Impact of Corporate Governance on Banking Performances

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Abstract

Corporate governance is considered to have significant implications for the growth prospects of an economy. Good corporate governance practices are regarded as important in reducing risk for investors, attracting investment capital and improving the performance of companies. However, the way in which corporate governance is organized differs between countries, depending on their economic, political and social contexts.

The main objectives of this study are to find out the relationship between corporate governance and banking performance and also find out the impact of corporate governance on banking performance. This study focused on four aspects of corporate governance namely; Board Size (BS), Board Diversity (BD), Outside Directors Percentage (OSDP), Board Meeting Frequency (MF) & Audit Committee Meeting Frequency (AM). Banking performance has been measured through Return on Assets (ROA). The study used secondary data of 11 commercial banks covering the period of 2008 to 2017. Data were analysed using regression analysis and E-Views packages.

The empirical results of the present study indicate that there is positive relationship between Outside Directors Percentage (OSDP), Board Meeting Frequency (MF), Board Size (BS), and Audit Committee Meeting Frequency (AM) with Return on Assets (ROA). Further Board Diversity (BD) has a negative impact on Return on Assets (ROA). This study will be benefited to all investors other than the bank sector investors.

Key Words: Corporate Governance, Banking Sector, Banking Performance