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Corporate Governance and its impact on firm's financial performance: astudy on the banking sector of Bangladesh

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Abstract

This study explores the impact of corporate governance on the financial performance of the Banking sector in Bangladesh. Here, the study is based on the secondary data from the annual reports of different commercial Banks listed in Dhaka Stock Exchange(DSE), articles and research papers. The sample of the study has been taken from the period between 2014 and 2018 of 30 banks. Multiple linear regression analysis is used as the statistical tool to measure the impact of corporate governance on the financial performance of banks. Financial performance is measured using the ROA, ROE, EPS and Tobin's Q. In this study, Board Size, CEO-Duality, Board Independence, Board Effectiveness, Audit Committee, and Resolution made in Annual General Meetings are taken as the independent variables and Firm Age, Firm Size is taken as the control variable while the performance measurement are taken as the dependent variable. This research highlights that corporate governance mechanism has a significant impact on firm performance namely ROA, EPS and Tobin's Q except for ROE.

Keywords:*Corporate Governance, Firm Performances, Banking Sector, Bangladesh Perspective.*

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I. Introduction

Corporate Governance is a raising research topic in the banking industry which draws the whole world's attention because the efficiency, effectiveness and overall performance are influenced by compliance with the corporate governance of the banks. Corporate governance is mentioned as a new issue both in the public and academic arena, although the issues it addresses have been around for much longer (Farinha, 2003). Previous studies on corporate governance provide an explanatory view of agency theory based on the agency conflict between the agent and principal. It is believed that the purpose of corporate governance is to monitor and solve the agency problem to maintain the sustainability of the banks. “The assumption of corporate governance in the banking industry, which is the assumption of the normal or competitive market, the relationship of information asymmetric is the principal-agent relationship between owners and managers(Binh & Giang, 2012). Based on agency theory, corporate governance mechanisms are introduced to align with the interests of agents and principals’ interests(Haddad & Whittington, 2019). In the banking industry, corporate governance considers three influential factors such as accountability, transparency, and probity which are referred to as the building blocks of corporate governance and the responsibility of different parties of the organizations. Professor Bob Garratt (2015), Chairman of the Centre for Corporate Governance states "The building blocks of corporate governance are accountability, probity and transparency and four parties such as owners, directors, legislators, and regulators are responsible for effective corporate governance"

The reasons for the growing interest to research on "Corporate Governance and its impacton firm financial performance: a study on the banking sector of Bangladesh" are some failures in the Banking industry.For example, the largest state-owned commercial Bank (SOCB) of Bangladesh is the perpetrator of Hallmark Scam by illegally sanctioning a huge amount of loan of BDT 3400 core (almost $454 million) during 2010 to 2012. The first-ever fraudulent activities were found in banking history in Bangladesh at United Commercial Bank (UCB) during 2007- 2012. Top four officials of UCB withdraw more than Tk.10 core using 21 credit cards illegally.Recently in 2018, a scam was perpetrated by another state-owned Commercial Bank-Janata bank Limited. According to the Bangladesh Bank report, a leather export company withdrew tk. 10.75 billion without complying with the borrowing rules. BismillahTowel Group Scam allegedly embezzled about BDT 1,100crores at the time of 2011-2012 from five reputed banks. Basic bank Scamof BDT 5000crores loan was happenedbecause of improper inspections and papers during 2009-2012. Very recentRupali Bank Scam was happenedfor embezzling 161 crores 91 lakh 65 thousand 245 taka perpetratedby 10 people of it including the former managing director of the Rupali bank named M FaridUddin during 2011- 2019**.** This indicates the lack of practicing corporate governance and some malpractice of fraudulent activities among the officials. Proper corporate governance requires the need for regular basis monitoring of banking systems.

II. Literature Review

Corporate governance is a wide and potential topicthat is being popular from the past two decades providing the explanation of the rules and regulations for the firms and organizations. It is typically recognizedbythe problems that arise between principals and agents. The importance of corporate governance came to light in the 1990s after western economies witnessed a series of financial scandals such as Enron, WorldCom, Polly Peck, One Tel, HIH Insurance which was facilitated by wrongdoings on the part of the management, auditors and financial market operatives. It is also opined by (Sharma & Dhaigude)in their article "Practices of corporate governance in Indusind Bank". Different authors have several viewpoints of defining corporate governance. Some authors adopt a definition for corporate governance which focuses on the governance structure, processes, and practices. It has been clarified by the first corporate governance report titled "The Financial Aspects of Corporate Governance" issued by "The Committee on the Financial Aspects of Corporate Governance" by Sir Adrian Cadbury in 1992. The author defined corporate governance as "the system by which companies are directed and controlled" and further expanded by adding the shareholders' role to appoint the directors and the auditors to satisfy themselves that an appropriate governance structure can hold its own features (Cadbury, 1992).Organization for Economic Cooperation and Development (OECD) has defined corporate governance. It was one of the Non-Governmental Organizations (NGOs) to work for the corporations to attain the rights, values, and responsibilities of the shareholder. OECD principles along with the Codes of Best Practices are many trendsetting principles.

"Corporate governance essentially involves balancing the interests of a company's many stakeholders such as financiers, shareholders, debenture holders, sponsors, management, suppliers, consumers, lender, borrowers, creditors, debtor's, political activists, pressure groups, free rider, CSR, government and the local community" (Anwar, 2019).

Rafiqul and Fahmida(2017) carried out an investigation to determine the attributes of corporate governance and its relationship with firm performance collected from the annual reports of banks in Bangladesh. To do this analysis, data were collected from the sample of 14 sample banks for a period of 10 years ranging from 2006 to 2015. The study found that board independence and internal audit committee had a negative relation with bank performance. Board size and capital adequacy ratios don't affect the bank performance of Bangladesh.

Ferdous and Mahfuzur(2017) examined the compliance level of the code of corporate governance in Bangladesh. Data were collected from secondary sources such as the Company website, published annual reports of the twenty-five listed commercial banks of Dhaka and Chittagong Stock Exchange. The study found that the listed banks of Bangladesh are highly compliant with the Code provisions but voluntary provisions are less complied.

Deb,Sarkar and Siddique(2017)carried out an investigation to determine the relationship between corporate governance mechanisms and financial performance of the banking industry. They opined that the practice of corporate governance is not at a satisfactory level in Bangladesh. The study found information asymmetries between the Board of Directors and management. They also said, by reducing this asymmetry may improve the financial conditions of the banks. The study suggested that the principal would get involved with the fundamental decision making process of the board so that the board of directors works in a cooperative manner with the management for sustainable development. They tried to find out the relationship between the board size, board independent director, chief executive officer duality and board audit committee with the firm performance. The result showed that the board size is not statistically significant with firm performance but positively correlated with ROA and negatively correlated with ROE. Where there is a positive correlation of board independent director with ROA and positive significant relationship with ROE, there is a negative relationship of the board audit committee with ROA and ROE.

The present study fills a research gap and makes a contribution to the literature on corporate governance in the banking industries. Previous studies explored the relationship between Board Size, Board meeting frequency, Audit committee and Director's independence which are very much familiar and common variables in this context. The present study, to some extent, adds another variable that is measured on the number of resolutions made in annual general meetings. As it is essential to make decisions regarding the firm, electing/re-electing the core officials like the board of directors, appointing auditors, declaring dividend and forecasting about the procedures and steps which contribute to the improvement of the bank's overall performance.

III. Research Design & Hypothesis

In this study, a descriptive research design is used. Statistical Package for Social Sciences (SPSS) 18 is used to analyze the data and to explore the relationship between corporate governance practices and the firm's financial performance. Correlation among the different variables and a multiple regression has been developed.

3.1 Data Collection

There are 60 scheduled banks operating in Bangladesh up to 2020. These total numbers of scheduled banks are the population for the study.A sample of 30 banks is drawn by random sampling and data is collected for 5 consecutive years up to 2018. To collect data and information about the financial performance and corporate governance factors, annual reports of the selected banks are the best source. The research is mainly based on secondary data which is collected from the annual reports and the website of the banks.

3.2 Variable Construction

The study uses eight specific dimensions or attributes of corporate governance which has mainly been focused to determine the correlation between Corporate Governance and firm performance. The following part would provide a piece of detailed knowledge of existing evidence of the corporate governance attributes which are taken for the study.

Board Size

The size of the board denotes the total number of directors included in the board at the end of the accounting year. "The board of directors is the central institution in the internal governance of a company" (Lefort & Urzúa, 2008). There is an argument that large boards lead to coordination problems and hence are less effective (Fama & Jensen, 1983b).

CEO Duality

Chief Executive Officer sometimes plays a dual role which is called CEO duality. It is used as a dummy variable. To measure this duality, it requires asking whether the Chairman and CEO of the firm is the same person or not? CEO duality is measured by denoting "1" whether the CEO also serves as a chairperson and "0" whether the CEO serves for his post. It is very important o have different responsibilities of chairman and CEO. Jaleleddine Ben Rejeb and IbtissemMissaoui(2019) mentioned a rule provided by the Ministry of Finance in Vietnam that "a chairman/chairwoman of a board should not be established themselves as CEO of the firm without the approval of this duality in the annual general meeting of shareholders".

Board Independence

Board Independence is simply viewed by the degree to which a director is free from the conflict that might comprise his or her ability to act in the best interests of the firm (Dauglas, Tariro, Linda, Farai, & Dzikamai, 2015). According to the agency theory,emphasizing the appointment of independent director can enhance a firm's performance.

Board Effectiveness

Board effectiveness is measured by the frequency of meeting holds by the board of directors to take different decisions on various matters relating to their firm. Some researchers argued about the effectiveness of the board meeting. Some say it is important to set strategy and managing the organizations. According to Lipton and Lorsch (1992) "When Board of directors' meets frequently, they are more likely to discuss the concerned issues and monitor the management more effectively". Some say it is not necessarily to help in making decisions. There are many costs associated with conducting board meetings, including managerial time, travel expenses and directors' meeting fees (Arora, 2015).

Audit Committee

Audit Committee refers to the numbers of members in the audit committee. The Audit Committee operates within the Corporate Governance Guidelines of BSEC and Bangladesh Bank. "The Audit Committee reviews internal financial operations, improves the integrity of financial statements, and recommends the appointment of external auditors and monitors auditor independence, objectivity and audit effectiveness that helps a firm to achieve its goals effectively and efficiently" (Subramaniam, Stewart, Ng, & Shulman, 2013). Identifying the optimal audit committee size can help to supervise the auditors of the business.

Resolution in AGM

This refers to the number of resolutions made in the annual general meeting. Researchers do have less effort to explore and investigate the effectiveness of an annual general meeting. It is important to make decisions regarding the firm, electing the core officials like the board of directors, appointing auditors and forecasting the procedures and steps which may have a contribution to the improvement of the bank's overall performance. Caroline Pearce and Amanda Cantwell mentioned the importance of resolution passed at AGM. They conducted a surveyon 350 premium equity commercial companies to highlight the emerging trends at AGM season. The resolutions are associated with pay ratio, the independence, and tenure of non-executive directors(Pearce & Cantwell, 2018). To elect/re-elect the directors, set the number of independent directors as well as fixing the remuneration policy carry great importance for the company.

Control Variable- Firm Age & Firm Size

Firm age is measured by the number of the year elapsed after the incorporation date. Firm size is measured by Natural logarithm of total assets(Ahmed & Hamdan, 2015). It can be presumed that the older firm may have a better competitive position in the market.

The following table would provide a briefing on the corporate governance attributes used in this study and this structure is suggested by several authors namely (Saha & Ghosh), (Arora & Sharma), (Rejeb & Missaoui), (Bhagata & Boltonb), and so on.

	Variables	Measurement	Adopted In
Dependent Variables	Return on Asset (ROA)	ROA= Net Income / Total Assets	(Makhlouf, Laili, Basah, & Ramli, 2017) (Alam & Akhter, 2017)
	Return on Equity (ROE)	ROE = Net Income / Total Equity	(Alam & Akhter, 2017), (Buallay, Hamdan, & Zureigat, 2017)
	Earnings Per Share (EPS)	EPS = Net Income – Preferred Dividends/ Weighted Average Shares Outstanding	(Alam & Akhter, 2017), (Rejeb & Missaoui, 2019)
	Market-Based Measurement (Tobin's Q)	TQ = Market Value of the Firm / Replacement Cost of Capital	(Buallay et al., 2017), (Bhagata & Boltonb, 2019),
Independent Variables	Board size(BS)	Total number of directors on the board	(Samaduzzaman, Zaman, & Quazi, 2015), (Deb, Sarker, & Siddique, 2017)
	CEO-Duality(CD)	Whether the Chairman and CEO of the firm is same person. If, Yes= 1, No= 0	(Rejeb & Missaoui, 2019), (Deb, Sarker, & Siddique, 2017)
	Board Independence (BI)	Number of Independent directors	(Fama & Jensen, 1983), (Bhagata & Boltonb, 2019)
	Board Effectiveness (BE)	The frequency of meeting holds by the board of directors	(Arora, 2015), (Makhloufet al., 2017)
	Audit committee (AC)	The numbers of members in audit committee	(Samaduzzamanet al., 2015), (Ahmed, Zannat, & Ahmed, 2017)
	Annual General Meetings (AGM)	The number of resolution made in the annual general meeting	--------------
Control Variables	Firm Age (FA)	The number of the year elapsed after the incorporation date. FG=Present year – Incorporation year	(Ahmed & Hamdan, 2015), (Arora & Sharma, 2016)
	Firm Size(FS)	The total assets of the company. FS=Natural logarithm of the total assets	(Ahmed & Hamdan, 2015), (Mwambuli, 2019),

Theoretical Framework will best illustrate the relationship between corporate governance variables and firm performance in the following manner:

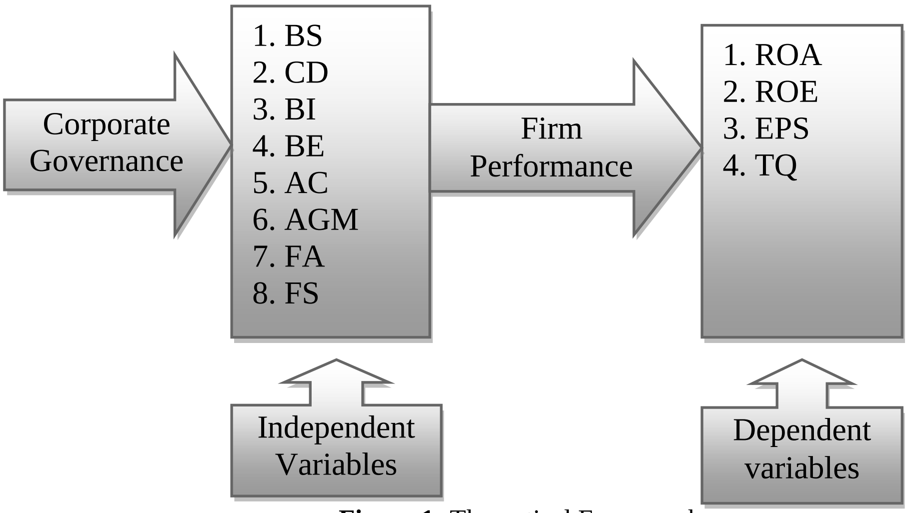

Figure 1: Theoretical Framework

3.3 Hypothesis Development

H1: There is a significant relationship between board size and firm performance
H2: There is a significant relationship between the Chief Executive officer Duality and firm performance.
H3: There is a significant relationship between the number of independent directors and firm performance.
H4: There is a significant relationship between board meeting frequency and firm performance
H5: There is a significant relationship between the number of members in the audit committee and firm performance.
H6: There is a significant relationship between resolution made in AGM and firm performance.
H7: There is a significant relationship between Firm Age and firm performance
H8: There is a significant relationship between Firm Size and firm performance

3.4 Model Specifications

To analyze the data of the report, four regression models are used to understand and explore the impact of corporate governance on performance of banks. The models are:

1. **Model 1 ROA** $= a + b1BS + b2CD + b3BI + b4BE + b5AC + b6AGM + b7FA + b8FS + e$
2. **Model 2 ROE** $= a + b1BS + b2CD + b3BI + b4BE + b5AC + b6AGM + b7FA + b8FS + e$
3. **Model 3 EPS** $= a + b1BS + b2CD + b3BI + b4BE + b5AC + b6AGM + b7FA + b8FS + e$
4. **Model 4 Tobin's Q** $= a + b1BS + b2CD + b3BI + b4BE + b5AC + b6AGM + b7FA + b8FS + e$

IV. Results

4.1 Descriptive Analysis

This section deals with the descriptive statistics for the data of this study. The study summarized the mean, maximum values, minimum values, standard deviation, skewness, kurtosis of dependent variables, independent variables and control variables from 2014 to 2018.

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
ROA	150	-0.04	0.02	0.01	0.01	-3.29	17.64
ROE	150	-0.01	19.55	0.24	1.59	12.23	149.75
EPS	150	-0.73	25.12	3.14	3.53	3.86	17.22
T Q	150	-0.38	3.60	0.88	0.47	1.47	8.23
BS	150	7.00	23.00	14.93	4.19	-0.03	-0.82
CD	150	0.00	0.00	0.00	0.00	0.00	0.00
BI	150	0.00	13.00	2.80	1.96	3.46	14.20
BE	150	7.00	54.00	20.77	8.96	1.82	3.93
AC	150	3.00	7.00	5.02	0.93	-0.55	-0.47
AGM	150	1.00	8.00	4.80	1.07	-0.76	3.32
FA	150	1.00	42.00	22.37	8.59	0.17	-0.42
FS	150	23.16	27.63	26.06	0.78	-1.84	5.36

Table 1: Descriptive Statistics of Variables.

Table 1 above presents the descriptive statistics of the variables taken for this study. The table shows that the ROA is 0.01 on average. It means that on every tk.100 investment, they get a return of 1%. It varies in a wide range from a minimum of -0.04 to a maximum of 0.02. ROE of banks is 0.24 on average ranging from the minimum of -0.01 to a maximum of 19.55. EPS ranges from a minimum of -0.73 to a maximum of 25.12 with an average of 3.14 for the overall sample. Hence almost banks in the chosen list experienced with low TQ. Moreover, the mean of Tobin's Q is 0.88 which indicates that the market value of equity is lower than the total asset carrying value. It is observed that each independent variable is experienced with negative minimum values. It is because of ICB Islami Bank limited generated loss for the last five years. It is observed that the standard skewness of ROA, ROE, EPS, TQ exceeds the range of ±1.0, indicating that the data are not normally distributed. All the dependent variables are leptokurtic in nature.The statistics for board size (BS) show that the mean of board size is 14.93 directors with a minimum of 7 and a maximum of 23 for the whole sample of the banks. By checking the frequency of the board size, only one bank has 23 directors on the board, and most of the banks had between 7 and 20 directors. From the above table, we can see that the mean of CD, BI, BE, AC, AGM, FA, and FS are 0, 2.8, 20.77, 5.02, 4.8, 42, and 27.63 respectively. The duality of CEO-chairman is 0 because they follow the corporate governance code regarding the duality of the CEO. It is also mentioned by (Deb, Sarker, & Siddique). Board Independence (BI) is showing 0 min. values because one of the sampled banks namely-MidlandBank limitedcould not be able to followthe appointment criteria as they have to maintain Status Quo of the board of directors until disposal of the rule issued by the Honorable High Court Division of the Supreme Court of Bangladesh. There was no scope for appointing independent directors until 2017 from its incorporation date. The result implies that the guideline regarding independent directors has not been well implemented. From the analysis, the standard skewness of BS, AC, AGM, FA are normally distributed because its value is within the range of ±1.0 except for FS, BI, BE. It is observed that BS, AC, FA are platykurtic and remaining variables are leptokurtic.

4.2 Correlation Analysis

In this part, the study presents the correlation between firm performance and corporate governance mechanism using Spearman correlation tests. The analysis is used to test the study to define whether there is a multicollinearity problem among all variables. Multicollinearity occurs when two or more independent variables are highly correlated with each other and this might affect the regression in a negative way (Rejeb & Missaoui, 2019) However, the correlation between CEO Duality and the remaining variable cannot be measured here as CEO duality is zero for all. For that reason, it is not possible to show the correlation between CEO Duality and other variables. And zero is not enough to define the relationship between dependent variables and independent variables. On correlation analysis, the study is to find out the relationship between several variables.

	ROA	ROE	EPS	T Q	BS	BI	BE	AC	AGM	FA	FS
ROA	1										
ROE	.770**	1									
EPS	.501**	.685**	1								
TQ	.238**	.384**	.388**	1							
BS	.086	-.080	-.172*	-.005	1						
BI	-.054	.033	.256**	.005	.189*	1					
BE	.031	-.158	.085	-.127	-.016	.063	1				
AC	-.095	-.218**	-.122	-.205*	.513**	-.053	.186*	1			
AGM	-.106	-.065	.052	-.151	-.015	.112	.166*	.103	1		
FA	-.131	-.152	-.002	.101	-.084	-.053	.214**	.005	.215**	1	
FS	-.240**	-.123	.192*	.128	.003	.480**	.174*	-.147	.124	.356**	1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Table 2: Spearman Correlation of the Variables.

The results are shown in table 2. ROA is positively correlated with BS, BE and has a negative relationship with remaining variables such as BI, AC, AGM, FA, and FS. Among them, FS has a significant value at the 1% level. ROEreveals a negative correlation with most of the independent variables except for BI. It is significantly correlated with AC at $p < 0.01$ with Spearman's correlation coefficient of -.218.EPS has a positive relationship with BI, BE, AGM, and FS. It has a significant association with FS and BIat the level of 5% and 1% significance respectively. There is a negative and significant relationship with BS at the level of 5% significance.TQ is negatively correlated with most of the corporate governance mechanism except forBI, FA,andFS. It is significantly correlated with ACat $p < 0.05$ and it has a negative association too.From the above analysis, it's been considered that there is no seriousmulticollinearity in the model because the correlations between the Firm Performance & Corporate Governance Mechanism are lower than 0.8.

4.3 Regression Analysis

The previous part of this paper highlighted on the descriptive analysis and Spearman Correlation Coefficient. This section will provide an explanation of regression analysis.

4.3.1 Impact of CG variables on ROA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.004	7	.001	14.658	.000
	Residual	.005	142	.000		
	Total	.009	149			

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.155	.023		-6.602	.000
	BS	.000	.000	.190	2.246	.026
	BI	-.002	.000	-.524	-5.831	.000
	BE	.000	.000	.161	1.989	.049
	AC	-.001	.001	-.161	-1.871	.063
	AGM	.000	.001	-.049	-.641	.523
	FA	.000	.000	-.392	-5.127	.000
	FS	.007	.001	.669	7.191	.000

Table 3: ANOVA analysis on the impact of firm performance-ROA

The first part of table 3 is highlighting the result of ANOVA which illustrates the association between the corporate governance mechanism used in the study and the dependent variable ROA. The finding explains that corporate governance mechanism has a good impact on performance. As the p-value is 0.000 which is less than the significance level of 0.05. This meansthe result supports the model. Here, table 3 is showing 7 variables and explaining whether they are statistically significant and their influence on ROA. It is representing the values of un-standardized coefficient beta, standard error, beta, t value, and significant value. The un-standardized coefficient beta represents the value where the dependent variable got changed for the increase of one unit in the independent variable.BS, BI, BE, FA, and FSare statistically significant at 5% level of significance since the p-value is less than 0.05.Moreover, thereis a growing impact of FS on ROA. Among them BS, BE, and FA are constant. In Contrast, AC and AGM havean insignificant impactdue to its higher p-value comparing to the level of 5% significance.

4.3.2 Impact of CG variables on ROE

Model		Sum of Squares	df	Mean Square	F	Sig.
2	Regression	17.971	7	2.567	1.020	.420
	Residual	357.561	142	2.518		
	Total	375.532	149			

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
2	(Constant)	-3.342	5.998		-.557	.578
	BS	-.043	.041	-.115	-1.058	.292
	BI	-.058	.093	-.071	-.622	.535
	BE	-.010	.018	-.057	-.551	.582
	AC	-.168	.188	-.098	-.896	.372
	AGM	-.103	.147	-.069	-.699	.486
	FA	-.008	.018	-.042	-.429	.669
	FS	.235	.243	.115	.968	.335

Table 4: ANOVA analysis on the impact of firm performance-ROE

The ANOVA table explains that corporate governance mechanism does not have any impact on performance. Since the p-value is 0.420 which is greater than the significance level of 0.05. This means the result does not support the model. The above table representing that none of the variables is statistically significant,as the p-value of the entire variable is greater than 0.05 at the level of significance. The beta value of FShas a positive impact on ROE andthe remaining FA, BS, AC, BE, AGM, BI has a negative impact on firm performance.

4.3.3 Impact of CG variables on EPS

Model		Sum of Squares	df	Mean Square	F	Sig.
3	Regression	807.840	7	115.406	15.581	.000
	Residual	1051.801	142	7.407		
	Total	1859.641	149			

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
3	(Constant)	-9.726	10.288		-.945	.346
	BS	-.178	.070	-.211	-2.522	.013
	BI	.571	.160	.317	3.575	.000
	BE	.070	.032	.176	2.207	.029
	AC	-.690	.322	-.182	-2.145	.034
	AGM	-.041	.252	-.012	-.162	.872
	FA	-.087	.031	-.213	-2.818	.006
	FS	.694	.416	.153	1.668	.097

Table 5: ANOVA analysis on the impact of firm performance-EPS

The ANOVA table illustrates the association between corporate governance mechanisms used in the study and the dependent variable EPS. The findings explain that corporate governance mechanism has a good impact on firm performance. Here, the p-value is 0.000 which is less than the significance level of 0.05. This means that the result supports the model. The table represents that BS, BI, BE, AC, and FA is statistically significant because it meets the criteria of significance at $p< 0.05$. Moreover, BI, BE, and FS have a growing impact on EPS. BS, AC, AGM, FA have a decreasing impact on EPS.

4.3.4 Impact of CG variables on Tobin's Q

Model		Sum of Squares	df	Mean Square	F	Sig.
4	Regression	10.794	7	1.542	9.679	.000
	Residual	22.623	142	.159		
	Total	33.417	149			

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
4	(Constant)	-8.277	1.509		-5.486	.000
	BS	-.011	.010	-.101	-1.109	.269
	BI	-.077	.023	-.317	-3.271	.001
	BE	-.005	.005	-.103	-1.175	.242
	AC	-.075	.047	-.147	-1.591	.114
	AGM	-.088	.037	-.198	-2.377	.019
	FA	-.009	.005	-.168	-2.033	.044
	FS	.409	.061	.673	6.703	.000

Table 6: ANOVA analysis on the impact of firm performance-Tobin's Q

The ANOVA table indicates that corporate governance mechanism has a good impact on firm performance. Since the p-value is 0.000 which is lower than the significance level of 0.05. This means the result supports the model that the corporate governance mechanisms have a significant impact on Tobin's Q.Table 6indicatesthat BI and AGM have a significant impact on TQ since it stays within the acceptable range of significance ($p< 0.05$). BS, AC, and BE have an insignificant with negative impact on market value.FA has a reverse relationship with TQ. It shows that the older firms may not add extra values for TQ. It typically depends upon the market price and outstanding shares of the firm at the market. It has a significant value at the confidence level of 0.044< 0.05 yet. FS is statistically significant to TQ since the P-value is lower than .000 <0.05.

Table 7.Summary of hypotheses tested

Y	X	P Value	Result on Hypothesis	Support	Contradict
ROA ROE EPS TQ	BS	**.026***	**Accepted**	(Muttakin & Ullah, 2012)	
		.292	Reject		
		.013*	**Accepted**	(Alam & Akhter, 2017)	
		.269	Reject		
ROA ROE EPS TQ	BI	**.000***	**Accepted**	(Dauglas, Tariro, Linda, Farai, & Dzikamai, 2015)	
		.535	Reject		
		.000*	**Accepted**	(Alam & Akhter, 2017)	
		.001*	**Accepted**	(Oguz & Dincer, 2016)	
ROA ROE EPS TQ	BE	**.049***	**Accepted**	(Haider, Khan, & Iqbal, 2015)	
		.582	Reject		
		.029*	**Accepted**	(Haider, Khan, & Iqbal, 2015)	
		.242	Reject		
ROA ROE EPS TQ	AC	.063	Reject		
		.372	Reject		
		.034*	**Accepted**	(Alam & Akhter, 2017)	
		.114	Reject		
ROA ROE EPS T Q	AGM	.523	Reject		
		.486	Reject		
		.872	Reject		
		.019*	**Accepted**		
ROA ROE EPS T Q	FA	**.000***	**Accepted**		(Oguz & Dincer, 2016)
		.669	Reject		
		.006*	**Accepted**		(Ahmed & Hamdan, 2015)
		.044*	**Accepted**		(Oguz & Dincer, 2016)
ROA ROE EPS TQ	FS	**.000***	**Accepted**	(Muttakin & Ullah), (Bhagata & Boltonb, 2019)	
		.335	Reject		
		.097	Reject		
		.000*	**Accepted**	(Oguz & Dincer, 2016)	

V. Conclusion

In the continuing development of the Bangladesh economy, the banking industry is acting as a key-player of the economy by emphasizing on the compliance of corporate governance. Corporate governance has been an integral part of ensuring the proper development of any organization. It is a widely talking and concerned matter because of different fraudulent activities, agency problems in the organizations. To make a contribution in the economic growth of Bangladesh, a feasible and stable banking system should be the requirement of everywhere indeed. The present study explores the influence of corporate governance on the bank's financial performance. The study found that Board size, Board Independence, Board Effectiveness, Firm Age, and Firm size have a statistically significant impact on ROA. Earning per share (EPS) is significantly influenced by Board size, Board Independence, Board Effectiveness, Audit Committee, and Firm Age. Further, Board Independence, AGM, Firm Age, and Firm Size have statistically significant impact on TQ. In Some cases, Board Size has a negative coefficientof Beta. It is observed that large board size is a challenging task to move them effectively and efficiently. The board should hold optimum number of members for better results. Many analysts suggest maintaining 8 to 10 directors. ICB Islami Bank Limited held app. 7.4 meeting in a year on an average which generates a negative ROA, EPS, TQ as well. It is also recommended that every organization should hold optimal number of meetings because a bank with low meeting intensity generates negative impact on firm performance. An effective implementation of resolution passed at annual general meeting can lead to an improvement in firm performance. It's been cleared that all the sampled banks follow the rules and regulations about CEO Duality in the last five years from the period 2014-2018. As they maintain their code of corporate governance regarding CEO Duality, all the banks have scored zero (0). After the completion of the study, it is recommended that every governance mechanisms should go through the continuous monitoring process so that it can enhance the firm financial performances. Hope, this research will help the employers and employees to focus more on corporate governance practice on firm performance in banking sector of Bangladesh The study will also benefit the learner and researcher who would wish to undertake further studies aimed at improving corporate governance structures in Bangladesh.

Therefore, the study admits some limitations as no work is beyond demerits in this entire world. Time constraint is the major issue as corporate governance is a wide topic to be discussed. The studywas only confined to annual reports for analyzing the impact factors. It considers only half of the total banks operating in Bangladesh which may not be able to represent the whole country.

The study uses 8 governance mechanisms. There are several potential opportunities to be considered in the future for further studies and improvements. Further study can be extended by showing a comparison between Banking Industry and Non BankingFinancial Institutes. If it is possible to examine the impact of all operating banks, it will be more perfect to represent the entire country. It can be done by adding value-added statement, Price Earnings Ratio as the dependent variable and it will be preferable to investigate the impact of the education level, age, and gender of the board of directors.

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