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Exploring the Impact of Corporate Governance on Financial Performance: Evidence from Fourth-generation Private Banks of Bangladesh

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Authors' contributions

This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.

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ABSTRACT

This study intends to explore the impact of corporate governance on financial performance of fourth generation private banks of Bangladesh for the period from 2014 to 2023. Board Size, Board Gender Diversity, Board Independence, Audit Committee Size, Board Meeting and Risk Management Committee are used as corporate governance attributes while Return on Asset (ROA) and Return On Equity (ROE) are used as proxy of measuring financial performance of banks. This study relies on secondary data. Necessary data have been obtained from the annual reports of respective fourth generation banks. Panel data regression analysis techniques have been conducted to scrutinize the impact of corporate governance on financial performance of banks. The results reveal that Board Size, Board Independence, Audit Committee Size and Board Meeting

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have a statistically significant impact on financial performance of banks while Board Gender Diversity and Risk Management Committee size do not have any association with the bank performance. These findings highlight that Board Size and Board Independence increase ROA by 3.78% and 3.33% respectivly while Board Size and Board independence increase ROE by 3.29% and 4.19% respectivly. And also Audit Committee Size decreases ROA by 4.03% and ROE by 4.34%. Furthermore, Board Meeting decreases ROE by 1.24%. These findings implies the significance of corporate governance mechansim to boost the performance. Thus, the information derived from this study can be effective and helpful to enhance the understanding of the governing bodies of banks for accelerating banking performance.

Keywords: Corporate governance; bank; financial performance; board of directors; return on equity.

1. INTRODUCTION

Banks, being the heart of the financial structure of every economy ameliorate economic growth by mobilizing the flow of funds from surplus to deficit sectors as well as by transforming the flow of funds into productive investments. Therefore, banking sector plays an important role in the economic development of Bangladesh as well as exist at the top of the financial system with an immense importance(Dutta and Saha, 2021). So, banks, being a highly regulated sector all over the world protect funds of depositors and keep away from negative externalities arising from systemic risk (Berhe, 2022). Banks of different countries face so many problems such as lack of transparency, adverse selection and moral hazard, difficulty of bank business, high debt ratio, liquidity problem, solvency problem as well as banking scams and the major responsible factor to the occuring of these is weak corporate governance practices. Thus, corporate governance has become a crucial aspect for proper functioning of banks.

“Corporate governance encompasses structures to direct and manage the institutions activities for boosting shareholders’ value by enhancing corporate performance and accountability, taking into account the interest of other stakeholders” (Jenkinson & Mayer, 1992). “Corporate governance is the sum of systematic process to control, direct, and manage for ensuring fairness, transparency and accountability in the organization” (Hossain, 2022). “Good corporate governance is the key to have better financial performance. Corporate governance is a tool to ensure the existence of transparency, accountability and fairness in corporate reporting. So, like other organizations, commercial banks have to follow to the management, control, and supervision rules set by the board of directors and managers” (Trung, 2022). The board of directors performs fully executing functions to maximize the benefits of shareholders as well as reduce the bank’s risks leading to have the bank’s performance.

Bangladesh Bank issues corporate governance guidelines for banks .These guidelines states that the maximum number of directors on the Board shall be 20 (twenty). Out of these 20, the number of independent directors shall not be less than 03 (three) and incase of number of directors on the Board less than 20 (twenty), the minimum number of independent directors shall be 02 (two). Not more than 03 (three) members of the same family can hold the position of director in any bank-company at the same time. The Board of Directors of the bank shall convene meeting once in each month or more than once if necessary. The quorum for the meetings of the bank's Board of Directors shall be determined according to the bank's articles of association or memorandum of association. (c) For active participation and contribution of members in the Board meeting, delivery of the detailed memorandum (to be presented in the meeting) to each member at least 02 (two) days prior to the meeting must be ensured. Apart from the Board of Directors, managing director and the company secretary of the bank can be present at the board meeting. The board will approve the objectives, strategies and overall business plans of the bank and the audit committee will assist the board in fulfilling its oversight responsibilities. The audit committee will comprise of a maximum 05 (five) members, among whom at least 2 (two) independent directors will be included. The committee will inspect/review the inspection process of financial reporting, internal control system, the audit process and the bank's operations being conducted within the existing Acts and laws & regulations imposed by the regulatory authorities and its own code of business conduct. A risk management committee will be formed to play an effective role in mitigating impending risks arising out from

strategies and work plans formulated by the Board of Directors of the bank company. The Risk Management Committee will scrutinize whether risk management measures are taken and applied against the identified and assessed risk factors, whether adequate capital and accurate provision are maintained against them and therefore, will provide necessary directions for risk reduction. The risk management committee will comprise of maximum 05 (five) members.

Although banks are supposed to comply the corporate governance guidelines stringently, failure of banks to comply corporate governance guidelines generate some financial anomalies and scams in the banking industry in Bangladesh, as stated in the daily newspaper (The Business Standard, March 4, 2020; under the title "Large bank scams, sluggish actions"), "including the BDT 4,357 crore loan scandal of Hallmark Group, Bismillah Group scam of BDT 1,200 crore, Basic bank scam of BDT 4,500 crore, BDT 3,443 crore Crescent group's scam from Janata bank, and the BDT 160 crore Padma bank's (Former Farmers bank) financial irregularities" illustrates the lack of proper implementation of corporate governance practices in the banking sector. Furthermore, such fraudulent activities actually indicate lack of corporate governance practices in the banks. In fact, the degree to which a bank follows corporate governance guideline determines its financial performance.

"Such incidents proved the gap in good corporate governance practices in the banks. And also Bangladesh is being pressurized by the international community's to follow an international, comparable corporate governance framework" (Hossain, 2017). Hence, this shows that there is a dire need that banks should strictly implement the corporate governance rules and regulations in order to comply with the international standards. So, it can be said that good corporate governance is one of the prime factors leading to have the best financial performance. Hence, there is a critical need of study on banking performance influenced by corporate governance. Therefore, it is crucial to explore the impact of corporate governance on financial performance of banks.

This research extends the existing literature of banking governance from a perspective of internal governance mechanisms to explain bank performance, and also to show how different corporate governance aspects are a significant determinant of bank performance. Overall, the outcome of the study helps to adopt an appropriate balance of legislation and regulatory reform to make improvements in the corporate governance practice of the banking sector of Bangladesh. The study contributes to the theory building on corporate governance and informs the practitioners on need for compliance to the existing corporate governance guidelines for improved business performance. In fact, this study addresses a significant research gap by exploring the impact of corporate governance on the financial performance of fourth-generation private banks in Bangladesh. This focus on a specific generation of banks is novel and timely, as it provides new perspectives on governance mechanisms in a competitive banking landscape. The study's emphasis on board size, independence, and gender diversity provides valuable insights for bank regulators, policymakers, and practitioners. Moreover, the use of panel regression with data from 2014 to 2023 adds to the robustness of the findings, offering evidence-based guidance for the development of corporate governance frameworks in emerging economies.

Even though a number of studies have been undertaken between corporate governance and financial performance of banks, exploring the impact of corporate governance on financial performance of recently established private banks is very few. These banks have been facing severe competition with already established state-owned, private, and foreign counterparts. Thus, drawing any inference between corporate governance and financial performance of the newly established banks starting in 2013 namely fourth generation banks has become difficult as the existing literature provides sufficient literature on banks of different time period before 2013. At this backdrop, using the data from 2014 to 2023, this study aims at exploring the impact of corporate governance on financial performance of fourth generation private banks.

1.1 Objectives of the Study

The main objective of the paper is to explore the impact of corporate governance on the financial performance of fourth generation banks of Bangladesh.Under this main objective, followings are the specific objectives:

1. To Identify the corparte governance attributes having influnce on the financial performance of banks.

2. To determine the significant corporate governance attributes affecting the financial performance of banks.
3. To evaluate the effects of corporate governance on the financial performance of banks.

2. LITERATURE REVIEW

It consists of two parts: first part is about the theoretical frameworks explaining the interactions between corporate governance and financial performance, second part focuses on the empirical studies of the connection between corporate governance and financial performance of banks.

2.1 Agency Theory

"Agency theory was founded by Ross and Mitnick in 1973. This theory states that managers may increase the size of a firm to receive larger compensation or to enjoy private benefits from the prestige of running a large firm" (Gabaix & Landier, 2008). Therefore, it predicts a negative relationship between firm's size and performance. In another context, Agency theory suggests that a higher proportion of independent directors should lead to better firm performance since it reduces the conflict of interests between the shareholders and managers and makes management more effective through better monitoring.

2.2 Stewardship Theory

"Lex Donaldson and James H. Davis are the founders of stewardship theory, which they introduced in 1991.In the stewardship, managers are assumed to be good agents of the corporations and diligently work to achieve high levels of corporate profit and shareholders returns" (Donaldson and Davis 1994). Stewardship theorists, reject agency assumptions, suggesting that directors frequently have interests that are consistent with those of shareholders.

2.3 Empirical Studies

Berhe (2023) finds that board composition and board gender diversity have positive and significant impacts on bank performance as well as board size and CEO duality have significantly negative effects on bank performance of Eithiopia during 2011-2019.

Hsiao and Zhang (2023) "reveals that the better the corporate governance performance, the more positive and significant impact on the financial performance of the current year and the next year. The smaller the capital intensity, there is no significant impact on the current year's financial performance, but if the capital intensity is small and the corporate governance performance is good, it will have a positive and significant impact on the current year's financial performance. This paper selects the computer, communication and other electronic equipment industries in China from 2019 to 2021".

Mehmood et al. (2023) "analyzes the impact of board attributes and board gender diversity on the risk-taking 89 banks in South Asia including Pakistan, Sri Lanka, India and Bangladesh for a period of 2011-2022. Board size, board meetings, board gender diversity and board independence have significant and negative effects on the credit risk of banks. This findings are similar to the findings of Berhe (2023) to some extent though the scope of the study is different".

Das et al. (2023) "examines the effect of stockholdings patterns on the corporate performance of a developing market like Bangladesh. The study investigated the top 50 listed firms on the Dhaka Stock Exchange (DSE) as market capitalization from 2015 to 2019. The findings showed that director and foreign stockholdings had a considerable positive effect on firm's performance in both accounting and market measures".

Johennesse and Budidarma (2022) conduct a study on 34 countries of G20 with a total 331 banks for a period of 2001-2019 with a view to finding the impact of board of directors on the bank performance. They find that board independence is the most important factor in determining bank performance similar to the study of mehmood et. al (2023).

El-Chaarani et al. (2022) "show that the independent members on the board of directors, high ownership concentration, lack of political pressure on board members, and strong legal protection, had positive effects on financial performance of banks in the Middle Eastern and North African (MENA) region during the COVID-19 pandemic period."

In order to identify the mechanisms of board of directors affecting bank performance, Trung (2022) undertake a study on on 3535

Vietnamese commercial banks listed on the stock market from 2010-2020. He points out that the role of the ownership concentration as a significant factor affecting bank's performance similar to the finding of El-Chaarani et al. (2022).

Hossain (2022) determines the impact of corporate governance on the performance of listed banks of Bangladesh for a time period of 2015-2020.Board size, board independence, audit committee and risk management committee are considered as corporate governance attributes while ROA and ROE have been used to measure bank performance. Findings demonstrate that board size and board independence are significantly affirmatively related with bank performance.

Mihail et al. (2022) "show that the audit committee is found to have a favorable influence on bank performance. He investigates the impact of board diversity, CEO characteristics, and board committees on the financial performance of the companies listed on the Bucharest Stock Exchange (BSE) in Romania using more than 70 firms are collected by hand, for the 2016–2020 period. Very few studies have included the audit committee as a corporate governance attribute".

Babic et al. (2020) reveal that board size influences bank performance negatively whereas independent board has a positive impact on bank performance of Serbia. It is based on 18 banks of Serbia covering a time frame of 2015 to 2017. This findings are supported by empirical studies.

Bezawada (2020) concludes that busy directors and the number of meetings have a positive significance on bank performance in india. And also the percentage of independent directors and board size influence a significant negative relationship on the performance of 34 commercial banks from 2009 to 2018.

Owiredu and Kwakye (2020) find a significant positive relationship between board size and financial performance in Ghana. Additionally, the study finds a statistically positive relation between foreign ownership and financial performance measured by ROE and ROE. This study is conducted on thirty-two (32) commercial banks in Ghana from 2007-2016.

Molla et al. (2021) find that board size has a positive impact on bank performance of 30 listed commercial banks of Bangladesh from 2008-2018 using generalized method of moments estimators. independent directors, managerial ownership and female participation do not have any association with the bank performance.

Morshed et al. (2020) investigated the influence of corporate governance in banking performance of top nine public and private commercial banks operating in Bangladesh for a period of 2009 to 2017. Board size, structure of internal audit committee and capital adequacy ratio were used as independent variables. The results indicate that capital adequacy ratio has the greater impact on Bank performance.

2.4 Corporate Governance Attributes

2.4.1 Board size

Board size can be defined as the number of directors on the board responsible for solving the issues between shareholders and executives calls for the presence of the board of directors (Li et al. 2020). Agency theory asserts that a larger board of directors improves business performance. However, when board size is too large, then different co-orientation problem arises leading to the poor performance.

2.4.2 Board gender diversity

One aspect of the diversity of the board of directors is gender diversity . Therefore, female diversity on board of directors enhances firm value as well as improve firms' profitability, including banks (Charilaos et al., 2019).

2.4.3 Board independence

An independent board member as someone who does not have an ownership interest and no right in managerial affairs in the company. They can limit the level of information asymmetry, which increases the transparency of the financial reporting leading to positive relationship between independent board of directors and value of the firm.

2.4.4 Audit committee size

Audit Committee plays a significant role in the oversight of the company's risk management policies and programs. The size of audit committee has a positive effect on performance (Hossain, 2022., Mihail et al., 2022).

2.4.5 Board meeting

"The success of the board depends on the frequency of its meetings, as this can improve

the firm's performance by providing the board with more opportunities to monitor and analyze management's performance" (Hsu & Petchsakulwong, 2010). So, boards should think about holding more meetings if the situation calls for more control and oversight.

2.4.6 Risk management committee

"It represents the total members in the risk management committee. Risk management committee is positively related to bank performance" (Hossain, 2022).

2.5 Development of Hypotheses

From the literature cited above, following hypotheses can be developed:

> H0: There is no impact of corporate governance on financial performance of fourth generation banks
> H1: There is no impact of corporate governance on financial performance of fourth generation banks

3. DATA AND METHODOLOGY

This study is based on secondary data. Baesd on availability of data, 10 (ten) fourth generation private banks in Bangladesh have been considered for a time frame of 2014 to 2023 . All the relevant data have been collected from the annual reports of respective banks.

3.1 Indicators of Financial Performance of Banks

Following the empirical study of Owiredu and Kwakye, 2020, Pham et al., 2021 Alam and akther, 2017; present study uses Return on Assets (ROA) and Return on equity (ROE) to measure bank performance.

3.2 Presentation of the Models to be Estimated

Following the empirical studies, panel data estimate will be used to examine the nexus between corporate governance and bank performance supported by Therefore, panel regression will be run; i.e. ROA and ROE will be regressed against corporate governance attributes.

Therefore, in my study, using two measures of bank perforamance, following two research models will be estimated:

Research model 1:

$$ROA = \alpha i + \gamma t + \delta 1BSIZEij + \delta 2FDIRSij + \delta 3INDPij + \delta 4ASIZEij + \delta 5\ BMij + \delta RMCij + €ij$$

Table 1. Summary of the research variables used in the study

Independent variables	Notation	Measurements	Expected sign	References
Board size	BSIZE	The number of directors on the board	+	Berhe (2023)
Board gender diversity	FDIRS	The proportion of female directions on the board	+	Mehmood (2023)
Board independence	INDP	The proportion of independent directors on the board	+	Hossain (2022)
Audit committee size	ASIZE	The number of members in the audit committee.	-	Mihail et al. (2022)
Board Meeting	BM	Total number of board meeting	-	Bezawada (2020)
Risk Management Committee	RMC	Total members in the risk management committee.	+	Hossain (2022)
Dependent variables				
Return on Assets	ROA	Ratio of net income to assets		Hossain, 2022 Owiredu and Kwakye (2020)
Return on Equity	ROE	Ratio of net income to equity		Hossain 2022, Owiredu and Kwakye (2020)

Research model 2:

ROE = αi + γt+ δ1BSIZEij + δ2FDIRSij + δ3INDPij + δ4ASIZEij +δ5 BMij + δRMCij + €ij

Where,

ROA= Return on assets
ROE=Return on equity
BSIZE= Board size
FDIRS=Gender diversity representing female directors
INDP=Board independence
ASIZE= Audit committee size
BM= Board meeting
RMC= Risk Management Committee
α =intercept,
β = regression coefficients,
i and *t* = bank and time,
ε = disturbance term.

4. FINDINGS AND ANALYSIS

4.1 Descriptive Statistics

Both the dependent and explanatory variables are represented by condensed descriptive statistics in Table 2. By examining the panel dataset of 10 fourth generation banks that operate in the banking industry from 2014 to 2023, consisting of 91 observations. The key elements of it are the mean, maximum, and minimum values, as well as standard deviation values. The maximum and minimum values indicate that the data is not normal under study. Also, the maximum value of BM refers to the presence of outliers, and increased dispersion therefore suggests the presence of heterogeneity among the banks under study.

4.2 Panel Regression Diagnostic: Multicollinearity Test

Multicollinearity exists whenever an independent variable is highly correlated with one or more of the other independent variables in a multiple regression equation. Multicollinearity is a problem because it undermines the statistical significance of an independent variable. Multicollinearity generates high variance of the estimated coefficients and hence, the coefficient estimates corresponding to those interrelated explanatory variables will not be accurate in giving us the actual picture. This study tests the mulicollinarity through pair-wise correlation matrix and variance inflation factor.

4.3 Pair-wise Correlation Matrix

To check that the independent variables do not influence each other, the correlation between the independent variables is tested. Correlation matrix shows the correlation between variables used in the study. Based on Gujarati (2015), which indicates that the multi-collinearity occurs when the correlation between two variables is more than 80%. In this study, the independent variables are correlated with each other at a relatively low level. More specifically, the highest correlation obtained between RMC and ASIZE is .5601. As the correlation coefficient is less than .80, It is therefore confirmed that there is absence of multicollinearity in our regression analyses. As a result, the output of random effects model shows an unbiased estimator of financial performance of banks.

4.4 Variance Inflation Factor

VIF is commonly used to estimate multicolinearity. This measures how much the variance of an estimated regression coefficient increases when independent variables are correlated. A rule of thumb for interpreting the VIF is as follows:

- 1 = not correlated.
- Between 1 and 5 = moderately correlated.
- Greater than 5 = highly correlated.

Fig. 1 shows the VIFs calculated for all of the independent variables. For each variable except INDP, the VIF is less than 5, indicating that they are moderately correlated. But the VIF is really considered to be problematic when its value is greater than 10 (Shrestha, 2020). So, the VIF values of INDP is not that much a concerning issue. Therefore, it can be assumed that the results of the regressions are reliable and the significant variables can be considered as predictors of financial performance of the fourth generation banks in Bangladesh.

4.5 Regression Analysis

This study contains an unbalanced panel data set. For choosing the appropriate model for the study, I conduct The Hausman test to determine if a fixed or random effect regression model is appropriate for the research where the random effect is in the null hypothesis, and the fixed effect is in the alternative hypothesis. It is found that null hypothesis is rejected in all the research models evidenced by Hausman test as the p-

value is less than .05. Thus, it indicates that the random effect regression model is an excellent choice for our estimation. The constraint of fixed-effect model is that it cannot estimate the effect of time-invariant variables (Doumpos et al., 2017). With this, the effect of time-invariant variables can be estimated by the random effect model overcoming the limitation of the fixed-effect model. In this random effect model, the individual-specific effect is independent of explanatory variables. Thus, random effect model treats the unobserved entity-specific effects as random and uncorrelated with the explanatory variables. That's why, for a panel data set, random effect model works better.

4.6 Research Model 1

This model includes ROA as dependent variable and all corporate governance attributes as independent variables.

4.6.1 Analysis

Random effect model demonstrated in Table 4 exhibits that BSIZE, INDP and ASIZE can strongly impact the financial performance of fourth generation private banks of Bangladesh. Positive coefficients of BSIZE (e.g., BSIZE = .0378, $p < 0.05$) and INDP (e.g., INDP = .033, $p < 0.05$) implies that Independent directors and

Table 2. Descriptive statistics of all variables used in the study

Variables	Observation	Mean	Standard dev.	Min	Max
ROA	91	.0092	.0009	-.0205	.0381
ROE	91	.0845	.0060	-.073	.217
BSIZE	91	15.4505	.4123	6	20
FDIRS	91	2.4505	.1837	0	5
INDP	91	1.4725	.1338	0	4
ASIZE	91	3.4065	.0883	1	5
BM	91	10.9120	.4863	4	24
RMC	91	3.3406	.0873	1	5

Table 3. Pair-wise correlation matrix

	BSIZE	*FDIRS*	*INDP*	*ASIZE*	*BM*	*RMC*
BSIZE	1					
FDIRS	0.289308	1				
INDP	-0.02738	-0.00682	1			
ASIZE	0.295981	0.152869	0.18085	1		
BM	0.048466	-0.22734	0.252837	-0.00496	1	
RMC	0.424026	0.213339	0.06637	0.560117	0.263731	1

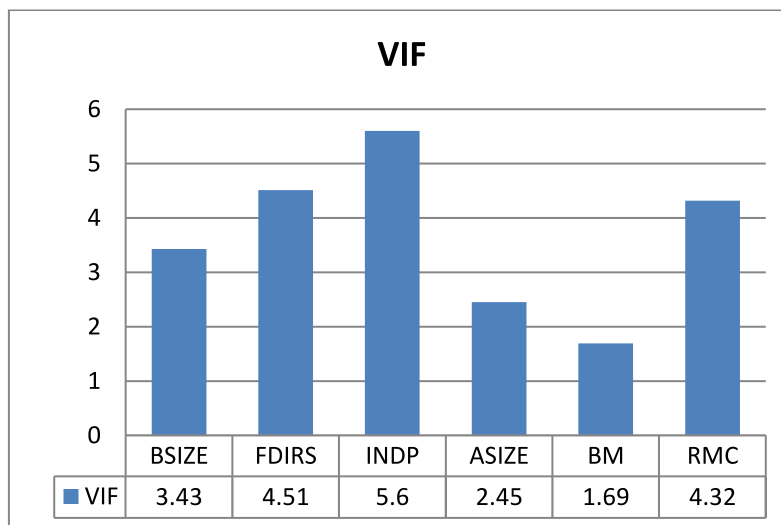

Fig. 1. VIF values of explanatory variables used in the study

Table 4. Output of random effect model

Factors	Coefficients	Std. Error	t-value	Pr(>|t|)
Intercept	-0.0393258	0.027037647	-2.30818	0.013478*
BSIZE	0.0378331	0.00180055	1.350915	0.160394*
FDIRS	0.0425909	0.00290916	0.720762	0.373081
INDP	0.0333575	0.00988525	-3.75426	0.00221*
ASIZE	-0.0403607	0.01315119	0.306898	0.0055969*
BM	3.3064E-06	0.00323534	0.014792	0.988234
RMC	-0.00808641	0.01452419	-0.55676	0.579193
	R^2 =49.54 Adjusted R^2 =44.67 p-value =.0243 Observations=91			

board size results at increasing financial performance with proper implementation of corporate governance practices. And also negative coefficients of ASIZE (e.g., ASIZE=-.00403, $p<0.05$) boosts bank performance significantly. Each of these factors is statistically significant at the 5% significance level with respective p value less than .05. The overall model is strongly statistically significant. A variation in financial performance of banks can be explained by the model at 44.67%. These findings supports the results of Hossain, 2022 and Mihail et al., 2022 and Rahman & Islam, 2018.

On the other hand, FDIRS is found to have no significant impact on the financial performance of banks in Bangladesh which is in line with the findings of El-Chaarani et al., 2022 who conducts study on the banking sector of Middle Eastern and North African region. RMC is also an insignificant factor consistent with the findings of Hossain, 2022. In addition, BM also has no association with bank performance supported by empirical findings. Therefore, it is concluded that the statistically significant factors affecting the financial performance of fourth generation private banks of Bangladesh are BSIZE, INDP and ASIZE.

4.7 Research Model 2

Only significant corporate governance attributes such as BSIZE, INDP, ASIZE and BM at 5% significance level which can enhance the financial performance of banks. The positive coefficient of INDP (e.g.,INDP=.0415,$p<0.05$) means the more the directors are independent, the greater will be the implementation of corporate governance practices leading to achieve the better financial performance. Negative coefficients of ASIZE (e.g.,ASIZE= -.0434,$p<0.05$)and BM (e.g., BM= -0.0124453, $p<0.05$) implies that the greater the size of the audit committee and the number of meeting held in banks, the lower will be the bank performance. FDIRS, RMC and SIZE do not have any association with bank performance. These factors are found to be statistically insignificant similar to the research findings of El-Chaarani et al., 2022 and Hossain, 2022.These findings have confirmed the empirical results.

Table 5. Output of random effect model

Factors	Coefficients	Std. Error	t-value	Pr(>|t|)
Intercept	-0.542554803	0.079425	-5.45691	1.91e-07*
BSIZE	0.03299634	0.002634	2.018993	0.036716*
FDIRS	-0.003192239	0.002448	-0.92573	0.557272
INDP	0.041596989	0.003185	-2.2366	0.037995*
ASIZE	-0.04346456	0.005675	-0.56635	0.0047266*
BM	-0.01244538	0.002304	-0.95407	0.0242821*
RMC	-0.00036578	0.004876	-0.04316	0.765681
	R^2 =47.44 Adjusted R^2 =43.09 p-value =2.1079E-06 Observations=91			

5. CONCLUSION AND RECOMMENDATIONS

This study has explored the impact of corporate governance on financial performance of fourth generation banks of Bangladesh. To fulfill the objectives of the study, panel regression have been run on two research models. The regression results reveal that BSIZE, INDP, ASIZE, and BM have statistically significant impact on bank performance. The positive association between INDP and bank performance (ROA and ROE) indicates that the more the directors are independent, the higher will be the financial performance through closely monitored management, reduced agency conflicts between owners and managers, improved internal control, proper utilized bank resources. Positive coefficient of BSIZE shows that increasing members in the board would increase financial performance through effective better monitoring as well as vast specialized skill of diverse members. Negative association between ASIZE and bank performance (ROA and ROE) reflects that smaller size of audit committee can ensure transparency while implementing better corporate governance leading to promote bank performance. BM impacts negatively the bank performance as sometimes; too many meeting can unnecessarily waste time and divert the concerned people from core tasks leading to poor performance. Thus, the corporate governance attributes such as BSIZE, INDP, ASIZE and BM promote financial performance of banks. Therefore, banks should focus the portion of independent director(s) in their board of directors' composition, concentrate on the small size of board and small number of meeting in order to boost financial performance. The findings of the study will act as the guidelines for the bank management to implement proper corporate governance practices with a view to accelerating bank performance as comprehensive corporate governance is crucial aspect for the survival and well-functioning of the banks.

6. LIMITATIONS OF THE STUDY

There were some limitations in this study. The sample for the study is very small as it only includes fourth generation banks of Bangladesh. The inclusion of first, second and third generation banks may generate different findings. And there may be some other corporate governance attributes having an influence on the bank performance apart from corporate governance mechanism mentioned in the study.

Therefore, future study can be conducted by including banks from first, second and third generation banks with fourth generation banks with a view to conducting a comprehensive comparative analysis for better understanding of the impact of corporate governance on financial performance of banks in different generation. And also more corporate governance attributes such as ownership structure, block holders, qualification of the board members may add to get some new findings .

DISCLAIMER (ARTIFICIAL INTELLIGENCE)

Author(s) hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc.) and text-to-image generators have been used during the writing or editing of this manuscript.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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