

The Impact of Corporate Governance on Firm Performance in Commercial Banks of Bangladesh

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ABSTRACT

In the era of globalization and MNCs, the issue of governance has become the central of corporate culture which works as a key influential factor in global capitalism. Corporate governance (CG) is defined as a system of rules, practices and processes by which a company is directed and controlled. The main objective of this study is to explore the impact of corporate governance on firm performance in Bangladesh. Research on CG primarily investigated different CG principles. The study incorporates four CG principles such as rights of shareholders, role of stakeholders in CG, Disclosure and transparency and the responsibilities of board directors based on the Organization of Economic Cooperation and Development (OECD) Principles and Bangladesh Bank (BB) revised principles of Corporate Governance. The firm performance was assessed by measuring financial performance based on return on assets (ROA). Data were obtained from 22 listed banks on the Dhaka Stock Exchange (DSE) to measure corporate governance principles and firm performance. Subjective data was collected from the top management of the respected banks. The companies with 10 years operational background were selected randomly for this study. The data were analyzed using different statistical tools by the help of STATA. The result of the statistical analysis shows the effects of corporate governance concept, CG principles, obstacles that affect CG and enablers that affect CG, on firm performance. This study further supports the argument that when firm implement good corporate governance principles, it experiences improved firm performance, i.e., financial performance. This study, with its emphasis on developing a corporate governance model, makes a significant contribution to the body of knowledge on corporate governance in emerging economies like Bangladesh.

Keywords: Corporate Governance, Financial Performance, Discloser & Transparency, Good corporate Governance, Structural Equation Modeling (SEM)

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INTRODUCTION

Bangladesh achieved a notable economic growth during the past few years where the GDP growth rate is approximately 6% and above, balance of payments is decreased, foreign exchange reserve is in an increasing trend and Foreign Direct Investment (FDI) is increased 142% in last four years which indicates the success of Bangladesh economy. The long-term sustainability of the Bangladesh “success” story depends critically on the state of corporate governance in the country. Many empirical studies have been conducted over the last two decades to investigate a relationship between corporate governance and a firm’s performance in the world. However, similar studies in the context of Bangladesh are very rare.

Corporate governance has become a concern in developing economies since the financial scandals in the past, which have resulted in demands for improved corporate governance practices (Baydoun *et al.*, 2012). Corporate governance in both developed and developing countries has attracted considerable attention in academic research (Mallin, 2005; Reed, 2002; Bauer *et al.*, 2004; Solomon & Solomon, 2004; Sternberg, 2004; Weir & Laing, 2001). CG contributes to growth and financial stability by reinforcing market confidence, financial market integrity and economic efficiency (OECD, 2004). Good corporate governance is an effective tool for helping a firm to attain better performance (Ghabayen, 2012). The corporate governance code in Bangladesh is based on the OECD Principles of Corporate Governance (2004).

Many studies have investigated the relationship between corporate governance and firm performance (Jensen & Meckling, 1976; Jensen, 1993; Adams & Mehran, 2008; Haniffa & Hudib, 2006; Bhagat & Black, 2001; Gompers, Ishii & Metrick, 2003; Klapper & Love, 2004; Ramdani & Van Witteloosuijn, 2009; Grassa *et al.*, 2010; Griffin *et al.*, 2014). Onakoya, Adegbemi Babatunde O, Fasanya, Ismail O, Ofoegbu and Donald Ikenna (2014) conducted a study to explore the effect of corporate governance characteristics on bank performance in Nigeria. The general area of research is governance, and the specific focus is corporate governance principles, practice and its effect on firm performance in a developing country, like Bangladesh. The aim of the research is to improve governance in Bangladesh mainly commercial bank. Our findings are important to regulators, investors, academics, and others who contend that good corporate governance.

RESEARCH OBJECTIVES

The problem in this study was to determine the opinion of the selected employees who are in management level engaged in private commercial banks in Dhaka city regarding their firm performance.

- The investigation particularly included determining the employee’s perception about the firm performance of commercial banks in Bangladesh.
- To determine the influential factors that defines the firm performance of commercial banks in Bangladesh.

LITERATURE REVIEW

The basic objective of corporate governance is to enhance and maximize shareholder value and protect the interest of other stake holders”. According to World Bank, Corporate Governance is Blend of law, regulation and appropriate voluntary private sector practices, (i) Which enables the corporation to attract financial and human capital to perform efficiently (ii) Prepare itself by generating long term economic value for its shareholders,

(iii) While respecting the interests of stakeholders and society as a whole. OECD in 1999 defined corporate governance as "Corporate governance is the system by which business corporations are directed and controlled.

There is no globally accepted set of principles that can be applied to board structures (Rezaee 2009). But OECD principles of corporate governance (1999) revised in 2004 were intended to assist governments in their effort to evaluate and improve legal, institutional and regulatory framework for corporate governance in their countries. The corporate governance framework should protect and facilitate the exercise of shareholders' rights (OECD, 2004). Shareholders should also be provided with information that is relevant and material about the firm on a timely and regular basis (through the annual general meeting notice) (Karpoff, Malatesta & Walkling, 1996; Gillan & Starks, 2000). The corporate governance framework should recognize the rights of stakeholders established by law. The stakeholders' principle focuses on the relationship between the corporation and stakeholders in creating value (OECD, 2004). Stakeholder engagement associated with firm performance can be enhanced if the framework of stakeholder engagement is raising (Sinclair, 2011). The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership and governance of the company (OECD, 2004). Patel, Balic and Bwakira (2002) report that higher transparency and better disclosure reduces the information asymmetry between a firm's management and stakeholders. Their results suggest that companies with lower transparency and disclosure are less valued than companies with higher transparency and disclosure. The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and shareholders (OECD, 2004). The board also performs an important function in the corporate governance framework: it is essentially responsible for monitoring management performance and achieving an adequate return for investors (Ongore & K'Obonyo, 2011).

The 2004 OECD revised principle plays an important role to improve CG. CSIA-March 2010 argued 20 steps to improve CG. Joachim Schwalbach Humboldt-University Berlin-2009, argued strongly on effectiveness on boards to improve CG. "The future approach to banking regulation and supervision needs to be rooted in the fact that the risks involved in performing bank or bank-like functions are different not only from those involved in non-financial activities, but also from those which arise in performing non-bank financial activities, such as life insurance" The Turner Review, 2009 .

Empirical researches on CG use either market-based measures or accounting-based measures to assess firm performance. Klein (1998) uses return on assets (ROA) as an operating performance indicator. Brown and Caylor (2005) use ROE and ROA as their two operating performance measures. We can measure the operating performance of a firm through the ROA ratio which shows the amount of earnings have generated from an invested capital assets (Epps & Cereola 2008). In the present study, ROA is defined as net income before interest expense for the fiscal period divided by total assets for that same period.

Good governance means 'little expropriation of corporate resources by managers or controlling shareholders, which contributes to better allocation of resources and better performance' (Ali Shah, Butt & Hassan, 2009). Further, good corporate governance plays a

balancing role in terms of expediting the performance of firms in both developed and developing countries. A number of studies have examined the relationship between corporate governance and firm performance (e.g., Ehikioya, 2009; Bauer et al., 2008; Gurbuz, Aybars & Kutlu, 2010).

HYPOTHESES

For examining the impact of different concept, principles, obstacles and enablers of corporate governance on firm performance of private commercial banks in Bangladesh, the following null hypotheses have been framed.

- H₁: There is no significant relationship between the concept of corporate governance and firm performance.
- H₂: There is no significant relationship between the disclosure & transparency and overall principles of corporate governance.
- H₃: There is no significant relationship between the enablers that improve corporate governance and firm performance.
- H₄: There is no significant relationship between the obstacles that affect corporate governance and firm performance.
- H₅: There is no significant relationship between the Overall Principles of Corporate Governance and Firm Performance.
- H₆: There is no significant relationship between the responsibilities of board director's and Overall Principles of Corporate Governance.
- H₇: There is no significant relationship between the rights of shareholders and Overall Principles of Corporate Governance.
- H₈: There is no significant relationship between the role of stakeholders in corporate governance and Overall Principles of Corporate Governance.

CONCEPTUAL FRAMEWORK

The objective of this study is to investigate the firm performance of commercial banks of Bangladesh, on the basis of different functions like concept of corporate governance, disclosure & transparency, enablers that improve corporate governance, obstacles that affect corporate governance, responsibility of board directors, rights of shareholders, role of stakeholders in corporate governance. In the literature, the related studies suggest that the types of factors in path model applications in different commercial banks concept of corporate governance, disclosure & transparency, enablers that improve corporate governance, obstacles that affect corporate governance, responsibility of board directors, rights of shareholders, role of stakeholders in corporate governance. The theoretical model is presented in figure 1. we will look at the theoretical model for each of the hypotheses in the following bellow.

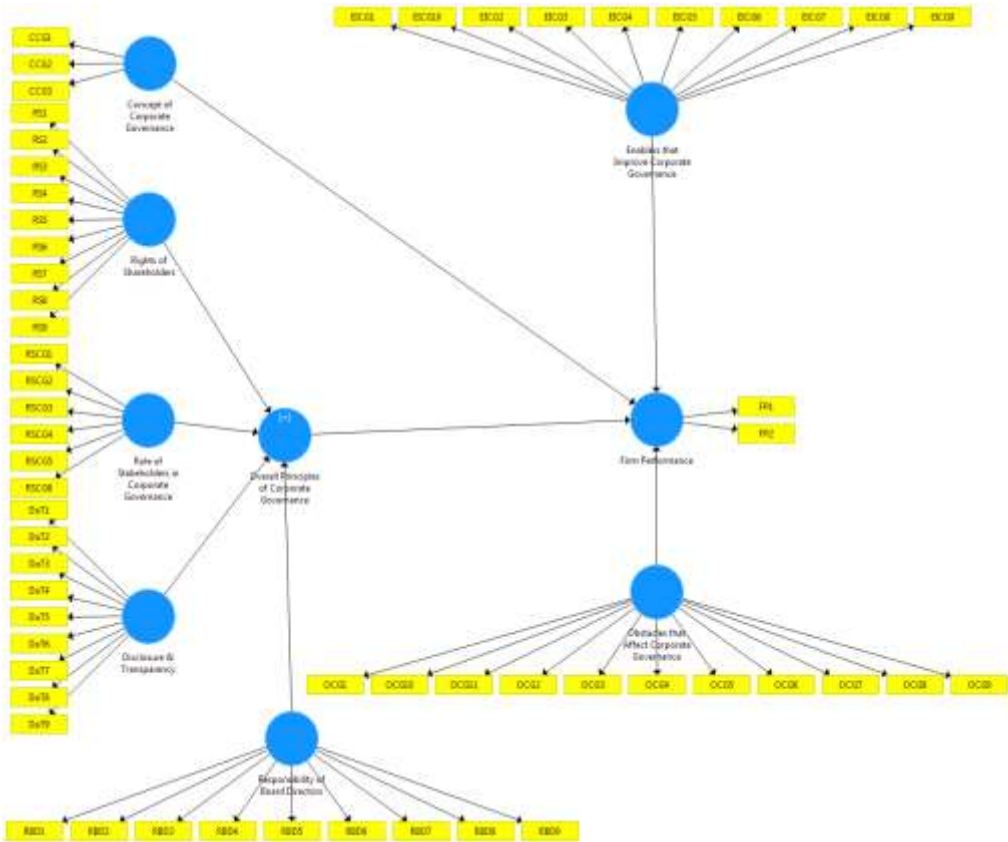


Figure 1: The conceptual frame work of the firm performance of commercial banks in Bangladesh.

LEGAL FRAMEWORK IN BANGLADESHI CG

The corporate legal framework in Bangladesh consists of certain Acts and Ordinances, numerous subordinate legislative instruments such as orders, notifications, rules, regulations and circulars, which are issued by the Government, the Bangladesh Bank, the Securities and Exchange Commission (SEC), the National Board of Revenue (NBR) and other governmental agencies. On 1st January 1995, the new Companies Act of 1994 came into effect. Among several types of legislation, the „Companies Act 1994“ is the main governing law for the companies in Bangladesh. In 2004 CG is first introduced in Bangladesh and 07 August, 2012 the revised CG guidelines are introduced in Bangladesh by Bangladesh Bank (BB).

METHODOLOGY OF THE STUDY

This study attempts to identify the influential factors concerned with the use of different functions of corporate governance principles & procedure like concept of corporate governance, disclosure & transparency, enablers that improve corporate governance, obstacles that affect corporate governance, responsibility of board directors, rights of shareholders, role of stakeholders in corporate governance on private commercial banks in Bangladesh. To conduct the study, the data has been collected from primary sources. Primary data were collected from the different private commercial banks in Bangladesh.

Determination of Sample Size

The employee's selected for this study heterogeneous in terms of their subjects. The statistics shows that there was more than 1 lac employees are in different private commercial banks in Bangladesh. The sampled customers can be determined by using the following formula suggested by Yamane (1967). The formula used in this study is shown below:

$$n = \frac{N}{(1 + Ne^2)}$$

Where,

n=Sample Size

N= Population

e=Level of Precision

In calculating sample size the following assumptions were made to determine, n=110

Population size is > 10000 employees

Level of precision is 9.5%

Questionnaire Design and Test of Reliability

A structured questionnaire with the 5-points scale was developed for the items related to impact of different functions of corporate governance principles & procedures on firm performance of private commercial banks in Bangladesh. A 5-point scale ranging from 1 to 5 with 1 indicating strongly disagrees and 5 indicating strongly agree was used in the questionnaire. Table-2 shows that the reliability coefficient of the questionnaire. It shows that the cronbach's alpha, composite reliability, average variance extracted of the questionnaire are shown table-2 which is at the acceptable limit as per Nunnally and Berstein (1994), Hair et al. 1998, Fornell & Larcker, (1981); Henseler, Ringle, & Sinkovics, (2009) respectively).

Data collection and data Analytical tools

A survey has been conducted different private commercial banks in Bangladesh with the assistance of Mr. Ramiz Uddin Khan, Head of accounts& admin in Rizwon Group, Md. Ramim Rana, assistant manager of Syful Shamsul Alom & Company (Chartered Accountant) and several student of CA background who are now in different private commercial banks as an external auditor. The interviewers were properly trained on the items representing the questionnaire for data collection before resuming the interview.

Data Analytical tools

Along with descriptive statistics, inferential statistical techniques such as Factor analysis, and structural equation modeling were used to analysis the data by using SPSS (Statistical Package for Social Science) and SmartPLS (statistical software). Structural equation modeling was conducted to identify the influential factors; those factors have been affected on firm performance of those banks in this study.

Statistical tools used: Both descriptive and inferential statistics were used to analyze the data. Inferential statistics like Factor Analysis (FA) was used to separate the factors related to CG concept, practice & procedure of the employees of private commercial bank in Bangladesh. Partial Least Square method was also used to identify the significant factors from the factors identified through factor analysis.

Convergent validity: When multiple items are used to measure an individual construct, the item (indicator) convergent validity should be one of the main concerns to the researcher. The measurement model was tested for convergent validity which is the extent to which multiple items to determine the same concepts are in agreement (MacKinnon, 2008). According to Hair *et al.* (1998) convergent validity could be accessed through factor loadings, composite reliability and the average variance extracted. The results of the measurement model (Table 2) show that the loadings for all items exceeded the recommended value of 0.50 (Hair *et al.* 1998). Composite reliability (CR) values ranged from 0.795 to 0.871 which exceeded the recommended value of 0.70 (Hair *et al.* 1998).

Discriminant Validity: This study also validated the discriminant validity of the instrument. The discriminant validity represents the extent to which measures of a given construct differ from measures of other constructs in the same model (MacKinnon, 2008). In a PLS, the most important criteria for adequate discriminant validity is that a construct shares more variance with its items than it is shared with other constructs in a given model (Hulland, 1999). In Table 3, the square root of the average variance extracted for each construct is greater than the items on off-diagonal in their corresponding row and column, thus, indicating the adequate discriminant validity. The inter-construct correlations show that each construct shares larger variance values with its own measures than with other measures. In sum, the measurement model demonstrated adequate convergent validity and discriminant validity.

Average variance extracted: All values of the average variance extracted (AVE) that measures the variance captured by the indicators about measurement error were greater than 0.50 to indicate acceptability of the constructs (Fornell & Larcker, 1981; Henseler, Ringle, & Sinkovics, 2009). The table 2 shows that these indicators satisfied the convergent validity of the constructs.

Test of Reliability: To analyze the reliability (internal consistency) of the variables, this study used the Cronbach's alpha coefficient and composite reliability (CR) value. Table 2 shows all Cronbach's alpha values are above 0.60 cutoff values as suggested by Nunnally and Berstein (1994). Standardized Cronbach's alpha formula is given below.

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N - 1) \cdot \bar{c}}$$

Here, N is equal to the number of items, c-bar is the average inter-item covariance among the items and v-bar equals the average variance.

The Coefficient of determination: The reliability also finds that the coefficient of determination R square is 0.243 for the dependent variable i.e., CG concept, principle & procedure (Table 3). This means that the seven Concept of Corporate Governance, Disclosure & Transparency, Enablers that Improve Corporate Governance, Obstacles that affect Corporate Governance, Responsibility of Board Directors, Rights of Shareholders, Role of Stakeholders in Corporate Governance highly explain 24.3% of the employees of private commercial banks in Bangladesh.

RESULTS AND DISCUSSION

Table 1: Demographic Information of the respondents of commercial banks in Bangladesh, who are in management level

<i>Description</i>	Frequency	Percent
Age		
30 years or less	27	24.5
31-40 years	16	14.5
41-50 years	25	22.7
51-60 years	18	16.4
More than 60 years	24	21.8
Position		
Senior manager or CEO	22	20.0
Board member	21	19.1
Audit committee member	22	20.0
Accountant	23	20.9
Internal auditor	22	20.0
Level of Education		
PhD.	15	13.6
Masters	28	25.5
Bachelor	25	22.7
Others (like BIBM)	12	10.9
Professional (CA, CMA etc)	30	27.3
Major Educational Qualification		
Accounting	32	29.1
Finance	40	36.4
Management	18	16.4
Economics	5	4.5
Other	15	13.6
Experience		
Less than 5 years	40	36.4
5-10 years	22	20.0
11-15 years	22	20.0
16-20 years	9	8.2
More than 20 years	17	15.5

Table 1 provides the frequency distribution of the management people of commercial banks. A total of 110 respondents of private commercial bank were included in this study, out of which 27 respondents in private commercial bank were 30 years or less than representing 24.5% of the total population, 16 respondents in private commercial bank were 31-40 years representing 14.5% of the total population, 25 respondents in private commercial bank were 41-50 years representing 22.7% of the total population, 18 respondents in private commercial bank were 51-50 years representing 16.4% of the total population, and remaining 24 respondents were more than 60 years representing 21.8% of the total population. Position of 110 respondents in private commercial bank, 20% respondents who were in senior manager or CEO, 19% were board member, 20% were audit committee member, 20.9% were accountant and 20% were internal auditor of the total population. Level of qualification of 110 respondents in private commercial bank, 13.6% respondents who were PhD, 25.5% were masters, 22.7% were bachelor, 20.9% were

others (like BIBM) and 27.3% were professional (CA, CMA etc) of the total population. Major last educational of qualification of 110 respondents in private commercial bank, 29.1% respondents who were accounting, 36-.4% were finance, 16.4% were management, 4.5% were economics and 13.6% were others of the total population. Experience in the job of 110 respondents in private commercial bank, 36.4% respondents who were less than 5 years, 20% were 5-10 years, 20% were 11-15 years, 8.2% were 16-20 years and 15.5% were more than 20 years of the total population.

Exploratory Factor Analysis

EFA is a widely utilized and broadly applied statistical technique in social science. A total 110 usable survey responses were analyzed in this section. The factor analysis technique has been applied to examine the relationship between different factors in corporate governance. The seven factors that have found from rotated factor matrix, have been discussed in the following paragraph.

Factor-1 (Concept of Corporate Governance): This factor includes two variables like organization's operations and decisions and relationship with all members of society, irrespective of whether which are the principal factors. So, it provides a basis for conceptualization of a dimension which may be identified as concept of corporate governance factor.

Factor-2 (Disclosure & Transparency): This includes three variables like financial and operating results are disclosed, objectives of the company are disclosed and major share ownership is disclosed which are the principal factors. So, it provides a basis for conceptualization of a dimension which may be identified as disclosure & transparency factor.

Factor-3 (Enablers that Improve Corporate Governance): This includes four variables like participating international events, conference, Encouraging research in CG in Bangladesh, experience of other countries concerning CG practice and initiating regional corporate partnership like OECD which is the principal factors. So, it provides a basis for conceptualization of a dimension which may be identified as enablers that improve corporate governance factor.

Factor-4 (Obstacles that affect Corporate Governance): This includes tow variables like cost of practicing good corporate governance and poor financial and non-financial disclosure which are the principal factors. So, it provides a basis for conceptualization of a dimension which may be identified as obstacles that affect corporate governance factor.

Factor-5 (Responsibility of Board Directors): This includes five variables like board of director elects, potential conflicts of interest of management, board member and shareholder, process of disclosure and communication, accurate relevant information and approved a strategic plan which is the principal factors. So, it provides a basis for conceptualization of a dimension which may be identified as responsibility of board director's factor.

Factor-6 (Rights of Shareholders): This includes four variables like shareholder rights to obtain information, adequate and timely information, and capital structure and fundamental corporate changes which are the principal factors. So, it provides a basis for conceptualization of a dimension which may be identified as rights of shareholders factor.

Factor-7 (Role of Stakeholders in Corporate Governance): This includes tow variables like stakeholder rights that are established by law and obtain sufficient and reliable

information on timely basis which are the principal factors. So, it provides a basis for conceptualization of a dimension which may be identified as role of stakeholders in corporate governance factor.

Table 2: Factor Analysis of firm performance of the private commercial banks of Bangladesh

	Variables	Factor Loading	IR	S.D	T-value	Alpha	CR	AVE
Concept of Corporate Governance	CCG3	0.89	0.80	0.06	14.19	0.66	0.78	0.64
	CCG2	0.70	0.49	0.09	8.06			
Disclosure & Transparency	DaT2	0.88	0.78	0.03	29.73	0.77	0.87	0.69
	DaT3	0.81	0.65	0.07	11.46			
	DaT1	0.79	0.62	0.06	13.54			
Enablers that Improve Corporate Governance	EICG10	0.75	0.56	0.08	9.31	0.73	0.83	0.55
	EICG9	0.74	0.55	0.08	8.92			
	EICG8	0.74	0.54	0.10	7.69			
	EICG7	0.73	0.53	0.12	6.00			
Obstacles that Affect Corporate Governance	OCG10	0.85	0.71	0.08	11.23	0.60	0.80	0.67
	OCG6	0.79	0.62	0.13	5.97			
Responsibility of Board Directors	RBD7	0.85	0.72	0.05	17.56	0.85	0.89	0.62
	RBD6	0.85	0.72	0.04	19.14			
	RBD5	0.78	0.61	0.04	19.15			
	RBD8	0.74	0.55	0.07	10.13			
	RBD4	0.71	0.50	0.05	14.11			
Rights of Shareholders	RS6	0.85	0.72	0.04	19.26	0.82	0.88	0.65
	RS9	0.83	0.68	0.04	18.45			
	RS3	0.79	0.63	0.09	8.58			
	RS8	0.75	0.56	0.06	11.86			
Role of Stakeholders in corporate Governance	RSCG4	0.82	0.68	0.06	14.44	0.65	0.78	0.64
	RSCG1	0.78	0.61	0.06	12.29			

IR= Indicator Reliability, SD= Standard deviation, Alpha= Cronbach Alpha, CR= Composite Reliability, AVE= Average Variance Extracted.

Note: AVE>0.50 (Fornell & Larcker, 1981); Henseler, Ringle, & Sinkovics, 2009), Composite Reliability>0.70 (Hair et al. 1998), Cronbach's alpha>= 0.60, (Nunnally and Berstein (1994)), IR>0.40 (Hulland, 1999)

From **table-2** shows that all of the T-Statistic is larger than 2.34 at 1% level of significance, we can say that the outer model loadings are highly significant. So, our SEM model is accepted for above evidence in this study. Generally, A global fit measure (GOF) was conducted for path modeling; it is defined as the geometric mean of average of AVE and average R^2 (especially endogenous variables) (Chin, 2010) (see the formula). In this study, GOF value was 0.493 ($R^2 = 0.61$, average AVE = 0.64 for overall firm performance). So, the value of GOF exceeded the largest cut-off value (0.36), and it was indicated that the proposed model of this study had better explaining power than that based on the recommended value of $GOF_{small} = 0.1$, $GOF_{medium} = 0.25$, and $GOF_{large} = 0.36$ (Akter et al., 2011).

$$GOF = \sqrt{AVE \times R^2}$$

Path Diagram of firm performance of the private commercial banks of Bangladesh

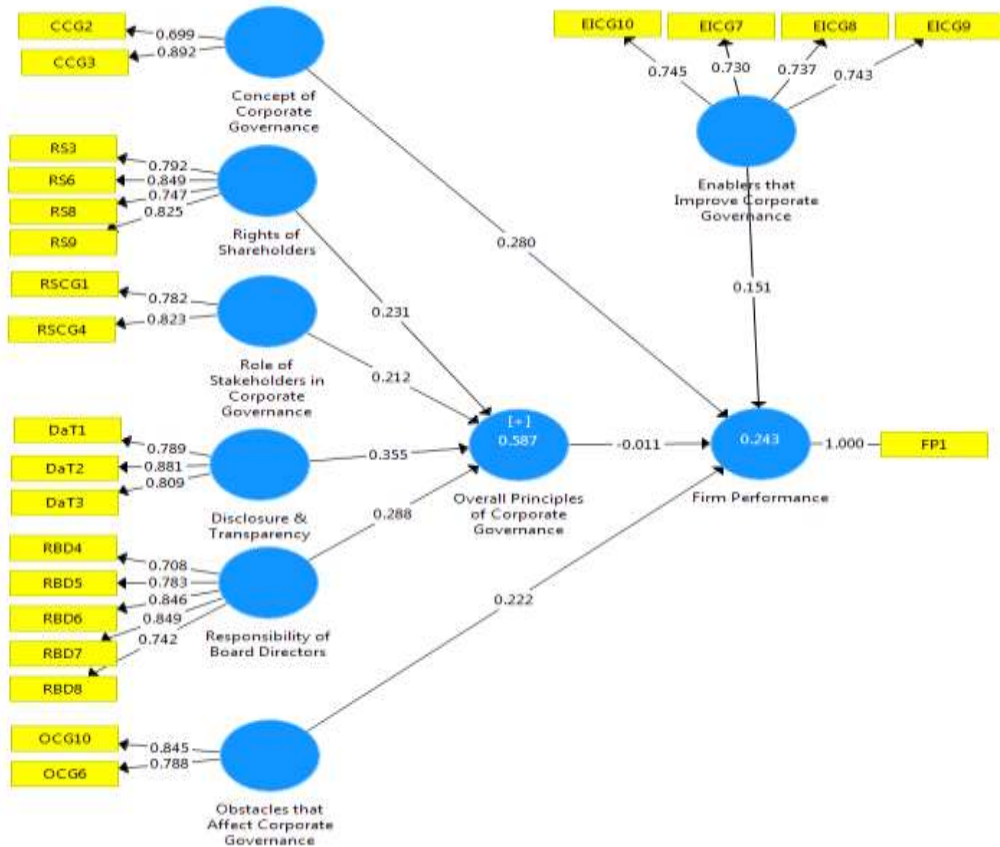


Figure 2 Relative Importance of the corporate governance factors and their Relationship with firm performance of the private commercial banks in Bangladesh.

Results of Multivariate Analysis - Partial Least Square (PLS)

A multivariate analysis technique like ‘Partial Least Square Method’ was used to identify the significant overall firm performance of private commercial banks factors from the factors identified through factor analysis. The model has suggested that the concept of corporate governance, disclosure & transparency, enablers that improve corporate governance, obstacles that affect corporate governance have the strongest effect on firm performance of private commercial banks. The hypothesized path relationship among independent variables like concept of corporate governance, disclosure & transparency, enablers that improve corporate governance, obstacles that affect corporate governance are highly significant at 1% level of significance. The every values of VIF has been shown that there is no multicollinearity effect among those variables. on the other hands the model also said that responsibility of board directors, rights of shareholders, role of stakeholders in corporate governance have the strongest effect on Overall Principles of Corporate Governance, that factor like Overall Principles of Corporate Governance has not significant effect on firm performance of private commercial banks.

Table 3: Summary Results of the Model Constructs

Path Coefficients	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values	VIF
Concept of Corporate Governance -> Firm Performance	0.280	0.286	0.103	2.725	0.007	2.130
Disclosure & Transparency -> Overall Principles of Corporate Governance	0.355	0.358	0.061	5.852	0.000	1.149
Enablers that Improve Corporate Governance -> Firm Performance	0.151	0.158	0.076	1.989	0.047	1.313
Obstacles that Affect Corporate Governance -> Firm Performance	0.222	0.248	0.091	2.440	0.015	
Overall Principles of Corporate Governance -> Firm Performance	-0.011	-0.012	0.089	0.121	0.904	1.343
Responsibility of Board Directors -> Overall Principles of Corporate Governance	0.288	0.286	0.083	3.479	0.001	1.807
Rights of Shareholders -> Overall Principles of Corporate Governance	0.231	0.236	0.069	3.367	0.001	2.547
Role of Stakeholders in Corporate Governance -> Overall Principles of Corporate Governance	0.212	0.211	0.064	3.287	0.001	2.023
R-square	0.243					

Collinearity Statistic (VIF) the rules of thumb for the VIF are as follows: VIF < 3; no problem, VIF > 3; potential problem, VIF > 5; very likely problem, VIF > 10; definitely problem.

Null Hypothesis

Accepted/ Rejected

H ₁	There is no significant relationship between the concepts of corporate governance and firm performance.	Rejected
H ₂	There is no significant relationship between the disclosure & transparency and overall principles of corporate governance.	Rejected
H ₃	There is no significant relationship between the enablers that improve corporate governance and firm performance.	Rejected
H ₄	There is no significant relationship between the obstacles that affect corporate governance and firm performance.	Rejected
H ₅	There is no significant relationship between the overall principles of corporate governance and firm performance.	Accepted
H ₆	There is no significant relationship between the responsibilities of board directors and Overall Principles of Corporate Governance.	Rejected
H ₇	There is no significant relationship between the rights of shareholders and Overall Principles of Corporate Governance.	Rejected
H ₈	There is no significant relationship between the role of stakeholders in corporate governance and Overall Principles of Corporate Governance.	Rejected

The path coefficients of the factors concerned with CG principle & procedure show that the concept of corporate governance, disclosure & transparency, enablers that improve corporate governance, obstacles that affect corporate governance, responsibility of board directors, rights of shareholders, role of stakeholders in corporate governance of private commercial banks in Bangladesh. (Table 3) By using SEM analysis it is found that, only four factors such as concept of corporate governance, enablers that improve corporate governance, obstacles that affect corporate governance are the significant factors of firm performance in Bangladesh. This study

suggests that in representative firm of Bangladesh the policy makers and concerned authorities should focus more on the factors like concept of corporate governance, enablers that improve corporate governance, obstacles that affect corporate governance.

CONCLUSION

This study has been able to achieve its main objective. It has also been able to answer all of the research questions. More specifically, the study has comprehensively investigated corporate governance practices in private commercial banks of Bangladesh. It has also identified the possible barriers to, and enablers of, the implementation of good corporate governance. Essentially, this study has used path diagram models to examine the relationship between corporate governance principles firm performance in private commercial banks of Bangladesh. The findings of this study are in agreement with the literature identified from different developing countries. The results of the analysis also indicate the impact of corporate governance on firm performance. This study supports the argument that there is a positive relationship between corporate governance and firm performance in private commercial banks of Bangladesh. Overall, the model has been very useful in achieving the objectives of this study. Few studies have investigated corporate governance practices in the South Asian region and developing countries. Consequently, this study will add to the literature on corporate governance practices from the perspective of an emerging economy, and it will also contribute to the development of corporate governance in private commercial banks of Bangladesh. It is hoped that future researchers will be able to further explore the issues highlighted by this study, implement the corporate governance and extend the avenues that this study has opened up. The above discussion on the limitations of this study and the possibilities for future research conclude this research.

LIMITATIONS OF THE STUDY

The findings of the study provide widespread evidence regarding corporate governance practices and their positive effect on firm performance; however, the researcher must note certain limitations of the study that should be taken into account when considering the conclusions that can be drawn.

First, this study investigated the perceptions of those from the five categories employee regarding the practice of corporate governance in private commercial banks in Bangladesh. These five categories are as follows: board members, managers, audit committee members, internal auditors and accountants. Other important issues are, investors, academics, external auditors, the government and the public, are not covered in this study.

Secondly, this study was limited only one financial performance indicators (ROA) to determine company performance and the others are Limited Geographical Coverage, Involvement of certain group only, Small Sampling Size, Consideration of Other Variables.

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APPENDICES

