

CORPORATE GOVERNANCE AND ITS IMPACT ON FINANCIAL PERFORMANCE OF NEPALESE COMMERCIAL BANKS

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ABSTRACT

This study aims to analyze the relationship of corporate governance structure with performance of banks. Based on the reviews of studies this study has conceptual model for the study that essentially emphasize on the role of board structure and mechanism and audit committee mechanism in shaping the performance of the banks. Primary data has been collected through questionnaire survey among employees and responses, percentages has been used to analyze the primary data while descriptive Statistics, correlation analysis, regression have been carried out to examine the mean and standard deviation. The performance measures like Return on Equity (ROE), Return on Assets (ROA) of the banks have been used as the dependent variable while corporate governance variables like board size, board independence, audit independence and audit activity, CEO duality and have been considered as independent variables.

Based on the results of primary data, board size, CEO duality and corporate governance needs are important corporate governance mechanism in order of their relative importance that enhances the performance of the banks. To be more specific, board independence, CEO duality and audit committee independence are the corporate governance mechanisms that tend to influence the performance in positive manner. It implies that increase in any of these variables is likely to increase the performance of the banks. The study recommends the banks to improve the level of corporate governance that not only improve the performance of an individual bank but also ensures the stability of banking system. Moreover, banks are suggested to adopt faire corporate governance practices to promote market confidence, attract additional capital through good disclosure and transparency.

KEYWORDS: *Corporate Governance, Return on Assets, Return on Equity, Commercial Banks, Nepal.*

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