE and vice versa. The banks which maintain the policy of board diversity, enable for better financial performance in the comparison of the banks without board diversity. Moreover, the board committee has negative and insignificant relationship (-0.032) with ROE. It indicates that, the increasing the number of board committee, decreases ROE and vice versa.

Table 1

Descriptive Analysis and Correlation Coefficients

	Mean	SD	BS	BI	BD	BC	ROE
BS	6.96	1.09	1				
BI	1	0.37	.594**	1			
BD	0.29	0.5	-0.164	-.200*	1		
BC	4	0.86	-.225*	-0.111	-0.068	1	
ROE	20.5	5.81	0.181	0.087	.324**	-0.032	1

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

Source: Annual Reports

4.1 Test of Hypothesis

The impact of independent variables on dependent variables was evaluated using multiple regression analysis. The results of the regression analysis concerning financial performance in terms ROE, and their corresponding explanatory variables of corporate governance dimensions are presented in Table 2 below.

Table 2

Regression Results

Predictors	Coefficients	t-statistic	p-value	VIF
Constant	10.334	1.779	.078	
BS	-1.145	-1.833	.070	2.022
BI	.894	.453	.652	1.623
BD	0.899	3.913	.000	1.341
BC	-1.054	1.218	.226	1.103
R^2 = .201, Adj.R^2 =0.448, F-value =5.963, F(sig) = 0.000				

Source: Annual Reports

$$ROE = \beta_0 + \beta_1 BS + \beta_2 BI + \beta_3 BD + \beta_4 BC + e_i$$
$$= 10.334 - 1.145BS + 0.894BI + 0.899BD - 1.054BC + e_i$$

The results from multiple regression analysis revealed that the regression model is highly significant ($F(4,95) = 5.963$, $p < 0.01$). It can be concluded that the model is fit for the study. This implies that the predictor variables, board size, board independence, board diversity and board committee explain the variation in the dependent variable return on equity (ROE). The R statistic of the model is 44.8, indicates that there is moderate relationship between the dependent and independent variables. This implies that the ROE was moderately influenced by its independent variables. The R^2 of the above model is 0.201. The implication of the model is that, the independent variables i.e. board size, board independence, board diversity and board committee in the bank explain 21 percent of variance in the financial performance i.e. ROE. This means that, the other factors not considered in the study contribute 79% of variance in the dependent variable. The VIF values for all variables are well below the common threshold of 10, indicating that multicollinearity is not a significant concern in this dataset.

The results of regression analysis depict the relationship of each independent variable with financial performance. Board size is negatively associated with ROE (β = --1.145, p = 0.070), indicating that higher number of members in the board are resulting lower ROE. Hence, the hypothesis 1, board size negatively affect to financial performance is accepted. It is generally believed that a smaller board size positively impacts the performance of banks due to factors such as effective communication, quicker decision-making, and more efficient planning. Board independence (β = .894, p = 0.652) has positive but insignificant relationship with ROE. Hence, the hypothesis 2, board independence positively affect to financial performance is rejected. It is believed that the independent director is loyal towards the board who appoints him. The provision of appointing independent director is good but there is the wrong practice

for appointing the independent director so that they are not able to exercise their expertism for the betterment of the company. Board diversity (β = .899, p = 0.000) has positive and significant relationship with ROE. Hence, the hypothesis 3, board diversity positively affect to financial performance is accepted. It is said that the diverse board certainly may create more loyal to the public and follow the rule of the government so that the performance of the organization enhances. Board committees (β = -1.054 p = 0.226) has negative relationship with ROE. Hence, the hypothesis 4, board committee positively affect to financial performance is rejected. It is found that the board committees are the independent body but their decisions should be endorsed by the Board of Directors to implement into practice. In such a case, the decisions made by the board committee may not be endorsed by the boards which hinders to enhance financial performance of the company.

To establish and test the relationships between the variables in this study, multiple linear correlations were used. The findings of this study shed light on the significant relationship between corporate governance mechanisms and financial performance in the context of the modern business environment. Firstly, the presence of an effective size of board of directors has been shown to positively influence on financial performance. Boards with a diverse composition, comprising members with varied expertise and experience, are better equipped to provide strategic guidance and oversight, thus enhancing the overall performance of the organization. Additionally, the existence of independent directors who are not affiliated with the management helps ensure that decisions are made in the best interest of stakeholders, mitigating the risk of agency problems and promoting transparency and accountability (Mishra & Kapil, 2017).

In Nepal, the Nepal Rastra Bank holds the full responsibility for maintaining governance and creating a healthy environment for banks. Despite this, the Nepalese banking sector remains vulnerable to failure due to insufficient supervision and lack of proper direction for bank activities and directors. Good governance is not fully implemented in Nepalese commercial banks. Nearly all company failures in Nepal can be attributed to inadequate governance and insufficient ethical standards. Issues such as insider lending, related party lending, and unethical relationships have proven to cause more complications than mere credit and business risks (Acharya, 2018).

Regulatory bodies in Nepal have been instrumental in promoting and enforcing high governance standards. Their efforts to align local practices with international benchmarks have significantly contributed to enhancing the overall governance landscape within the banking sector. This regulatory support is vital in maintaining investor confidence and ensuring the resilience of financial institutions. Despite these positive outcomes, the consistent implementation of corporate governance practices remains a challenge. Variations in governance quality across banks indicate the need for ongoing evaluation and adaptation of governance frameworks. Emphasizing continuous improvement and alignment with global best practices will be crucial in addressing these disparities. In summary, robust corporate governance is a cornerstone for the financial success of Nepalese commercial banks. It not only

enhances operational efficiency and financial performance but also contributes to the broader economic stability of the country. Sustained efforts from bank management, regulators, and stakeholders are essential to uphold and advance governance standards, ensuring the long-term prosperity and resilience of Nepalese commercial banks.

5. CONCLUSION AND IMPLICATION

The primary objective of this study was to analyze how various dimensions of board characteristics within corporate governance influence the financial performance of commercial banks in Nepal. The findings demonstrate that banks with strong corporate governance frameworks characterized by clear policies, transparent practices, and effective risk management tend to achieve better financial performance. While a smaller and more diverse board enhances performance, the current practices related to independent directors and board committees do not significantly contribute to financial performance. The study also highlights the broader governance issues in Nepalese banks, including insufficient supervision and ethical lapses, which continue to challenge the sector. These insights call for strengthened governance frameworks and ethical standards to improve the stability and performance of commercial banks in Nepal.

Moreover, a strong corporate governance culture fosters ethical behavior, integrity, and trust, which are integral to building enduring relationships with customers, investors, and regulators. In the context of Nepalese banking, where market competition is intensifying and regulatory requirements are evolving, adherence to robust governance standards becomes even more critical for sustaining long-term competitiveness and resilience. However, it is essential to recognize that achieving effective corporate governance is an ongoing journey rather than a destination. Continuous evaluation, adaptation, and enhancement of governance mechanisms are necessary to address emerging challenges, such as technological disruptions, changing consumer preferences, and regulatory reforms.

In conclusion, the nexus between corporate governance and financial success in Nepalese commercial banks underscores the importance of fostering a culture of accountability, transparency, and integrity across all levels of the organization. By embracing these principles, Nepalese banks can not only enhance their financial performance but also contribute to the broader economic development and stability of the country.

Only a very few studies have tried to investigate the relationship between corporate governance and financial performance of banking sector in Nepalese context. This research fills a significant theoretical gap relating to the study. Its findings are vital for academia, serving as a springboard for further exploration. Initially, the study sheds light on the current state of corporate governance practice and its impact on financial performance. The research findings underscore the importance of reassessing both policy and practice within banking sectors to adopt good governance practices. These measures not only enhance financial performance but also bolster the overall quality and productivity of the banking industry. Effective corporate governance in Nepalese commercial banks is pivotal for their financial

success, fostering transparency, accountability, and ethical operations. By establishing a balanced board of directors, implementing robust risk management practices, and adhering to regulatory compliance, banks can enhance investor confidence and operational efficiency. The policy maker should change the provisions of corporate governance system so that the governance practice can be implemented in practice forcefully. This framework not only mitigates financial and operational risks but also builds customer trust and strengthens the bank's reputation. Consequently, these governance measures attract investments, improve profitability, and ensure the long-term stability and growth of the banking sector in Nepal.

This study has provided valuable insights based on its predetermined research questions. However, it is important to acknowledge its limitations and suggest avenues for further investigation. Firstly, the use of a secondary data for the study a notable weakness. Future researchers could utilize a combination of data collection methods, including interviews, focus group discussions, and survey questionnaires relating to the topic. While diligent efforts were made to secure an adequate sample size, it is important to recognize that larger sample sizes typically lead to more robust and comprehensive results. Additionally, a comparative study of corporate governance practices and its' impact on financial performance between public and private commercial banks represents another potential avenue for research. In this study, financial performance was assessed using ROE as proxies. However, depending solely on this measure might not offer a thorough evaluation of financial risk, market position, stability, and sustainability. Future research could broaden its scope by incorporating additional variables such as financial risk, stability, market-based indicators, and sustainability to enhance the depth and value of analysis.

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