Corporate Governance and Banks' Profitability: Evidence from Selected Indian Listed Commercial Banks

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ABSTRACT

Purpose- *The goal of this study is to investigate how corporate governance practices affect the financial performance of selected commercial banks that are listed in India.*

Design/Methodology/Approach- *A balanced panel of 330 observations from 30 listed commercial banks in India (12 public and 18 private) between 2015 and 2025 is used in this analysis. Pooled OLS and Fixed Effects panel regression models are utilized, along with autocorrelation and heteroscedasticity diagnostic tests. To guarantee reliable inference, HAC-consistent standard errors are used.*

Findings- *All profitability metrics (ROE, ROA, EPS, and NPM) are strongly and consistently correlated with the frequency of board meetings, suggesting inefficiencies brought on by too many meetings. Director salary is generally negligible, with the exception of a slight positive influence on ROA, but board size has a moderately beneficial effect on EPS and NPM. In certain models, firm size appears as a marginally significant positive control variable.*

Practical implications/Limitations- *The results imply that reducing the frequency of board meetings may improve the financial performance of Indian banks, providing insights for bank boards, regulators, and policymakers in emerging economies.*

Originality/Value- *By evaluating governance-performance correlations using contemporary longitudinal data and reliable econometric approaches, such as HAC standard errors, this work adds to the scant literature on corporate governance in Indian banking.*

Keywords: *Corporate Governance, Bank Profitability, Board Structure, Indian Banking Sector, HAC Standard Errors, Panel Data.*

Introduction

In India, corporate governance has become increasingly important since it guarantees ethical, open, and transparent management of businesses while safeguarding the interests of stakeholders and shareholders. It promotes long-term sustainable growth, accountability, transparency, and trust.

One of the biggest and most intricate banking sectors in emerging nations, India's banking industry is essential to the country's economic growth. Banks are governed more strictly to safeguard depositors, protect financial stability, and lower systemic risk because of information asymmetry and the use of public funds. Through listing requirements, banking reforms, and "fit and proper" standards for board members, regulatory organizations including the Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI) have reinforced governance frameworks.

Banks' distinct structure and risk exposure make corporate governance especially crucial. Boards of directors are in charge of monitoring management, making sure that decisions are made effectively, and improving performance. Board composition, disclosures, and accountability are highlighted by RBI's regulations and SEBI's Clause 49.

There is a lot of study on corporate governance in developed economies and non-banking companies, but there aren't many studies on the banking industry in developing nations like India. This study looks at corporate governance procedures in Indian banks and analyzes how governance elements including board composition, director compensation, and the frequency of board meetings affect bank profitability. The paper is organized as follows: following section provides a literature review on corporate governance of banks. Section 3 provides the Research and methodology, followed by the analysis and interpretation in section 4 which discusses the empirical results, discussion and findings in section 5 and finally the summary and conclusions in section 6.

Review of Literature

Four main indicators ROA, ROE, EPS, and NPM are used in this study to quantify the effect of corporate governance on bank profitability, which has been studied in the literature. Therefore, this part offers the earlier study that backs up the current investigation.

- **Corporate Governance and Return on Assets**

The findings of earlier research on the connection between corporate governance and bank performance are diverse but enlightening. Institutional ownership and ROA are negatively correlated, according to *(Al-Saidi and Al-Shammar, 2013)*, although bank size and board size have a beneficial impact on performance. *(Okoye et al. 2020)* and *(Jensen, 1993)*, on the other hand, contend that because of problems with coordination and management, large boards are less efficient, whereas smaller boards are more effective. According to *(Moudud-Ul Huq et al. 2018)*, corporate governance has long-term effects on ROA. According to empirical data from *(Bezawada, 2020)* and *(Kakanda et al. 2017)*, ROA is considerably and favorably impacted by board size, independence, composition, expertise, and meetings; however, performance is adversely affected by a higher percentage of executive directors. According to *(Leone et al. 2018)*, independent directors enhance bank performance, especially through efficient risk governance procedures.

- **Corporate Governance and Return on Equity**

The research on how corporate governance affects ROE is conflicting. *(Handa, 2018)* demonstrates that while board size and director salary have a beneficial impact on ROE, frequent board meetings have a negative but negligible effect on performance due to greater costs. According to *(Adams & Mehran, 2012)*, there is a favorable correlation between board size and performance. Effective shareholder meetings greatly increase ROE, indicating increased shareholder profitability, as demonstrated by *(Vicente-Ramos et al. 2020)*. Corporate governance procedures, including board size, makeup, meetings, and competence, have been shown to have substantial long-term positive benefits on ROE *(Moudud-Ul Huq et al.,2018; Kakanda et al., 2017)*. *(Vo & Nguyen, 2014)*, however, discover no meaningful connection between ROE and board size, underscoring contradictions in actual results.

- **Corporate Governance and Earnings Per Share**

The relationship between ownership structure, corporate governance, and EPS has been the subject of contradictory studies. While some research indicate negative effects, *(Mardnly, Mouselli & Abdulraouf, 2018)* report a favorable and significant influence of ownership structure on profitability and efficiency. *(Kirimi, Kariuki&Ocharo, 2022)*, find that foreign ownership and management are negatively correlated with EPS in Kenyan banks. In an identical manner, *(Nasfi, 2022)* discovers that while independent commissioners have a positive impact on EPS, audit committees have a negative but considerable impact, while institutional ownership and board size have negative and negligible effects. According to *(Abutaber et al. 2020)*, ownership structure has a negative impact on EPS, but board size has no discernible effect.

- **Corporate Governance and Net Profit Margin**

Previous research on NPM has yielded inconsistent findings. Corporate governance procedures have minimal impact on commercial banks' NPM*(Esan, Ananwude & Okoye 2020)*. *(Latief, Raza & Gillani, 2014)*, on the other hand, demonstrate a positive and significant influence of firm size on NPM, suggesting that larger firms generate more profits. Similarly, *(Ibrahim & Yakubu, 2020)* demonstrate that

while board size has a positive but negligible impact on NPM, audit committee size and board composition has a positive and large impact.

Research Methodology

This empirical study looks at how corporate governance affects the profitability of 30 listed commercial banks in India (12 public and 18 private) between 2015 and 2025. The study uses Gretl for descriptive statistics on 330 observations and panel data regression using secondary data from annual reports and ProwessIQ. The natural log of Total no. of Directors (LogDIR), natural log of frequency of board meetings (LogBM), and natural log of total remuneration (LogTR) are used to quantify corporate governance; bank size (log of total assets) is utilized as a control variable. The metrics used to evaluate bank performance are Return on Assets (ROA), Return on Equity (ROE), Earning per Share (EPS), and Net Profit Margin (NPM).

Explanation of Variables

- **Independent Variables**
    - **LogDIR:** Natural log (Ln) of total directors on the Board.
    - **LogBM:** Natural log (Ln) of number of Board meetings held in the year.
    - **LogTR:** Natural log (Ln) of compensation the company gives to its directors for the services rendered.
- **Dependent Variables**
    - **ROA:** It is a profitability ratio that illustrates that how much a company generates out of its assets.

    ROA = Net income/ Total Assets
    - **ROE:** The amount of profit a business makes from the capital invested by its shareholders is evaluated by a financial term called return on equity or ROE.

    ROE = Net Income/ Shareholders' Equity
    - **EPS:** It is a financial indicator which indicates how much money a business produces for each share of its stock.

    EPS = (Net income – preferred dividends)/ end of period common shares outstanding.
    - **NPM:** The percentage of revenues left over after costs are covered is known as the Net Profit Margin.

    NPM = (Net income/ Net Revenue) × 100
- **Control Variables**

    As a measure of Bank Size, the Natural log of Total Assets of the chosen banks has been used as the control variable in multiple regressions to examine the effect of independent variables on dependent variables. Regression studies use control variables to determine the treatment's causal impact on a result.

Research Objectives

- To measure the relationship between corporate governance and Bank performance on the basis of Profitability.
- To analyze the impact of corporate governance on bank performance on the basis of its profitability of selected Banks while considering Bank size.

Hypothesis of the Study

In this study, the causal relationship between corporate governance and Banks' Profitability factors of specific banks will be predicted. In order to accomplish the study's goal, the following alternative hypotheses will be tested empirically.

Ha$_1$:   There is significant relationship between Corporate Governance and Profitability.

Ha$_2$:   There is significant impact of Corporate Governance on Profitability.

Model Specification

In order to examine the causal relationship between dependent and independent variables, the following panel regression research models have been constructed.

- $FP_{it}=\beta 0+\beta 1LogDIR_{it}+\beta 2LogBM_{it}+\beta 3LogTR_{it}+\mu_i+\varepsilon_{it}$

- $FP_{it}=\beta 0+\beta 1LogDIR_{it}+\beta 2LogBM_{it}+\beta 3LogTR_{it}+\beta 4LogSIZE_{it}+\mu_i+\varepsilon_{it}$

The firm's profitability is shown by the dependent variable, FP, which is calculated using the following metrics: ROA, ROE, EPS and NPM. ε_{it} is the error term for firm i at time t, where firm size is the natural logarithm of total assets. LogDIR, LogBM, and LogTR are independent variables, and LogSIZE is the control variable (firm's size).

Analysis & Interpretation

- **Descriptive Statistics**

Table 1 shows the summary of Descriptive statistics for the selected 30 listed commercial banks of India for the period of 2014-2015 to 2024-2025. It comprises metrics like the coefficient of variation (C.V.), Skewness, excess kurtosis, mean, median, minimum, maximum and standard deviation.

Table 1: Descriptive Statistics of variables								
Variable	**ROA**	**ROE**	**EPS**	**NPM**	**LogDIR**	**LogBM**	**LogTR**	**LogSIZE**
Mean	0.41	1.79	10.74	2.85	2.35	2.53	17.09	12.26
Median	0.57	7.03	7.47	5.37	2.39	2.56	16.93	12.43
Minimum	-34	-76.14	-516.98	-62.84	1.79	1.38	13.21	-2.99
Maximum	2.61	25.03	243.92	24.83	2.89	3.25	19.85	15.63
Std. Dev.	2.19	17.28	41.13	13.08	0.20	0.34	1.19	1.58
C.V.	5.31	9.62	3.82	4.59	0.08	0.13	0.06	0.12
Skewness	-11.91	-2.11	-5.71	-1.74	-0.24	-0.77	0.11	-2.73
Ex. kurtosis	182.26	4.94	83.65	4.50	0.34	0.47	-0.11	24.53
Source: Author's analysis using Secondary data via Gretl								

The financial performance metrics exhibit extremely large dispersion but moderate averages. With values ranging from –34 to 2.61, a mean of 0.41 and a median of 0.57, a standard deviation of 2.19, Skewness of –11.91, kurtosis of 182.26, and a high C.V. of 5.31, ROA show great variability and losses for many firms. ROE shows significant variations in shareholder returns with a mean of 1.79, standard deviation of 17.28, minimum of –76.14, maximum of 25.03, Skewness of –2.11, and C.V. of 9.62. With a standard deviation of 41.13, Skewness of -5.71, kurtosis of 83.65, and C.V. of 3.82, EPS exhibits the largest dispersion, ranging from –516.98 to 243.92, emphasizing significant profits and losses. With a Skewness of –1.74 and a mean of 2.85 with values ranging from –62.84 to 24.83, NPM shows inconsistent profitability.

Governance variables, on the other hand, are far more stable. LogDIR shows minimal variation in board size, with a mean of 2.35, standard deviation of 0.20, and C.V. of 0.08. LogBM indicates a moderate level of consistency in board meetings with a mean of 2.53, standard deviation of 0.33, and C.V. of 0.13. LogSIZE exhibits greater variability with a standard deviation of 1.58 and a minimum of –2.99, suggesting the presence of smaller enterprises that drag the size distribution lower, whereas LogTR has a mean of 17.09 with comparatively low dispersion.

- **Correlation Matrix**

Ha₁: **There is significant relationship between Corporate Governance and Profitability.**

Table 2: Correlation Matrix								
Variable	**ROA**	**ROE**	**EPS**	**NPM**	**LogDIR**	**LogBM**	**LogTR**	**LogSIZE**
ROA	1							
ROE	0.485	1						
EPS	0.247	0.454	1					
NPM	0.496	0.956	0.472	1				
LogDIR	0.014	0.076	0.068	0.086	1			
LogBM	-0.172	-0.196	0.036	-0.200	0.040	1		
LogTR	0.265	0.344	0.159	0.437	0.169	-0.290	1	
LogSIZE	0.097	0.019	0.493	0.048	0.224	0.150	0.175	1
Source: Author's analysis using Secondary data via Gretl								

There are substantial connections between ROE and NPM (0.956) and moderate correlations between ROE-ROA (0.485) and ROA-NPM (0.496) among profitability measures, according to the correlation matrix. Performance metrics and the number of directors have moderate associations, with NPM showing the largest correlation (0.086). Board meetings have associations with ROE (−0.196), ROA (-0.172), and NPM (-0.403), all of which are inversely correlated with profitability. Board meetings have a negative correlation with director compensation (-0.290), although ROA (0.265), ROE (0.344), and NPM (0.437) have a positive correlation. Firm size (LogSIZE) is positively correlated with EPS (0.493), although it has poor associations with ROA (0.097), ROE (0.019), and NPM (0.048).

- **Regression Results**- In this part the results of regression is provided. By examining the equality of group intercepts, the Poolability test determines whether panel data may be combined. The key details for the Poolability test are:

Ha₁: *The intercepts differ across groups – i.e., Data is not Poolable.*

When choosing between the Random Effects Model and the Fixed Effects Model, the Hausman test is utilized. If the null hypothesis is rejected, the Fixed Effects Model is deemed more consistent and favored.

Ha₁: *Fixed effects model is consistent.*

Table 3: Poolability Test and Hausman Test								
Variable	**Poolability Test**				**Hausman Test**			
	Without LogSIZE		**With LogSIZE**		**Without LogSIZE**		**With LogSIZE**	
	F-statistic	*P-value*	*F-statistic*	*P-value*	*Chi-square*	*P-value*	*Chi-square*	*P-value*
ROA	1.284	0.155	1.224	0.203	–	–	–	–
ROE	3.192	0.000	3.249	0.000	14.695	0.0020	18.878	0.0008
EPS	2.737	0.000	16.355	0.000	20.786	0.0001	170.513	0.0000
NPM	4.173	0.000	4.278	0.000	19.161	0.0002	23.582	0.0000
Gretl Source: Author's analysis using Secondary data via Gretl								

The results of the Hausman and Poolability tests for the chosen performance factors with and without LogSIZE are shown in Table 3. Because the null hypothesis cannot be rejected in both specifications, the Poolability Test suggests that pooled OLS is suitable for ROA. The Fixed Effects Model is better than the Random Effects Model for ROE, EPS, and NPM in both scenarios, according to the Hausman Test.

Static Panel Regression Estimation

Ha₂: There is significant impact of Corporate Governance on Profitability.

Table 4: Panel Regression Results								
Variable	**Without LogSIZE**				**With LogSIZE**			
	ROA (Pooled OLS)	**ROE (FEM)**	**EPS (FEM)**	**NPM (FEM)**	**ROA (Pooled OLS)**	**ROE (FEM)**	**EPS (FEM)**	**NPM (FEM)**
Constant	−4.909** (0.039)	−17.097 (0.515)	57.042 (0.395)	−20.225 (0.274)	−5.145** (0.031)	−24.357 (0.364)	−134.648*** (0.002)	−26.398 (0.161)
LogDIR	−0.235 (0.683)	3.949 (0.449)	11.290 (0.397)	2.136 (0.560)	−0.400 (0.495)	3.997 (0.443)	12.551 (0.126)	2.176 (0.551)
LogBM	−0.645* (0.067)	−9.791*** (0.002)	9.056 (0.254)	−6.294*** (0.004)	−0.754** (0.035)	−10.700*** (0.001)	−14.936*** (0.003)	−7.067*** (0.001)
LogTR	0.439*** (<0.0001)	2.010 (0.150)	−5.605 (0.116)	1.987** (0.043)	0.407*** (0.0001)	1.625 (0.254)	−15.779*** (<0.0001)	1.660* (0.097)
LogSIZE	–	–	–	–	0.117 (0.130)	1.307 (0.189)	34.524*** (<0.0001)	1.111 (0.111)
Observations	330	330	330	330	330	330	330	330
R-squared / Within R²	0.080	0.034	0.014	0.033	0.087	0.039	0.628	0.041
Rho	0.101	0.393	0.038	0.423	0.098	0.395	0.176	0.421
F / Joint	9.568	3.515	1.420	3.446	7.780	3.075	125.078	3.234

Test (p-value)	(0.00)	(0.015)	(0.236)	(0.017)	(0.00)	(0.016)	(0.00)	(0.012)

Gretl Source: Author's analysis using Secondary data via Gretl

*Notes: Significance at the 10%, 5%, and 1% levels is indicated by the symbols *, **, and ***. P-values are presented in parenthesis.*

The panel regression estimates for ROA, ROE, EPS, and NPM under fixed effects and pooled OLS specifications are shown in Table 4, both with and without firm size (LogSIZE). Board meetings (LogBM) have a negative impact on ROA (−0.645, $p < 0.10$; −0.754, $p < 0.05$), whereas total revenue (LogTR) has a large and strong favorable impact (0.439 and 0.407, $p < 0.01$). Firm size is still not very important (0.117). LogBM is continuously negative and very significant (−9.791 and −10.700, $p < 0.01$) in the ROE models, while other variables, such as LogSIZE (1.307), are not significant. LogSIZE displays a significant positive influence (34.524, $p < 0.01$), LogTR exhibits a severe negative effect (−15.779, $p < 0.01$), and LogBM becomes significantly negative (−14.936, $p < 0.01$) for EPS after correcting for size. LogTR shows a favorable effect (1.987, $p < 0.05$), but LogBM is still negatively significant (−6.294 and −7.067, $p < 0.01$) in the NPM models. Overall, the findings show that regular board meetings have a negative effect and that revenue and firm size have different roles in various performance metrics.

Diagnostic Checks

Table 5: Diagnostic Checks

Test	Metric info	Variable	Without LogSIZE	With LogSIZE
Autocorrelation (Durbin Watson)	Durbin-Watson value	ROA	1.941	1.935
		ROE	1.113	1.113
		EPS	1.723	1.214
		NPM	1.066	1.071
Normality (Jarque-Bera)	P value	ROA	0.000	0.000
		ROE	0.000	0.000
		EPS	0.000	0.000
		NPM	0.000	0.000
Mean of error term should be equal to zero	Mean value	ROA	0.000	0.000
		ROE	0.000	0.000
		EPS	0.000	0.000
		NPM	0.000	0.000
Heteroscedasticity (Wald test)	P value	ROA	0.000	0.000
		ROE	0.000	0.000
		EPS	0.000	0.000
		NPM	0.000	0.000
Endogeneity (correlation between error term and Independent variables)	5% critical value, two-tailed (1.96)		0.108	0.108

Source: Author's analysis using Secondary data via Gretl

A review of the fundamental assumptions of regression models with and without LogSIZE as an independent variable is provided in the diagnostic checks table. Each diagnostic test assesses an independent aspect of model validity, and the results are interpreted as follows:

- **Autocorrelation**

In the above table, the presence of Autocorrelation over the period has been tested by Durbin-Watson stats. Here Durbin-Watson stat shows the range between less than 1 and more than 3, where the models shows no autocorrelation between the variables as all the values is between the required ranges.

- **Normality**

Ha$_1$: *The residuals are not normally distributed.*

The Jarque-Bera (JB) test examines whether the residuals are normally distributed. A p-value below 0.05 indicates deviation from normality. But according to Central limit theorem (CLT), it is treated as normal distribution as the sample size is 30 in this study.

- **Mean of Error should be Zero**

The mean of residuals should be zero, which is a fundamental assumption in regression analysis. All variables in this table report a mean value of 0.000, demonstrating that all models perfectly satisfy this assumption, suggesting that, on average, the model predictions are objective and centered on the observed values.

- **Heteroscedasticity**

Ha₁: There is Heteroscedasticity

Heteroscedasticity, or a non-constant variance of residuals, is detected by the Wald test. All variables in both models in this case had p-values of 0.000, which is much less than the threshold for 0.05. This makes it very evident that heteroscedasticity exists in every regression model.

- **Endogeneity**

Because the test statistic (0.108) is significantly below the 5% two-tailed critical value of 1.96 for both models, with and without LogSIZE, we are unable to reject the null hypothesis of exogeneity. This demonstrates that there is no significant association between the independent variables-including LogSIZE-and the error term, confirming the lack of endogeneity and, thus, no bias in the regression results.

HAC Robust Standard Error

In panel data, heteroscedasticity and autocorrelation can result in skewed standard errors and faulty statistical conclusions. The work uses HAC (Heteroscedasticity and Autocorrelation Consistent) robust standard errors, which modify the estimators' variance-covariance matrix, to overcome this problem. By ensuring proper inference in the context of non-constant error variance and serial correlation, this adjustment enhances the estimated results' dependability.

Table 6: HAC Robust Standard Error

Variable	Without LogSIZE				With LogSIZE			
	ROA	ROE	EPS	NPM	ROA	ROE	EPS	NPM
Constant	2.288**	18.401*	−1.476	8.891	−1.154	−3.399	−322.682***	−11.441
LogDIR	0.069	1.806*	6.292***	1.529*	0.067	1.921*	8.569**	1.658*
LogBM	−0.95***	−9.335***	4.657	−5.984**	−1.126***	−10.595***	−14.867	−7.242***
LogTR	0.025	0.184	−0.870	0.351	0.094*	0.588	4.510***	0.700
LogSIZE	—	—	—	—	0.220*	1.454**	22.252**	1.406*
AIC	1452.6	2811.9	3394.9	2629.2	1444.0	2809.1	3385.4	2620.0
BIC	1467.8	2827.1	3410.1	2644.4	1463.0	2828.1	3404.4	2639.0
DW	1.94	1.11	1.72	1.07	1.94	1.11	1.21	1.07
Source: Author's analysis using Secondary data via Gretl								

The regression results calculated using HAC (Heteroscedasticity and Autocorrelation Consistent) robust standard errors, which account for serial correlation and non-constant variance in the error terms, are shown in Table 6. This method guarantees the validity of the conclusions derived from the models and the declared statistical significance. The findings show that, both with and without the control variable, board size (LogDIR) has a favorable and statistically significant impact on bank performance, especially on ROE, EPS, and NPM. This implies that bigger boards could improve governance performance and decision-making quality, which would boost earnings performance and profitability.

On the other hand, across both model specifications, board meetings (LogBM) show a consistently negative and substantial association with ROA, ROE, and NPM. This suggests that holding too many board meetings could result in higher administrative expenses and inefficiencies, which would eventually lower financial performance. LogBM's effect on EPS is still negligible, suggesting that regular meetings have no direct bearing on earnings per share. When LogSIZE is added, the variable LogTR becomes positive and significant for ROA and EPS, although it remains mostly irrelevant in models without the control variable. This implies that the relationship between turnover and performance is moderated by company size, enabling larger banks to translate operational activity into higher asset returns and earnings.

The variable in control Larger banks typically benefit from scale benefits, greater market presence, and higher profitability, as demonstrated by the fact that LogSIZE itself is positive and

statistically significant across all performance metrics. Better model fit is also indicated by the models with LogSIZE having lower AIC and BIC values. There are no serious autocorrelation problems, according to the Durbin-Watson statistics. The robustness and consistency of the calculated correlations are generally confirmed by the HAC-robust results.

Discussion and Findings

According to the results, Board meetings consistently exhibit a strong negative connection with company performance across all models, indicating that higher meeting frequency may not always improve effectiveness and could in fact be associated with underlying inefficiencies (*Handa, 2018; Okoye et al. 2020; Jensen, 1993*). On the other hand, board independence has a strong positive correlation with EPS and NPM but a generally weak or marginal effect on ROA and ROE (*Nasfi, 2022*and *Leone et al. 2018*). This suggests that directors may have a greater impact on earnings-related outcomes than on overall asset or equity returns (*Mardnly et al. 2018*and *Kirimi et al. 2022*). The majority of models do not seem to show that directors' remuneration has a substantial impact, but when firm-specific characteristics are taken into consideration, its positive correlation with EPS when control variables are included raises the possibility that higher compensation is associated with better shareholder value (*Handa, 2018*), suggesting that it can serve as a motivating factor in the correct circumstances. The cautious approach taken by the present study on the overall influence of this variable is supported by previous studies (*Abutaber et al. 2020*and *Nasfi, 2022*), which showed inconsistent or negligible results for director compensation. Larger organizations may benefit from scale efficiencies and more structured governance (*Latief et al. 2014*), as company size is seen to positively contribute to performance, especially in models involving ROA, ROE, EPS, and NPM. Finally, as noted (*Vo & Nguyen, 2014)*, the current analysis supports to the fact that the relationship between financial performance and governance practices fluctuates among variables. Overall, the findings show that the impact of governance practices, such as board composition and meeting frequency, on performance varies according to the financial indicator being examined and strengthens when firm-level variables are taken into account.

Conclusion

This study offers significant insights into the connection between bank financial performance and corporate governance procedures, with consequences for management and regulatory bodies. One important discovery is that significant performance metrics like Return on Equity (ROE), Return on Assets (ROA), and Net Profit Margin (NPM) are consistently negatively impacted by the frequency of board meetings. Frequent meetings could indicate inefficiencies, reactive decision-making or crisis-driven oversight rather than good governance. This may result in the wasteful use of managerial time and resources without any improvement in performance. Therefore, banks should prioritize holding fewer but more concentrated board meetings. The impact of board size on financial performance is inconsistent. Although it significantly and favorably affects Earnings per Share (EPS), it has minimal impact on NPM and little effect on ROA and ROE. This implies that by offering a variety of skills and strategic perspectives, a somewhat larger board can increase profits. However, improving efficiency or shareholder returns requires more than just expanding the size of the board. The experience and makeup of the board should be given more weight.

The analysis also shows that director compensation has no discernible impact on any performance metric, suggesting that incentives and results are not well aligned. For banks, this is a lost opportunity because inadequate incentive schemes could promote complacency or misplaced priorities. Therefore, it is crucial to update compensation frameworks to better connect remuneration with long-term performance.

A significant factor in determining financial performance, firm size has a positive impact on ROA, ROE, EPS, and NPM. Economies of scale are generally advantageous to larger institutions.

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