

Corporate Governance Practices and Performance in the Financial Sector of Bangladesh: An Analysis between Banks and Non-Bank Financial Institutions

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ABSTRACT: This research study focuses on correlation between corporate governance practices and financial performance of banks and non-bank financial institutions (NBFIs) listed on the Dhaka Stock Exchange (DSE) in Bangladesh between 2014 and 2024. The paper applies the pooled OLS regression analysis on a total of 407 firm-years of 37 institutions (27 banks and 10 NBFIs) to analyze the impact of governance on the performance (ROA) based on accounting and (Tobin Q) based on the market. The results show that the size of the board and female diversity positively contribute to ROA, whereas independent directors have a negative impact on performance. The independence of audit committee has a negative correlation with ROA and a positive correlation with Q of Tobin which indicates a trade-off between ROA and confidence of investors. The size of the firm enhances ROA and decreases its market value whereas depreciation of currency has an adverse impact on profitability. These findings imply that, instead of paying lip service to the governance mechanisms, effective implementation is the key to enhancing the performance of the institutions.

1. Introduction

Corporate governance has become an acute part and parcel of contemporary financial markets and is the structure within which corporations are managed and controlled in a responsible way to the stakeholders. It is a matter of striking a balance between the shareholders, managements, customers and other stakeholders. Financial institutions

especially should have good governance mechanisms in place due to their high leverage, fiduciary duty to depositors and criticality to the whole system since the failure of governance in financial institutions may lead to negative and far-reaching effects on other firms (Škare & Hasić, 2016; Muttakin and Ullah, 2012).

The Bangladesh country appears to have a considerable setting of these dynamics of governance, which will be the focus of this article. Banking has grown tremendously but is plagued with a host of issues that include non-performing loans, banking scandals, fraud and fraudulent internal control that can be attributed to ineffective board of directors and related party transactions (Khan, Rahman and Thakur 2025; Mollik and Bepari 2009). In this regard, various regulatory authorities especially the Bangladesh Securities and Exchange Commission (BSEC) along with the Bangladesh Bank have reacted by tight requirements for governance, particularly after the establishments of BSEC Corporate Governance Code 2018 which focuses on board independence, effectiveness of audit committee and better disclosure practices (BSEC 2018). The illusion that the act has worked but the question of whether measurable improvements in firm performance have in fact been shown to have been brought about by these regulatory improvements, is indeed an empirical question.

The above studies on the governance and the performance of the Bangladesh corporations have contributed to our knowledge base though they have a number of shortcomings. Most of the literature centered around banks and hence leaving aside a growing NBFIs sector, which plays an increasingly important role for the financing system (Muttakin & Ullah, 2012). Also, most of the literatures have periods (typically pre-reform or part post-reform), lack indicators on governance and/or on one measure of performance ROA and/or ROE (Molla et al., 2023; Ahmed et al., 2017).

In an attempt to fill these gaps in the research, this paper will analyze 27 banks and 10 NBFIs listed on the Dhaka Stock Exchange (DSE) in the years 2014 to 2024 both before and after the BSEC Corporate Governance Code 2018 implementation, and the economic shocks created by the COVID-19 pandemic. The research factors seven attributes of corporate governance including; board size, independent directors, gender diversity, board meetings, audit committee size, audit committee independence and audit committee meetings. Their effects are measured with reference to two performance measures: accounting-based performance (ROA) and market-based performance (Tobin, Q) and adjusting them to firm age, firm size, inflation and fluctuations of exchange rates.

This study adds to the body of knowledge by offering an in-depth examination of governance practices within both the banks and within the NBFIs, which have been ignored in other studies. It prolongs the observation period to record regulatory changes and economic shocks, includes more indicators of governance and looks at both accounting and market-based measures of performance. Also, the incorporation of macroeconomic factors complements the knowledge of the external economic factors that affect financial institutions. Broadly, the research offers more understanding on the functionality of corporate governance mechanisms within the emerging financial sector in Bangladesh. The paper has been structured in the following manner: Section 2 has reviewed the theoretical and empirical literature, Section 3 discusses the methodology, Section 4 discusses the results and finally, Section 5 gives the conclusion, limitations and future research directions.

2. Literature Review

2.1 Theoretical Framework

Four theoretical perspectives are used to explain the nature of the relationship between corporate governance and firm performance. The Jensen/MecKling (1976) and the Fama/Jensen (1983) theory on agency is still the most dominant theory in the field of governance. It assumes that in a listed company ownership and control are separated and there is therefore a separation of the interest of the owners (principals) and management (agents), which leads to agency costs such as inefficiency in investment decisions, management opportunism, etc. Management is also affected by the same time horizon problems that cause a value/interest gap between shareholders and management and hence management takes the decisions taking that gap into consideration. A critical consideration should be that of financial institutions whose agency issues are exaggerated because of the information asymmetry with respect to high leverage (Muttakin & Ullah, 2012; Nguyen & Vo, 2020).

Conversely, the main emphasis of the agency theory is on maximizing values to the shareholders. Stakeholder theory (Freeman, 2010) develops this point of view a step further and states that firms have a position with respect to a broader group of actors: employees, customers, creditors, communities and regulators. Stakeholder management that takes a proactive (composite) implementation to strengthen long-term competitiveness, good image and reduce regulatory risk has been well documented (Donaldson and Preston, 1995). This perception plays a critical role in the current developments of macro-legal situations where the efficiency of governance relies on substantive authority of various stakeholders, beyond statutory frameworks.

The agency theory does not offer an equivalent perspective in comparison to the stewardship theory due to the belief that the managers do not need to be opportunistic agents pursuing personal interests but they can also be stewards of the resources owned by the organizations (Donaldson and Davis, 1991; Hernandez, 2008). This point of view suggests that excessive regulation can limit manager discretion and reduce performance. Therefore, the effectiveness of the aspects of governance depends on the organizational culture and the behavior of managers.

The institutional theory (DiMaggio and Powell, 1983; Scott, 1987), in its turn, emphasizes the impact of the regulatory, social and institutional contexts within which the governance exists. Consequently, companies are able to avail structures of governance not just to limit agency costs but also legitimacy and compliance with regulations. The further governance structure by the listed financial institutions has been shifted to improved governance structures due to the continued regulatory pressure in Bangladesh especially by the BSEC. Institutional theory can also be used to understand why institutional compliance may fail to result in an improved performance since the quality of implementation may actually be highly variable.

2.2 Corporate Governance and Firm Performance

The amount of empirical literature that focuses on the issue of governance characteristics of banks and their performance is rather substantial and relies on the international data. Roy et al (2017), Orazayeva and Arslan (2025) and Shakri, Yong and Xiang (2024) suggest that the strong board independence and audit committees can result in the improvement of profitability, enhanced risk management and quality of assets, and the reduction of financial distresses levels. Past studies indicate that independent audit committees reduce earnings management that increases the quality of financial reporting and investor confidence (Klein, 2002). Evidence from cross-country also implies that good governance associates with better and sustainable profits and lower financial distress (Nguyen & Vo, 2020).

As an example, the acting empirically in Bangladesh, board attributes are desirable as far as the performance of banks is concerned. Studies reveal that the size of the board, the independence and the separation of the CEO and chairperson roles are positively related to financial performance (Rahman and Islam, 2018; Hasan et al., 2023; Roy, Sarker and Chowdhury, 2017). Hasan et al. (2024) established that positive relationship with ROA and ROE is the largest with the board size, whereas firm size and leverage are likely to be negatively associated with accounting performances.

However, the sources of information on independent directors have not been definitive. Other studies have adopted an alternative method and determine the existence of any positive effect of the independent directors on earnings per share and profitability (Hasan et al., 2023), but others believe that the independent directors are not effective in most situations since the ownership is highly concentrated when the firms are family-owned in the country as in the case of Bangladesh (Muttakin et al., 2012; Khan, Rahman, and Thakur, 2025). Therefore, the actual governance is grounded on the real autonomy and not on the compliance to the regulations (World Bank 2011).

2.3 Corporate Governance and Firm Performance: NBFIs Evidence.

NBFIs have a lower number of empirical studies on corporate governance compared to banks, in particular, in Bangladesh. The NBFIs are reputed to be distinct to the banks based on dependence on wholesale funding, float nature of regulatory frameworks, and market-specific transactions such as leasing and project funding. These differences may influence how governance mechanisms will influence institutional performance (Roy, Sarker, and Chowdhury, 2017).

The theorizations of expectations that good governance framework in NBFIs positively influences risk management, financial stability, and consequently enhance stakeholder confidence can be facilitated by the role of agency theory and the stakeholder theory. The common belief is that the performance of institutions that have a stronger board or effective audit committees and governance transparency will be enhanced (Hasan et al., 2024; Škare and Hasić, 2016). However, there is limited comparative evidence on banks as compared to NBFIs based in Bangladesh. This study answers this gap by investigating the difference in the influence of governance mechanisms on these two financial sectors.

2.4 Governance Variables: Characteristics of board and audit committee

Board size has gained a greater interest in the literature of corporate governance but once again the outcomes are mixed. Even though larger boards may offer breadth of skill, diversity and monitoring facilities than smaller boards, they may develop coordination pressures, speed of decision making and the presence of free-riders (Hermalin and Weisbach 2001; Guest 2009; Yermack 1996). Therefore, the positive relationship between the size of a board and a performance depends on both the firm specifics and institutional environment (Dalton et al. 1998; Namaya, Fong and Mugarura, 2021).

The independence of the board is usually viewed as a remedy to mitigate agency conflict by the unbiased procedure of monitoring and protecting the minority shareholders (Fama and Jensen, 1983; Klein, 2002). In some new markets, such as Bangladesh, the lack of sufficient independence of the board directors in relation to its effects on performance may be limited by the high level of ownership concentration and the still presence of family on the boards (Škare et al., 2016; Enriques, 2019). Another issue that has been gaining traction is that of governance and gender diversity. Diversity boards enjoy the fruits of improved decision making, increased monitoring efficacy and increased risk aversion behavior (Carter et al., 2003; Adams and Ferreira, 2009; Post and Byron, 2015). However, there is still mixed evidence regarding the state of the female representation in the emerging markets because female representation is often low, and it is feared that it is not equal to a significant level of influence but token representation (Konrad, Kramer and Erkut, 2008; Vetchagool, 2025).

The size, independence and frequency of basic traits of audit committees are well addressed in literature as possible factors that determine quality of governance. A study finds that independent audit committees decrease earnings management, increase the quality of disclosures and therefore improve investors' confidence (Abbott et al., 2004; Klein, 2002). The frequency of meetings between the audit committee indicates increased monitoring mechanisms thereby increasing the reliability of the financial reports and allowing to identify potential abuses in time (Keune and Johnstone, 2015; Alqatamin, 2018). These previous conclusions are supported by recent empirical results in the emerging markets related to the positive role played by the independence and activity of an audit committee on the compliance and credibility of reporting (Safari Gerayli et al., 2021; Zainab, 2025).

3. Research Methodology

3.1 Sample and Data Sources

The study employs an unbalanced panel data of 37 financial institutions from Dhaka Stock Exchange (DSE) (27 commercial banks and 10 non-bank financial institutions (NBFIs)) for the period of 2014 to 2024. After discarding about 4% of observations with insufficient disclosures, the final sample is comprised of 407 firm-year observations. Institutional governance and financial information was manually obtained from audited annual reports of selected institutions.

Corporate governance characteristics included board size, number of independent directors, female board member, board meetings, and audit committee

characteristics including audit committee size, independence, and meetings. Annual reports were also used to find financial data such as total assets and net income. Tobin's Q was derived by using Investing.com market data. The macro-economic indicators such as inflation rate and the exchange rate of BDT/ USD were taken from the statistical reports of the Bangladesh Bank and the World Bank.

3.2 Variable Measurement

3.2.1 Dependent Variables

Two indicators are used to measure firm performance. Return on Assets (ROA) that is calculated as net income divided by total assets, and Tobin's Q that is calculated as market value of the firm divided by the replacement cost of its assets (Dang et al., 2018). Tobin's Q on the other hand is used as a market-based performance ratio, which is the ratio of market value of equity to total debt over total assets. This reflects investor's projections about the firm's expected future performance and worth in the market (Chung & Pruitt, 1994; Bhagat & Bolton, 2008). Both measures are used to reflect the governance effects from internal profitability, as well as from external market.

3.2.2 Independent Variables:

Seven corporate governance variables are analyzed. Board Size (BS) is measured as the total number of directors that are on the board. Independent Directors (ID) is the number of independent non-executive directors on the board. Gender Diversity (GD) is calculated as the percentage of female directors out of the total number of directors. Board Meetings (BM) refers to the number of board meetings per year. The number of members on the audit committee is known as Audit Committee Size (ACS) and the number of independent members on the audit committee is known as Audit Committee Independence (ACI). Lastly, Audit Committee Meetings (ACM) indicates how many times audit committee meetings are held annually, reflecting the amount of monitoring and oversight activities.

3.2.3 Control Variables

We use four control variables, in order to capture the role of the firm-specific and macroeconomic factors in performance. The firm age (FA) is defined as the number of years from incorporation and the natural logarithm of total assets is used to measure Firm Size (FS). The inflation (INF) is the yearly consumer price inflation rate and the Exchange Rate (EXR) is the yearly average BDT per USD exchange rate. The controls permit to disentangle the role of governance mechanisms on the performance of institutions.

3.3 Econometric Model

We use pooled Ordinary Least Squares (OLS) regression as a baseline estimator in the analysis. Two equations for performance measures are specified in regressions respectively.

$$ROA_{it} = \beta_t + \beta_t BS_{it} + \beta_{2t} BM_{it} + \beta_{3t} ID_{it} + \beta_{4t} GED_{it} + \beta_t ACS_{it} + \beta_t ACI_{it} + \beta_t ACM_{it} + \beta_t FA_{it} + \beta_t FS_{it} + \beta_{tt} INF_t + \beta_{tt} EXR_t + \varepsilon_{it}$$

$$TQ_{it} = \beta_t + \beta_t BS_{it} + \beta_{2t} BM_{it} + \beta_{3t} ID_{it} + \beta_{4t} GED_{it} + \beta_t ACS_{it} + \beta_t ACI_{it} + \beta_t ACM_{it} + \beta_t FA_{it} + \beta_t FS_{it} + \beta_{tt} INF_t + \beta_{tt} EXR_t + \varepsilon_{it}$$

The accounting-based and market-based firm performance, ROA (Return on Assets) and Tobin's Q (TQ), respectively, are the dependent variables of the regression model. The explanatory variables are corporate governance indicators, which are: Board Size (BS), Board Meetings (BM), Independent Directors (ID), Gender Diversity (GED), Audit Committee Size (ACS), Audit Committee Independence (ACI) and Audit Committee Meetings (ACM). To capture firm-specific and macroeconomic effects, the model also includes several control variables such as Firm Age (FA), Firm Size (FS), Inflation (INF) and Exchange Rate (EXR). The individual firms are indexed by *i* and the years of observations by *t*.

Several diagnostic tests were performed to assure the reliability and validity of the regression estimates. To test for residual normality, Jarque–Bera test was employed, whereas serial correlation was tested using Durbin–Watson statistic and Wooldridge test. Breusch–Pagan test and White test were used to examine the presence of heteroscedasticity. Further, Variance Inflation Factor (VIF) was computed to check for possible multicollinearity of the explanatory variables. These diagnostic tests justify the use of the regression models in the study.

4. Results

Here, the descriptive statistics of all variables are included in Table 1 which has 407 firm-year observations. The average ROA stands at -0.637 indicating that there is a slight overall decline in profitability between the sample period. This puts strain on the performance of certain financial institutions, particularly those more vulnerable to the asset quality problems (e.g. NBFIs). The large standard deviation (5.806) and wide range (-44.16 to 3.00) of this indicate high variation in profitability between institutions. On the other hand, the average Tobin Q stands at 1.107 implying that the market value tends to be higher than book value, whereas the dispersion is somewhat lower than that of ROA.

This is a board size of 12.6 (average) which is consistent with the governance characteristics of financial institutions in emerging markets. Mean Independent Directors is 2.7 that indicates there is low independent representation in boards. The female directors currently make up only 13.3% of all the members of boards, showing that gender diversity has a low level currently. This would be inclined to indicate that the Boards are highly active and there is an average of 16.4 meetings annually. The audit committees have an average of 4.3 members (1.8 of which are independent) with an annual average of 7.3 meetings (Bozec & Bozek, 2007; Shafer et al., 2005).

Table 01: Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
ROA	407	-0.637	5.806	-44.160	3.000
Tobin's Q	407	1.107	0.730	0.110	13.517
Board Size (BS)	407	12.592	4.106	5.000	24.000
Board Meetings (BM)	407	16.423	6.730	0.000	40.000
Independent Directors (ID)	407	2.715	1.144	0.000	8.000
Gender Diversity (GED %)	407	13.253	10.792	0.000	42.860
Audit Committee Size (ACS)	407	4.327	1.017	1.000	9.000
Audit Committee Indep. (ACI)	407	1.835	0.772	0.000	4.000
Audit Committee Meetings (ACM)	407	7.328	3.572	0.000	25.000
Firm Age (FA, months)	407	311.892	97.253	161.000	633.000
Firm Size (FS, ln assets)	407	11.953	1.301	8.935	14.565
Inflation (INF, %)	407	6.804	1.737	5.510	10.500
Exchange Rate (EXR, BDT/USD)	407	90.387	14.010	77.950	120.000

Note: This table shows the descriptive statistics of observation, mean value, standard deviation, minimum and maximum value for performance measurement, corporate governance characteristics and control variables. ROA and Tobin's Q are dependent performance measures; remaining variables are independent that is, corporate governance characteristics and control variables such as firm-specific and macroeconomic variables. The data is collected from 2014 to 2024 for 27 banks and 10 non-bank financial institutions

4.2 Correlation Analysis

Table 02: Pearson correlation matrix between study variables A negative correlation between ROA and Tobin in Q (-0.335, $p < 0.001$) also confirms the fact that the accounting performance and market value are two different variables of firm performance. This implies that profit and investor do not always go hand in hand, but more so in the development countries.

Board size (0.301) has a strong positive relationship with ROA as does that of board meetings (0.179), audit committee meetings (0.223) and firm size (0.395). Conversely, there are negative relationships between ROA and independent directors (-0.189), audit committee independence (-0.185) and exchange rate (-0.218) as well as inflation (-0.264). Tobin Q has a negative relationship with board size (-0.241), board meetings (-0.174) and firm size however, it has a positive relationship with the independence of the audit committee (0.131).

One highlight is that there exists a very high positive relationship between inflation and exchange rate (0.899) indicating how price increase coincided with currency depreciating in the context of Bangladesh from 2000 to 2022. Although both these variables form part of our regression models, we must be careful to the overall effects of these variables. The other explanatory variables are below the threshold of 0.80 –64 so multicollinearity is not considered a serious problem.

Table 2: Correlation Matrix

Variables	ROA	TOBIN'S Q	BS	BM	ID	GED	ACS	ACI	ACM	FA	FS	INF	EXR
ROA	1.000												
TOBIN'S Q	-0.335***	1.000											
BS	0.301***	-0.2408***	1.000										
BM	0.179***	0.174***	0.180***	1.000									
ID	-0.189***	0.041	0.164**	0.071	1.000								
GED	0.069	0.015	-0.228***	-0.096	-0.027	1.000							
ACS	-0.042	-0.040	0.376***	-0.062	0.089	-0.097	1.000						
ACI	-0.185	0.131**	0.137***	0.095	0.315***	0.007	0.241***	1.000					

ACM	0.223 ***	-0.055	0.204 ***	0.461 ***	0.049	- 0.143 ***	- 0.090	0.0 70	1.000				
FA	- 0.014	0.010	- 0.059	0.101 **	- 0.065	- 0.014	- 0.063	- 0.0 22	0.132 ***	1.000			
FS	0.395 ***	- 0.291* **	0.436 ***	0.474 ***	0.048	- 0.124 **	- 0.152 ***	0.0 08	0.396 ***	0.216 ***	1.000		
INF	- 0.181 ***	0.025	- 0.134 ***	0.097	0.010	0.015	- 0.074	0.0 28	- 0.020	0.251 ***	0.109 **	1.000	
EXR	- 0.228 ***	0.049	- 0.149 **	0.073	0.021	0.025	- 0.108 **	0.0 52	- 0.085	0.344 ***	0.174 ***	0.899 ***	1.0 00

Notes: The table shows the Pearson correlation coefficients between all the variables in the study. The proxies of firm performance are ROA and Q of a company, and the proxies of corporate governance mechanisms are BS, BM, ID, GED, ACS, ACI, and ACM. FA and FS are company-specific factors of control and INF and EXR reflect macro-economic factors. The coefficients that are reported are between -1 and +1 to show the strength and direction of the linear associations of the variables. The levels of statistical significance are indicated as: **, ** and *, or 1 percent, 5 percent, and 10 percent, respectively. The elements of the diagonal are equal to unity and the correlation of self is perfect. The fact that excessively high correlation coefficients (usually, above 0.80) are absent indicates that multicollinearity is not an issue of concern, nevertheless, the fact that the correlation between INF and EXR is relatively high should be taken into consideration when regression analysis is performed in the future.

Table 03 presents the performance of regression analysis of both measures of performance; return on assets (ROA) and Q was done when both performance measures, return on assets and Q had gone through diagnostic testing which implies that there is no multicollinearity problem in the data. The application of POLS method has been done and results are that the characteristics of corporate governance play important roles in assessing performance measures of the banks and non-bank financial institutions in Bangladesh.

Table 03: Regression Results of Impact of Corporate Governance on Firm Performance Using Pooled Ordinary Least Squares (POLS) Method

Variables	ROA (t-statistic)	Tobin's Q (t-statistic)
Board Size (BS)	0.253** (3.23)	-0.0227* (-2.02)
Board Meetings (BM)	0.000315 (0.01)	-0.0108 (-1.76)

Independent Directors (ID)	-0.926*** (-4.21)	0.0199 (0.63)
Gender Diversity (GED)	0.0893*** (3.94)	-0.00344 (-1.06)
Audit Committee Size (ACS)	-0.0825 (-0.30)	-0.0435 (-1.09)
Audit Committee Independence (ACI)	-1.045** (-3.11)	0.143** (2.97)
Audit Committee Meetings (ACM)	0.0727 (0.90)	0.0231* (2.00)
Firm Age (FA)	-0.000338 (-0.13)	0.00018 (0.46)
Firm Size (FS)	1.698*** (6.50)	-0.155*** (-4.13)
Inflation (INF)	0.637 (1.95)	-0.0644 (-1.37)
Exchange Rate (EXR)	-0.177*** (-4.12)	0.0109 (1.77)
Constant	-9.263** (-2.89)	2.563*** (5.57)
R-squared	0.3492	0.1517
Adj R-squared	0.3311	0.1281
Observations	407	407

Notes: *p<0.05, **p<0.01, ***p<0.001. In this case, there are performance measures of return on assets (ROA) and Q by Tobin. Bs, BM, ID, GED, ACS, ACI and ACM are the corporate governance parameters. The control variables are FA, FS, INF and EXR. The sample included 37 banks and non-financial institutions in Bangladesh where the data was collected between 2014 and 2024.

The regression findings in Table 03 reveal that there is a significant difference in the impact of the governance mechanisms on accounting and market performance. In terms of ROA, board size ($\beta=0.253$, $t=3.23$) is positively and significantly related to the dependent variable while Tobin's Q has a negative relationship ($\beta=-0.023$, $t=-2.02$). It implies that the potentially favorable impact of bigger boards on internal control, specialization and operational efficiency, which enhances profitability but, perhaps, at the cost of investors, who might perceive greater costs caused by coordination problems and the slow pace of decision-making.

The independent directors are significantly related to the negative ROA ($= -0.926$, $= -4.21$) and have no effects on Tobin Q that shows that formal board independence in

Bangladesh is not always effective in improving performance because of the presence of concentrated ownership, lack of autonomy in directors, and flaws that accompany the institutional environment of the BSEC Corporate Governance Code 2018. One may note that gender diversity positively influences ROA ($\beta=0.089$, $t=3.94$) that is, the presence of women promoter also results in a better monitoring and making operation decisions. However, its insignificant effect on the Q of Tobin shows low focus on the market level also may be due to low percentage of female directors.

Neither of our performance measures statistically significance differ based on the frequency of board meetings and this is an indication that the key factor in performance is that good governance is a better approach than the number of meetings that a board holds. The independence of the audit committee has a negative and significant impact on ROA ($\beta = -1.045$, $t = -3.11$) but a positive and significant impact on the Tobin Q ($\beta=0.143$, $t = 2.97$). It means a balancing act because a more stringent oversight can also imply less profitable short-term results but more transparency and trust of investors. This implies that independence and activity are more important compared to the size of audit committee because while TobinQ is positively related ($\beta=0.023$, $t=2.00$) with audit committee meetings but it is insignificant related ($\beta = -0.01$; $t=-1.35$, $p > 0$) with audit committee size.

The only control variable that significantly affects ROA ($\beta=1.698$, $t=6.50$) and Tobin's Q ($\beta=-0.155$, $t=-4.13$) is firm size. This is an indicator of scale benefits in terms of profitability although possibly market concerns on complexity and restricted growth. By the fact that there is no significant interaction between both the firm age and inflation (0.111 , $t=1.46$; -0.0074 , $t=0.06$) exchange rates adversely affect ROA (0.177 , $t= -4.12$), which is the harmful impacts of currency pressures on financial institutions. To sum up, we found that there is a difference in the perceived governance mechanisms applied to the accounting and market performance.

4.4 Robustness Analysis

POLS Method: Table 04 gives a robustness analysis to verify the actuality and truthfulness of findings of table table03. It was done robustness using feasible generalized least squares (FGLS). Table 04 Results validate Table 03 Results at the same level of significance, which validates POLS results in Table 03. The only exception is inflation which in POLS it is insignificant, but in robustness analysis found significant. The overall conclusion is that corporate governance is influential on the firm's performance.

Table 04: Regression Results of Impact of Corporate Governance on Firm Performance Using Feasible Generalized Least Squares (FGLS) Method

Variables	ROA (t-statistic)	Tobin's Q (t-statistic)
Board Size (BS)	0.253** (3.29)	-0.0227* (-2.06)
Board Meetings (BM)	0.000197 (0.00)	-0.0109 (-1.80)
Independent Directors (ID)	-0.926*** (-4.28)	0.0198 (0.64)
Gender Diversity (GED)	0.0893*** (4.01)	-0.00343 (-1.07)
Audit Committee Size (ACS)	-0.0820 (-0.30)	-0.0434 (-1.10)
Audit Committee Independence (ACI)	-1.046** (-3.17)	0.143** (3.01)
Audit Committee Meetings (ACM)	0.0727 (0.92)	0.0231* (2.04)
Firm Age (FA)	-0.000341 (-0.13)	0.000179 (0.47)
Firm Size (FS)	1.699*** (6.61)	-0.155*** (-4.20)
Inflation (INF)	0.639* (2.00)	-0.0642 (-1.40)
Exchange Rate (EXR)	-0.177*** (-4.22)	0.0109 (1.81)
Constant	-9.257**	2.564***
Board Size (BS)	(-2.94)	(5.67)
Chi ²	218.36	72.80
Observations	407	407

Notes: *p<0.05, **p<0.01, ***p<0.001. In this case, these performance measures are the return on assets (ROA) and the Q of Tobin. The corporate governance parameters are BS, BM, ID, GED, ACS, ACI and ACM. The control variables are FA, FS, INF and EXR. It was based on the data of 37 banks and non-financial institutions in Bangladesh between 2014 and 2024.

5. Conclusions

The corporate governance practices can minimize agency issues and information asymmetry amongst the stakeholders in a bank, especially post-regulatory reforms, which have been initiated after the 2007/08 global financial crisis. This analysis measures the effect of corporate governance on the performance of banks and non-bank financial institutions (NBFIs) in Bangladesh between December 2010 and December 2020 in the changing regulatory environment. The results show that board characteristics, in particular, the board size and gender diversity are

associated with accounting-based performance (ROA) and transparency-related mechanisms, such as audit committee independence and frequency of meetings are related to a stronger correlation with Tobin Q a market-based performance measure.

The correlation between independent directors and ROA is negative and indicates institutional issues in the concentrated ownership of Bangladesh. Despite the fact that the BSEC Corporate Governance Code 2018 focuses on the independence of directors, the effectiveness of this tool is limited as nomination processes, expertise of directors, and the real autonomy are weak. To make any meaningful improvements, it is necessary to strengthen director selection criteria and assure that they are suitably qualified and offered governance training. The correlation coefficient between female representation on boards and ROA indicates a positive correlation; therefore, gender diversity can be an effective monitoring and decision-making approach. Likewise, the findings of the audit committees indicate that independence and involvement are greater than the size of the committee in the governance effectiveness.

This research is also limited in a number of ways. The findings might not be applicable across the board, due to the fact that it is limited to the DSE-listed banks and NBFIs. Pooled OLS is not fully applicable to the characteristics of firms; consequently, the future research can involve fixed effects and dynamic panel models. Also, other factors like ownership concentration, institutional ownership and political links that can affect governance in Bangladesh were not analyzed. In future studies, qualitative methods can be used, such as interviewing directors and audit committee members, to examine practical governance issues. On the whole, the study shows that the corporate governance mechanisms have varied impacts on the accounting and market performance. Formal governance systems in the financial sector in Bangladesh are not enough; they have to be implemented, should be truly independent, accountable and should have enhanced transparency to reinforce institutional resilience. These conclusions have significant implications on regulators, investors and policy makers who want to adopt a more responsible and sustainable financial system.

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