

# A Comprehensive Study on the Influence of Corporate Governance Factors on Financial Performance of Listed Banking Companies in Bangladesh

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## ABSTRACT

This comprehensive study investigates the influence of organizational management elements on the economic outcomes of publicly traded banking enterprises in Bangladesh. The research begins with an introduction highlighting the significance of this study within the framework of the Bangladeshi financial industry. The review of literature delves into existing research on effective management of organizations and their economic achievements, providing a foundation for this study. It identifies gaps and emphasizes the need for specific analysis in the Bangladeshi banking industry. An abbreviated summary of corporate oversight principles and practices sets the stage for understanding the study's framework. Subsequently, the analysis of the financial industry in Bangladesh offers essential context for the study. The examination and results portion showcases factual information and outcomes, demonstrating the correlation between corporate governance elements and economic efficiency in banks listed in Bangladesh. Here we use five years data of five banks and then we use SPSS as a statistical tool for data analysis. The conclusion synthesizes these findings, highlighting key takeaways and their implications for the sector. Finally, the study concludes by discussing policy implications. It outlines recommendations for regulatory bodies and banking institutions to enhance the financial performance of banks in Bangladesh by implementing effective corporate governance strategies and practices. This study intends to provide valuable perspectives for stakeholders and decision-makers in the banking industry.

**Keywords:** Corporate Governance, Bank Performance, ROA, ROE, Bangladesh, Perspective

## Introduction

Corporate governance significantly influences the financial landscape of any nation. In Bangladesh, where the banking sector is a pillar of the economy, understanding the intricate connection of corporate governance practices and the financial performance of publicly listed banking companies is of paramount importance. This research embarks on a comprehensive exploration of this relationship, delving into the historical evolution and contemporary dynamics that underpin it. Bangladesh banks' transformations throughout the course of the year, transitioning from a largely state-controlled sector to a more liberalized and market-driven one [1]. These changes have not only intensified competition but also necessitated a closer scrutiny of corporate governance mechanisms to ensure transparency, accountability, and sustainable financial growth.

As highlighted by historically, Bangladesh has faced challenges in the banking sector, including issues related to non-performing loans, corporate mismanagement, and governance deficiencies [2]. These challenges have sparked regulatory reforms and

heightened the significance of sound business governance practices within it. Therefore, understanding how business governance factors influence the financial activity banking sector is imperative for stakeholders ranging from investors and policymakers to academics and itself. The study not only examines the contemporary state of corporate management in the Bangladeshi bank but also traces its evolution over the years.

According to, corporate governance has a vital impact on molding the monetary consequences of publicly traded banking companies, notably in developing nations like Bangladesh [3]. This thorough inquiry explores the complex connection between corporate governance factors and financial performance within the banking industry of Bangladesh. Corporate governance includes the structures, processes, and relationships that guide and supervise businesses.

According to, Within the realm of banking, efficient corporate governance ensures openness, accountability, and integrity in decision-making processes, which are crucial for maintaining investor trust and financial steadiness [4]. Bangladesh's banking sector, characterized by a mix of state-owned, private, and international banks, faces unique challenges in governance,

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including compliance with regulations, preserving board independence, structuring executive compensation, and mitigating risks. This investigation aims to examine the impact of these governance elements on key financial indicators such as profitability, asset quality, and capital adequacy. Through the examination of data from publicly traded banking entities, this study endeavors to provide insights into the specific governance practices that enhance financial performance and sustainable growth. Understanding the complexities of corporate governance in Bangladesh's banking industry is essential for policymakers, regulators, investors, and banking executives to cultivate a resilient financial framework that fosters both economic progress and stability.

By doing so, it gives overview of the contextual factors that have shaped governance practices in the country. Furthermore, it examines various components of corporate management, including board composition, executive compensation, and audit practices, to discern their impact on Economic activity of bank.

Research by Bangladesh's banking company operates a unique socio-economic environment, influenced of political stability, and economic development [5]. These factors create a dynamic backdrop against which corporate governance practices must be evaluated. The research will endeavor to identify the key drivers and barriers to effective corporate governance and how they correlate with Analyzing financial performance metrics like return on assets (ROA), return on equity (ROE), and net profit margins is the focus of this research. This investigation target to deliver valuable insights into the complex interplay between corporate governance factors and the financial performance of listed banking firms in Bangladesh. These insights will not only contribute to the academic literature but also prescribe of enhancing corporate governance uses within a sector, thus fostering a more robust and sustainable banking industry. Lastly it informs policy decisions, guide investors, and assist banking companies in improving their corporate governance structures. By addressing the critical questions surrounding corporate governance in Bangladesh's banking sector, this study seeks provide way for a more transparent, accountable, and financially sound industry.

### Statement of Problem

The goal of this investigation is to thoroughly examine how corporate governance elements impact the financial results of banking firms that are publicly traded in Bangladesh. This study aims to:

The investigation seeks to analyze the impact of corporate governance elements on the economic results of listed banking organizations in Bangladesh, aiming to establish a connection between governance procedures and economic performance. It explores whether these procedures significantly impact economic outcomes and to what extent governance mechanisms contribute to the performance of banking enterprises in Bangladesh. Additionally, it examines the correlation between governance procedures and economic performance, highlighting the influence of various aspects of corporate governance on banking organizations' economic results within the context of Bangladesh.

### Significance of this Study

The importance of a research on the impact of corporate governance elements on the economic outcome of publicly traded banking firms in Bangladesh is multifaceted and holds substantial importance in the realm of both academic research and practical application. This significance can be elaborated upon in the following ways:

- **Enhancing Corporate Governance Practices:** Bangladesh, like many emerging economies, has been striving to improve corporate governance practices. This study generates the knowledge how governance factors that impact the banking sector. By identifying weaknesses, regulators and companies can take corrective actions to strengthen governance.
- **Investor Confidence:** Robust corporate governance practices are closely linked to investor confidence. When investors have confidence in the governance structures of listed banking companies, they are more likely to invest in these institutions. This research can highlight areas where improvements are needed, potentially attracting more investment to the sector.
- The financial industry plays a crucial part in a nation's economic stability. Recognizing the effect of corporate governance on banks' financial outcomes is essential for decision-makers. It can help them design regulations and policies that promote a healthy banking industry, contributing to overall economic stability.
- **Comparative Analysis:** This study can provide a comparative analysis of the Bangladesh banking sector with international standards and practices.
- **Educational Value:** Educational institutions can benefit from this research by incorporating its findings into their curricula. Students studying finance, economics, and business administration can achieve knowledge about its practical implications.
- **Policy Formulation:** It helps to formulate policy and it will be effective for the organizations as well.
- **Transparency and Accountability:** It also increase transparency and accountability, that must be needed to run the organization.

In conclusion, a comprehensive investigation of this research has significant importance due to its potential to foster better governance, enhance investor confidence, promote economic stability, and contribute to academic knowledge.

### Research Objectives and Question

Certainly, here are some research objectives/questions for our comprehensive analysis of our research topic. These research objectives/questions should provide a solid foundation for the study on the topic.

- What are the key corporate governance factors that impact the economic results of publicly traded banking firms in Bangladesh?
- What will be the formation and efficiency of the board of directors impact the financial outcomes of these banking firms?
- To what extent does the ownership structure (e.g., government ownership, institutional investors) affect the economic results of publicly traded banking firms in Bangladesh?
- What role do regulatory frameworks and compliance mechanisms play in shaping the economic result of financial institutions in Bangladesh?

- Are there any differences in economic result between banks with different corporate governance practices, and if so, what factors contribute to these differences?
- How do transparency and disclosure practices impact the economic result of financial institutions in Bangladesh.
- Are there any cultural or contextual factors unique to Bangladesh that may influence?

## Introduction

Corporate governance has a crucial impact on molding the financial outcomes of banking firms globally. In the context of Bangladesh, where the banking industry is a vital part of the economy, comprehending the correlation between corporate governance and financial results holds immense significance. This literature review delves into essential research and discoveries regarding how corporate governance elements affect the financial outcomes of publicly traded banking firms in Bangladesh.

## Literature Review

Corporate governance involves a collection of principles and practices that steer the manner in which companies are managed and supervised. In the banking industry, substantial governance is crucial given the inherent risks and systemic significance. In Bangladesh, the Banking Companies Act of 1991 established the basis for contemporary corporate governance methods in the sector.

Many studies have analyzed the makeup of boards of directors in the banking industry of Bangladesh. Ahmed and Islam's study revealed that boards containing a larger percentage of autonomous directors generally demonstrate improved financial results. This highlights the significance of guaranteeing the autonomy and proficiency of board members.

Chairperson duality, where the chairperson concurrently acts as the head of the board, has been a subject of discussion in corporate governance. Rahman noted an adverse correlation between chairperson duality and financial results in banks in Bangladesh [5]. This indicates that dividing the responsibilities of chief executive officer and chairperson could improve governance and performance.

Some important board overseeing financial reporting and internal controls is crucial. A study by highlighted that stronger audit committees positively correlate with improved financial performance in Bangladeshi banks [6]. This underscores the need for robust oversight mechanisms.

Ownership structure influences governance practices and financial performance. Research by Khan found that family-controlled banks in Bangladesh tend to underperform compared to those with more diversified ownership structures [7]. This suggests that concentrated ownership can pose governance challenges.

Corporate governance is closely linked to risk management and financial stability. Significance of financial institutions position, studies by Ali have shown that banks with strong governance practices are better equipped to manage risks and maintain financial stability [8].

CSR initiatives have gained prominence in corporate governance discussions [9]. Studies have indicated that banking companies in Bangladesh that actively engage in CSR activities tend to garner public trust and goodwill, which can positively impact their financial performance.

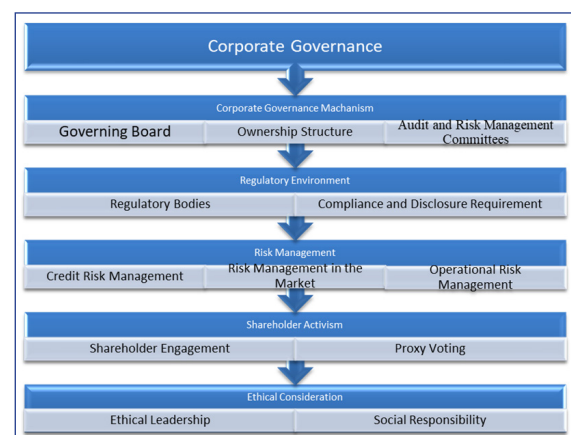
## Conclusion

Lastly, corporate management elements exert a substantial impact on the economic result of listed banking firms in Bangladesh. Research has consistently indicated that a properly organized board, efficient audit committees, division of others responsibilities, and compliance with regulatory directives are linked to enhanced economic result.

## Theoretical Framework

### Introduction

Corporate governance has a fundamental effect on molding the financial outcomes of banking firms globally. In Bangladesh, where the financial industry has important contributes to the economy, comprehending the effect of this elements on financial results is vital [10]. This theoretical structure seeks to clarify the complex relationship between corporate governance and the financial outcomes of publicly traded banking firms in Bangladesh, without proposing particular hypotheses [11].



**Figure 1:** Theoretical Framework of Corporate Governance

### Corporate Governance Mechanisms

- Governing Board:** The composition, freedom, and expertise of Advisory Board can significantly affect decision-making processes and risk management within banking companies.
- Ownership Structure:** Ownership concentration, types of shareholders, and their influence on decision-making can impact corporate behavior and performance.
- Audit and Risk Management Committees:** The effectiveness and diligence of these committees in overseeing financial reporting and risk mitigation can influence financial performance.

### Regulatory Environment

- Regulatory Bodies:** The regulatory framework in Bangladesh, governed by institutions like the Bangladesh Bank sets the rules and standards for corporate governance practices.
- Compliance and Disclosure Requirements:** Adherence to regulatory guidelines and transparent reporting can enhance investor confidence and, subsequently, financial performance.

## Risk Management

- Credit Risk Management: Efficient evaluation of credit risk, vigilant monitoring, and adept management techniques form the cornerstone of a banking institution's fiscal resilience.
- Risk Management in the Market: Techniques to reduce market uncertainties, like risks associated with interest rates and foreign exchange rates, influence the overall profitability.
- Operational Risk Management: Robust systems to handle operational risks can prevent financial losses due to internal errors or external events.

## Shareholder Activism

- Shareholder Engagement: The shareholders actively participate in governance and influence decision-making can affect corporate strategies and financial outcomes.
- Proxy Voting: Shareholder votes on key corporate matters can be a mechanism for expressing approval or dissatisfaction with governance practices.

## Ethical Considerations

- Ethical Leadership: The ethical conduct of top management impact the organization's reputation and, in turn, its economic performance.
- Social Responsibility: Banking companies' engagement in socially responsible activities can have both reputational and financial consequences.

## Economic and Macroeconomic Factors

- Economic Indicators: Factors like Economic expansion, price increases, and lending costs have the potential to impact the financial well-being of the banking industry.
- Political Stability: Political stability and government policies can influence economic conditions and, consequently, the banking industry.

## Conclusion

Comprehending the complex connection of corporate governance elements and the economic achievements of banking corporations listed in Bangladesh is crucial for stakeholders, such as regulators, investors, and the banks themselves. This conceptual framework forms the basis for upcoming empirical studies, offering data-driven perspectives on how particular corporate governance methods influence financial results within the Bangladeshi banking industry. These perspectives can influence policy choices and assist banks in enhancing their governance strategies for enduring financial success.

## Investigation Approach of the Exploration

### Techniques of Data Collection

The report's structure will encompass both descriptive and analytical elements, transitioning into a partially exploratory approach. This methodology stems from the reliance on data sourced from the internet, reports, journals, and subsequent analysis. This amalgamation ensures a comprehensive and lucid depiction in the project, blending explanatory and descriptive design components for a nuanced presentation.

### Sample of Data

The method chosen for sample selection will involve employing a random sampling technique to ensure the representativeness of the chosen sample.

## Period of the Study

Study will cover period of 5 financial years starting from 01/01/2018 to 31/12/2022.

## Research Method and Strategy

The quantitative research method relies on a deductive research approach and is characterized by an objectivist perspective. It employs a focused lens on the subject matter, providing a narrow-angle view. Quantitative research involves analyzing quantitative data using statistical tools to generate a statistical report. On the contrary, qualitative research embraces an inductive research approach and aligns with a constructivist perspective. Qualitative methodologies offer a holistic view of the topic, utilizing a broad-focus lens.

## Econometric Model

To examine the impact of corporate governance factors on the economic result of banking firms listed in Bangladesh, this investigation employs dynamic panel regression models as outlined below:

$$ROA = a + b_1DM.SIZE + b_2I.DIR + b_3A.COM + b_4B.MET + b_5DER$$

$$ROE = a + b_1DM.SIZE + b_2I.DIR + b_3A.COM + b_4B.MET + b_5DER$$

Here,

### Dependent Variables

ROA: Return on Assets

ROE: Return on Equity

### Independent Variables

DM. SIZE: No. of member of Directors

I.DIR: Size of Independent board

A.COM: Size of the committee of Audit

B.MET: The quantity of committee gatherings conducted in this year

DER: Obligation to Ownership proportion

## Introduction to Corporate Governance

Corporate governance relates to the structure of rules, techniques, and processes governing the management and supervision of a corporation. It ensures the clear, fair, and diligent functioning of a firm, considering the interests of various stakeholders, such as investors, employees, customers, vendors, and the wider society.

## Historical Evolution of Corporate Governance Principles

The concepts of corporate governance have developed across generations, adjusting to shifting economic environments and societal anticipations [12]. Initially grounded in fundamental ethical norms, corporate governance has undergone substantial changes, progressing into a more organized and intricate framework [13]. Starting from the initial stages of family-owned enterprises to the contemporary phase of worldwide corporations, corporate governance principles have consistently evolved, with the objective of guaranteeing ethical behavior, transparency, and responsibility in corporate matters.

## Theoretical Foundations

### Agency Theory

### Understanding Principal-Agent Relationships

Within the domain of corporate governance, two key theoretical frameworks influence decision-making procedures: Agency



Theory and Stakeholder Theory. Agency Theory investigates the relationships between principals and agents within organizations, examining the interactions between principals (usually shareholders) and agents (managers or executives). The emphasis lies on harmonizing their interests and reducing conflicts, with the theory underscoring the importance of implementing mechanisms such as incentives and monitoring to guarantee that agents operate in the best interest of principals.

### **Stakeholder Theory**

#### **Balancing Interests of Various Stakeholders**

On the flip side, Stakeholder Theory supports a more expansive viewpoint. It recognizes the varied concerns of stakeholders extending beyond shareholders, encompassing employees, clients, suppliers, and the local community [14]. This concept asserts that companies should equilibrium the requirements and anticipations of all stakeholders, not solely shareholders, in order to attain sustained longevity and ethical decision-making. In contrast to the shareholder-focused strategy, Stakeholder Theory gives precedence to a more comprehensive and socially conscious corporate governance framework.

### **Shareholder vs. Stakeholder Approaches in Corporate Governance**

These theories offer divergent perspectives: Agency Theory focuses on the connection between shareholders and managers, highlighting control and motivation, whereas Stakeholder Theory adopts a comprehensive approach, incorporating the interests of different stakeholders to create a more thorough corporate governance structure [15]. Businesses frequently maneuver between these theories, aiming to find equilibrium that guarantees both profitability and accountability, while also addressing societal well-being.

### **Key Principles and Practices**

#### **Transparency and Disclosure**

##### **Ensuring Open Communication**

Transparency and disclosure constitute foundational tenets in corporate governance, underscoring candid communication between corporations and stakeholders. This entails furnishing precise, punctual, and all-encompassing details regarding the corporation's operational effectiveness, fiscal well-being, and decision-making procedures. Transparent practices cultivate confidence and nurture a constructive association between the corporation and its shareholders.

#### **Accountability and Responsibility of Boards and Management**

The ethical and legal duties of corporate leaders are underscored by the accountability and responsibility of boards and management. Boards bear the responsibility for strategic choices, risk oversight, and ensuring adherence to legal requirements. Conversely, management is answerable for daily operations and the implementation of the board's strategies. This allocation of duties establishes a system of checks and balances within the organization, fostering prudent decision-making and upholding integrity.

### **Regulatory Framework**

#### **International Corporate Governance Codes and Standards**

The regulatory structure overseeing corporate governance differs globally, and international codes and standards for

corporate governance play a pivotal role in influencing these regulations. These guidelines offer direction to businesses, promoting transparency, accountability, and ethical behavior in their activities [16]. Many organizations follow globally acknowledged frameworks, such as the OECD Principles of Corporate Governance and the Sarbanes-Oxley Act in the United States, to align with these standards.

### **Comparison of Corporate Governance Regulations Across Countries**

When examining regulations related to corporate governance in various nations, notable variations arise concerning board compositions, disclosure mandates, and shareholder entitlements [17]. For example, in countries such as the United States and the United Kingdom, there is a focus on the significance of autonomous directors and strict disclosure standards. Conversely, certain developing economies may possess less rigorous regulations, affording companies greater adaptability but potentially giving rise to apprehensions regarding accountability.

### **Challenges and Ethical Considerations**

#### **Certainly, here are Some Challenges and Ethical Considerations Related to Corporate Governance**

##### **Lack of Transparency**

Businesses encounter difficulties when there is a lack of transparency in financial information and decision-making procedures, resulting in diminished trust among stakeholders.

##### **Conflict of Interest**

Maintaining a equilibrium among the concerns of shareholders, executives, and additional stakeholders can pose challenges, particularly in instances where conflicts of interest emerge among these entities.

##### **Board Accountability**

It is crucial to ensure that the board of directors remains answerable for their actions and decisions. A lack of accountability may result in engaging in unethical practices and decision-making.

##### **Regulatory Compliance**

Meeting various regulations and compliance standards poses a challenge, especially in a legal landscape that is continually evolving. Failing to comply can lead to legal troubles and harm the organization's reputation.

##### **Ethical Decision-Making**

Promoting ethical conduct across the organization is of utmost importance. Challenges often arise in navigating ethical dilemmas and resolving them in a manner consistent with the organization's values.

##### **Corporate Social Responsibility (CSR)**

Balancing the corporation's positive contributions to society and the environment with maintaining profitability presents a complex ethical consideration in corporate governance.

##### **Whistleblower Protection**

It is essential to safeguard employees who expose unethical practices (whistleblowers). Inadequate protection can discourage employees from reporting misconduct.

## Corporate Governance in the Digital Age

In the era of digital advancements, corporate governance has experienced notable changes owing to the swift progress of technology. This transformation has resulted in significant alterations in how enterprises function, communicate, and manage confidential data. A pivotal effect of technology on corporate governance methodologies is the heightened effectiveness and openness in decision-making procedures [18]. Utilization of digital tools and software solutions has facilitated instant communication among board members and stakeholders, enabling prompt reactions to shifts in the market and emerging risks.

However, despite its advantages, technology has brought forth new challenges concerning cyber security and the protection of data privacy within corporate governance. With the surge in cyber threats and incidents of data breaches, safeguarding sensitive corporate information has become of utmost importance. Boards of directors now have the responsibility of ensuring the implementation of robust cyber security measures to safeguard important information and uphold the reputation of the company, preventing unauthorized entry is crucial. Moreover, companies in the digital realm now prioritize following data privacy laws like the General Data Protection Regulation (GDPR) in Europe and the California Consumer Privacy Act (CCPA) in the United States. Non-compliance could lead to substantial financial fines and damage to the company's image.

## Model of Corporate Governance

### Corporate Governance Structure

The arrangement of corporate governance selected for this extensive study on how corporate governance components affect the financial results of listed banking companies in Bangladesh centers on fundamental pillars and principles crucial for effective governance within the banking sector.

### Board Composition

The composition, independence, diversity, and expertise of the board play key roles in corporate governance. This analysis evaluates the makeup and structure of the board, the proportion of independent directors, their qualifications, and the presence of board subcommittees like audit, risk, and compensation committees.

### Transparency and Disclosure

Transparency in financial reporting and disclosure of pertinent information are vital for instilling confidence among stakeholders. This investigation examines the extent and quality of financial disclosures, adherence to accounting standards, and the clarity of communication in annual reports and other public disclosures.

### Ethical Behavior and Corporate Culture

Ethical conduct and a strong corporate culture contribute to the long-term success of banking institutions. This research delves into promoting ethical behavior, compliance with regulatory and ethical standards, and aligning corporate values with stakeholder interests.

### Shareholder Rights and Stakeholder Engagement

Protecting shareholder rights and involving stakeholders foster accountability and sustainable business practices. This analysis

explores mechanisms for safeguarding shareholder interests, including voting rights, dividend policies, and procedures for addressing shareholder grievances. It also investigates efforts to engage stakeholders such as employees, customers, regulators, and the wider community.

## Regulatory Compliance and Corporate Social Responsibility (CSR)

Adhering to regulatory requirements and commitment to CSR initiatives demonstrate a company's dedication to ethical business conduct. This investigation evaluates the level of compliance with banking regulations and directives issued by regulatory authorities. It also examines the implementation of CSR programs aimed at addressing social and environmental issues and contributing to societal well-being.

By examining these crucial aspects of corporate governance concerning listed banking firms in Bangladesh, this study aims to provide insights into the relationship between corporate governance practices and financial performance, thereby assisting informed decision-making by stakeholders and policymakers.

## The Anglo-American Model

The governance paradigm in Anglo-American corporations emphasizes a focus on shareholders, prioritizing their interests with the board of directors being accountable to them. When examining the relationship between governance factors and financial results of listed banks in Bangladesh, this paradigm provides a framework for assessing how governance practices affect financial outcomes.

Key elements of the Anglo-American model relevant to this inquiry include:

### Board Independence

This model emphasizes the importance of having a majority of independent directors on the board. Independent directors are expected to oversee management decisions impartially, particularly those related to financial performance, without undue influence from management.

### Executive Compensation

There is an emphasis on aligning executive remuneration with shareholder interests to incentivize performance. Executive compensation should be designed to encourage the achievement of financial goals and shareholder value creation while mitigating excessive risk-taking.

### Transparency and Disclosure

Transparency is a fundamental principle in the Anglo-American model, requiring companies to provide timely and accurate information to shareholders and other stakeholders. This entails disclosing financial performance metrics, governance practices, and potential conflicts of interest.

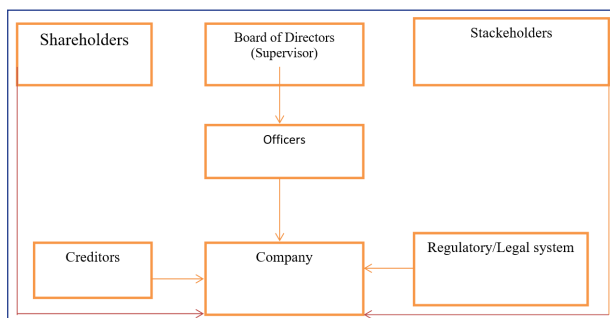
### Shareholder Rights

Shareholders in this model have specific entitlements, including voting on important corporate matters and accessing company information. Strong shareholder rights can support governance practices that align with shareholder interests and promote accountability.

### Regulatory Framework

Within a regulatory framework, the Anglo-American model aims to protect shareholder interests and maintain market integrity. Regulatory bodies oversee governance practices, enforce disclosure requirements, and address conflicts of interest.

In the context of listed banks in Bangladesh, a comprehensive examination could explore how these aspects of the Anglo-American model are implemented and their impact on financial performance. For example, researchers could analyze board composition, executive compensation structures, transparency levels, shareholder rights, and the effectiveness of regulatory supervision. Through such analysis, researchers can gain insights into the influence of governance practices on financial performance among banks in Bangladesh, identifying opportunities for improvement.



**Figure 2: The Anglo-American Model**

### The German Model of Corporate Governance

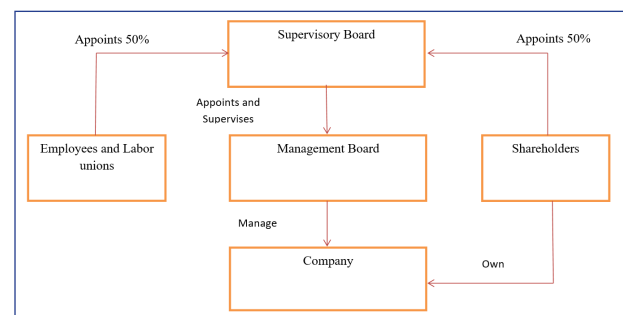
The framework for corporate governance in Germany is characterized by a twin-board arrangement consisting of an administrative board (Vorstand) responsible for day-to-day activities and a overseeing board (Aufsichtsrat) tasked with monitoring the administrative board. The Aufsichtsrat comprises delegates from shareholders and workers, encouraging an equitable decision-making mechanism. Additionally, there is a focus on shareholder entitlements, giving precedence to enduring, sustainable growth rather than immediate profit maximization.

To comprehensively examine how corporate governance elements influence the financial performance of publicly traded banking enterprises in Bangladesh, the German approach could be utilized as a benchmark.

**Structure and Composition of Boards:** Examine the makeup of the boards of directors in Bangladeshi banking companies, contrasting them with the model seen in Germany. Assess the balance between representation from shareholders and employees, as well as the variety and expertise of board members.

- **Oversight Board's Role:** Evaluate the performance of oversight boards in supervising the executive boards of banks in Bangladesh. Determine if these boards fulfill their duties in guiding strategy and overseeing risk management practices.
- **Shareholder Rights and Participation:** Analyze the extent to which shareholder rights are respected and utilized in Bangladeshi banks. Investigate methods like proxy voting and shareholder activism in influencing corporate decision-making.
- **Transparency and Disclosure Practices:** Assess the transparency level and disclosure practices in Bangladeshi banks, comparing them to the strict standards in German corporate governance. Investigate if these banks provide thorough information to stakeholders about financial performance, risk exposure, and governance principles.
- **Risk Management and Regulatory Compliance:** Evaluate the effectiveness of risk management and compliance frameworks in Bangladeshi banks, focusing on reducing systemic risks and following regulatory mandates. Compare these approaches with the robust risk management guidelines in the German corporate governance structure.

By employing the principles of the German corporate governance framework to analyze banking companies in Bangladesh, scholars can acquire understanding about how governance elements influence economic results and add to the sustained sustainability of these companies. Additionally, suggestions can be devised to improve governance methods in Bangladeshi banking enterprises, guided by the observations derived from the German by the framework.



**Figure 3: The German Model Of corporate governance**

### Descriptive Analysis

This section offers an in-depth examination of the information gathered and evaluated in accordance with research approach outlined in preceding sections. Nevertheless, various research approaches utilized in the study provided a unified depiction of corporate oversight in the banking industry of Bangladesh.

**Table 1: Descriptive Statistics**

Descriptive Statistics							
	N	Minimum	Maximum	Sum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
ROA	25	.25	1.30	19.89	.7956	.05873	.29366
ROE	25	5.93	19.70	271.79	10.8716	.85013	4.25063
DM. SIZE	25	6.00	21.00	324.00	12.9600	1.09921	5.49606

I.DIR	25	1.00	4.00	57.00	2.2800	.15832	.79162
A.COM	25	3.00	6.00	110.00	4.4000	.23094	1.15470
B.MET	25	4.00	26.00	371.00	14.8400	1.11606	5.58032
DER	25	7.37	50.10	410.77	16.4308	2.34258	11.71290
Valid N (list wise)	25						

The chart displays a condensed overview of descriptive metrics for seven distinct financial parameters, each derived from a dataset comprising 25 instances. These metrics offer valuable perspectives on the central tendencies and fluctuations within the data, facilitating the examination of financial performance and stability.

#### ROA (Return on Assets)

- N: There are 25 observations for the variable ROA.
- Minimum: The dataset's minimum ROA value is 0.25, indicating the lowest documented return on assets.
- Maximum: The dataset's maximum ROA is 1.30, representing the highest documented return on assets.
- Sum: The total of all ROA values is 19.89, providing an overall view of the returns.
- Mean: The average ROA is approximately 0.7956, signifying the mean return on assets.
- Std. Deviation: The dispersion of ROA values around the mean is measured by the standard deviation of 0.05873.
- Std. Error: The accuracy of the estimation of the mean from the sample is reflected in the standard error, which is 0.29366.

#### ROE (Return on Equity)

- N: There are 25 observations related to the return on equity (ROE) in the dataset.
- Minimum: The minimum recorded ROE is 5.93, indicating the lowest return on equity within the dataset.
- Maximum: The maximum ROE is 19.70, representing the highest recorded return on equity in the dataset.
- Sum: The cumulative value of ROE for the dataset equals 271.79, signifying the total return on equity.
- Mean: The average ROE is around 10.8716, denoting the mean return on equity for the dataset.
- Std. Deviation: The variation in ROE values is measured by a standard deviation of 0.85013.
- Std. Error: The accuracy of the estimation of the mean from the sample is reflected in a standard error of 4.25063.

#### DM. SIZE (No. of member of director)

- N: The director variable consists of 25 observations.
- Minimum: The dataset's smallest director size is 6.00.
- Maximum: The dataset records the largest director size as 21.00.
- Sum: The cumulative value of director sizes is 324.00, representing the overall director size in the dataset.
- Mean: The average director size estimate is 12.9600, calculated as the mean of the director variable.
- Std. Deviation: The variability in director size is quantified by a standard deviation of 1.09921.

- Std. Error: The accuracy of the estimation of the mean from the sample is indicated by the standard error of the mean, which is 5.49606.

#### I.DIR (Size of independent board)

- N: There are 25 observations in the dataset for the board's independence.
- Minimum: The smallest recorded value for board independence is 1.00.
- Maximum: The highest value for board independence is 4.00.
- Sum: The overall value for board independence in the dataset is 57.00, reflecting the independence of the board entities.
- Mean: The average board independence is 2.2800, indicating the mean independence level of the board.
- Std. Deviation: The measure of variation in board independence is quantified by a standard deviation of 0.15832.
- Std. Error: The accuracy of the estimation of the mean from the sample is indicated by the standard error of the mean, which is 0.79162.

#### A.COM (size of the committee of audit)

- Number of observations: There are 25 instances recorded for the committee of audit's size.
- Minimum value: The smallest recorded size for the committee of audit is 3.00.
- Maximum value: The largest size observed for the committee of audit is 6.00.
- Sum total: The accumulated size value for the committee of audit is 110.00, representing the overall size of the audit committee.
- Mean value: The average size of the committee of audit is 4.4000, serving as a central estimate.
- Standard Deviation: The measure of variability in the committee of audit's size is reflected by a standard deviation of 0.23094.
- Standard Error: The accuracy of the estimation of the mean from the sample is the standard error of the mean is 1.15470.

#### B.MET (The quantity of committee gatherings conducted in this year)

- N: There exist 25 observations pertaining to the board meeting.
- Minimum: The smallest recorded value for the board meeting is 4.00.
- Maximum: The highest recorded value for the board meeting is 26.00.
- Sum: The total value of the board meeting observations is 371.00, signifying the overall sum of board meeting data.



- **Mean:** The average value of the board meeting is calculated to be 14.8400, providing a representative mean.
- **Std. Deviation:** The measure of variation in board meeting is denoted by the standard deviation of 1.11606.
- **Std. Error:** The accuracy of the estimation of the mean from the sample is the standard error of the mean is determined to be 5.58032.

#### DER (Obligation to Ownership proportion)

- **N:** The data set comprises 25 observations related to the DER ratio.
- **Minimum:** An indicator of the smallest recorded ratio is the minimum DER ratio at 7.37.

- **Maximum:** The highest recorded ratio is represented by the maximum DER ratio, which is 50.10.
- **Sum:** The collective DER ratio, totaling 410.77, mirrors the overall leverage of the entities in the dataset.
- **Mean:** Providing an average approximation, the mean DER ratio is approximately 16.4308.
- **Std. Deviation:** Quantifying the variation in DER ratios, the standard deviation of 2.34258 offers insight into the dataset's variability.
- **Std. Error:** Reflecting the precision of the sample mean estimate, the standard error of the mean is 11.71290.

These figures facilitate a thorough comprehension of the dispersion and attributes of the data associated with each financial parameter. Such insights prove beneficial for financial analysis and the process of making informed decisions.

**Table 2: Correlation matrix**

		1	2	3	4	5	6	7
1	ROA	1.						
2	ROE	.96**	1.					
3	DM. SIZE	-.40*	-.46*	1.				
4	I.DIR	.03	-.09	.70**	1.			
5	A.COM	-.14	-.25	.70**	.65**	1.		
6	B.MET	.09	.12	-.22	-.31	-.01	1.	
7	DER	.76**	.83**	-.44*	-.12	-.49*	-.05	1.

The chart illustrates a correlation matrix assessing the connections among different financial and performance metrics concerning a group of entities or variables. Every cell within the chart includes the correlation coefficient, which gauges the intensity and orientation of the association between the pair of variables it denotes.

#### Return on Assets (ROA)

In the initial row and column, we identify the association of ROA with itself, which is inherently 1, indicating an impeccable positive correlation.

#### Return on Equity (ROE)

The second row and column portray the correlation between ROE and itself, similarly holding a value of 1, signifying a robust positive relationship.

#### No. of member of director (DM. SIZE)

The third row and column relate to the correlation of Board Size with itself, producing a correlation coefficient of 1.

#### Size of independent board (I.DIR)

In the fourth row and column, we note the correlation of independent Director with itself, signifying a substantial positive correlation (1).

#### Size of the committee of audit (A.COM)

The fifth row and column exhibit the correlation of the Audit committee with itself, once again showcasing a significant positive correlation (1).

#### Board Meetings Quantity (B.MET)

The sixth row and column unveil the correlation of Board meeting with itself, having a correlation coefficient of 1.

#### Debt to Equity Ratio (DER)

The seventh row and column reveal the correlation of Debt-to-Equity Ratio with itself, also displaying a strong positive correlation.

The additional figures in the chart depict the associations between the corresponding factors, and their assessments are conducted on a range from -1 to 1. Scores nearing 1 signify a robust positive connection, those nearing -1 denote a robust negative connection, and those in proximity to 0 imply a feeble or nonexistent correlation among the factors. These correlation coefficients offer valuable perspectives on the connections between financial and performance indicators. Such insights can be instrumental in financial and investment decision-making, risk evaluation, and comprehending the overall financial well-being and performance of the entities under examination.

**Table 3: REGRESSION (ROA)**

Variables Entered/Removed <sup>a</sup>			
Model	Variables Entered	Variables Removed	Method
1	DER, B.MET, I.DIR, A.COM, DM.SIZE <sup>b</sup>	.	Enter
a. Dependent Variable: ROA			
b. All requested variables entered.			

**Table 4: Model Summary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.867 <sup>a</sup>	.751	.686	.16463
a. Predictors: (Constant), DER, B.MET, I.DIR, A.COM, B. SIZE				

**Table 5: ANOVA<sup>a</sup>**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.555	5	.311	11.472	.000 <sup>b</sup>
	Residual	.515	19	.027		
	Total	2.070	24			
a. Dependent Variable: ROA						
b. Predictors: (Constant), DER, B.MET, I.DIR, A.COM, B.SIZE						

**Table 6: Coefficients<sup>a</sup>**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.041	.212		.191	.850
	DM. SIZE	-.026	.010	-.484	-2.501	.022
	I.DIR	.061	.073	.166	.847	.408
	A.COM	.127	.049	.498	2.575	.019
	B.MET	.004	.007	.075	.596	.558
	DER	.020	.004	.812	5.495	.000
a. Dependent Variable: ROA						

The chart illustrates the results of a regression investigation involving the ROA (Return on Assets) as the dependent factor, along with numerous independent factors. Every line in the chart represents a different factor in the model, and the chart provides various statistical measures to assess the relationship between these factors and ROA.

1. The term “Model” denotes the particular variable under examination.
2. The component “Unstandardized Coefficients” encompasses two elements: “B” (the unstandardized coefficient) and “Std. Error” (the standard error linked to B). These numbers aid in assessing the magnitude and direction of the correlation between the autonomous factor and ROA.
3. The “Normalized Coefficients” reveal the normalized factor, commonly known as “Beta.” This factor eases comparisons of the relative effect of every autonomous factor on the reliant factor, accommodating disparities in magnitude.
4. The “t-score” acts as an indicator of how many standard deviations the factor differs from zero. A greater absolute t-score suggests a more pronounced impact of the autonomous factor on ROA.
5. The term “Significance” (Sig.) signifies the p-value associated with each factor. The p-value assesses the statistical importance of each factor, with a lower p-value indicating a more substantial correlation. In this chart, importance is depicted as a fraction.

The outcomes of this examination can assist in comprehending which autonomous factors exert a significant impact on the reliant variable, Return on Assets (ROA). In this scenario, the variables “DM. SIZE,” “I.DIR,” “A.COM,” “B.MET,” and “DER” are scrutinized, and their individual coefficients, standard deviations, standardized coefficients, t-scores, and levels of significance are disclosed. These discoveries can be advantageous for making well-informed decisions or forecasts pertaining to Return on Assets.

**Table 7: REGRESSIONS (ROE)**

Variables Entered/Removed <sup>a</sup>			
Model	Variables Entered	Variables Removed	Method
1	DER, DM.MET, I.DIR, A.COM, B.SIZE <sup>b</sup>	.	Enter
a. Dependent Variable: ROE			
b. All requested variables entered.			

**Table 8: Model Summary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.897 <sup>a</sup>	.805	.754	2.10761
a. Predictors: (Constant), DER, B.MET, I.DIR, A.COM, B.SIZE				

**Table 9: ANOVA<sup>a</sup>**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	349.230	5	69.846	15.724	.000 <sup>b</sup>
	Residual	84.399	19	4.442		
	Total	433.629	24			
a. Dependent Variable: ROE						
b. Predictors: (Constant), DER, DM.MET, I.DIR, A.COM, B. SIZE						

Table 10: Coefficients<sup>a</sup>

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.852	2.710		.314	.757
	DM. SIZE	-.273	.132	-.353	-2.061	.053
	I.DIR	.022	.929	.004	.024	.981
	A.COM	1.619	.629	.440	2.573	.019
	B.MET	.071	.085	.093	.831	.416
	DER	.325	.047	.895	6.843	.000

a. Dependent Variable: ROE

The table presents the results of a statistical model with “ROE” (Return on Equity) as the dependent variable. It includes the following key information:

- **Structure:** This section delineates the distinct factors within the framework.
- **Non-standardized Coefficients:** These sections exhibit the non-standardized coefficients (B), standard deviations (Std. Error), and standardized coefficients (Beta) corresponding to each autonomous factor.
- **t Score:** This denotes the t-score linked with each coefficient, gauging the importance of the association between each autonomous factor and the reliant factor.
- **Significance:** This segment furnishes the significance level (p-value) linked with each coefficient, signifying if the association holds statistical significance.

In brief, the table offers information regarding the influence of different autonomous factors (DM. SIZE, I.DIR, A.COM, B.MET, DER) on the reliant variable ROE within a statistical framework. The t-values and significance levels aid in evaluating the statistical importance of these associations.

### Findings of the Investigation

Here are some key findings from our exploration into how elements of corporate governance impact the economic performance of financial institution, like banking entities in Bangladesh:

#### Board Composition

- Companies with a diverse and experienced board demonstrate improved monetary outcome.
- The existence of autonomous supervisor is correlated with more favorable financial outcomes.

#### Audit Quality

- Increased audit quality enhances transparency and correlates with improved monetary outcome.
- Regular and thorough audits contribute to superior risk management.

#### Executive Compensation

- Effective executive compensation frameworks align with company performance, promoting improved financial results.
- Ensuring that executive remuneration is tied to long-term objectives has a positive effect on financial stability.

### Disclosure and Transparency

- Enhanced disclosure practices lead to increased investor confidence and superior financial metrics.
- Transparent reporting mechanisms contribute to the overall financial health of banking entities.

### Risk Management

- Robust risk management practices are crucial for maintaining financial stability.
- Companies with effective risk assessment strategies generally perform better in the long run.

### Shareholder Rights

- Companies that respect and safeguard shareholder rights demonstrate superior financial performance.
- Transparent and equitable voting processes positively influence financial outcomes.

### Expected Outcome of the Investigation

The expected outcome is a comprehensive investigation into the influence in business management factors into the economics result on financial institution could include.

### Improved Understanding

A better understanding of how business management study impact on financial results of financial institution in Bangladesh.

### Identification of Key Factors

Identification of specific business management elements that which have a important influence on financial result, such as audit committee effectiveness, and transparency.

### Quantitative Analysis

Statistical data and analysis indicating the degree of the impact of these factors on economic result, which could include some important measurements.

### Policy Recommendations

Recommendations for regulatory bodies and policymakers on potential improvements to business management regulations and guidelines in financial institution.

### Investor Insights

Insights for investors on how to evaluate the strategies related to business management study of banking sector when making investment decisions.

### **Risk Management**

An assessment of how corporate governance can affect risk management practices within banks, which is crucial in the financial industry.

### **Comparative Analysis**

A comparison of the findings with international best practices to determine if there are areas where Bangladesh's banking sector can align itself more closely with global standards.

### **Long-Term Impact**

Insights into how improved corporate governance practices could contribute to the extended duration of steadiness and sustainability of the financial institution sight in Bangladesh.

### **Academic Contribution**

A valuable contribution to gain academic knowledge on this type of particular subject and potentially serving a reference for future research.

### **Policy Implication**

Implementing these policy suggestions can bolster corporate governance standards within Bangladesh's banking sector, leading to improved financial performance, heightened investor trust, and sustainable economic advancement.

Policy implications of the research on the impact of corporate governance factors on the financial performance of publicly listed banks in Bangladesh:

#### **Strengthening Regulatory Oversight**

Enhance supervision to ensure that listed banks comply adequately with corporate governance principles, potentially through revising existing regulations or introducing new ones to address identified gaps.

#### **Advocating for Independent and Knowledgeable Boards**

Promote the appointment of independent directors with relevant expertise in banking and finance in listed banks. Regulatory bodies can provide guidance and incentives to promote diversity and expertise within board structures.

#### **Emphasizing Transparency and Disclosure**

Stress the importance of transparent reporting and disclosure in financial documents. Listed banks should regularly disclose information about corporate governance practices, financial performance, risk management, and compliance with regulatory requirements.

#### **Encouraging Shareholder Participation**

Facilitate increased shareholder engagement to ensure managerial accountability for decisions and actions. This could involve initiatives such as shareholder meetings, proxy voting, and advocacy groups for shareholders.

#### **Focus on Strong Risk Management**

Encourage listed banks to adopt robust risk management strategies to mitigate financial risks and improve overall performance. This might include implementing risk assessment frameworks, stress testing, and contingency planning.

### **Reassessing Executive Compensation**

Review and adjust executive compensation structures to align them with long-term performance and shareholder interests. This could include linking executive pay to key financial and non-financial performance indicators like profitability, risk management, and corporate social responsibility.

### **Building Capacity**

Provide training and capacity-building opportunities for directors, executives, and staff of listed banks to enhance their understanding of corporate governance principles and best practices.

### **Promoting Stakeholder Collaboration**

Foster collaboration among regulatory bodies, industry associations, academia, and civil society organizations to promote good corporate governance standards and strengthen the overall health of the banking sector in Bangladesh.

Implementing these policy recommendations can enhance corporate governance standards within Bangladesh's banking sector, leading to improved financial performance, increased investor confidence, and sustainable economic progress.

### **Conclusion**

To sum up, this study delineates an all-encompassing investigation focused on exploring the complex correlation between business management elements and the economic outcomes of financial institution in Bangladesh, like bank. Through a rigorous analysis on many business management components such as organizational framework structure, executive compensation, and transparency practices, this study seeks the effective governance can impact the financial health and sustainability of these institutions. By bridging the existing gap in the literature and leveraging policymakers, regulators, and banking industry stakeholders. The findings are expected to contribute to know a better knowledge about how business management practices may be improved to boost economic performances, mitigate risks, and foster long-term stability within financial institution. In summary, this investigation outlines a compelling and timely investigation that holds the potential to inform decision-builder and shape the future of business management practices within the Bangladeshi banking industry. Through robust data analysis and thoughtful research design, we aim to provide actionable recommendations that can ultimately benefit the financial well-being of these institutions and the broader economy of Bangladesh.

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