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Corporate Governance Expedites Bank Performance: Solving The Paradox From Bangladesh Perspective

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Abstract: *The financial sector plays a vital role in the economic development of a country. In Bangladesh also this sector is doing well in different indicators. At the same time, a good number of banks and corporations became weakened over the years, and the consequent collapse of the stock market caused colossal losses to investors, where the absence of firm-level corporate governance was sharply identified. Keeping these into consideration, this present study has been attempted to find out the corporate governance factors that affect bank performance. In this study, bank performance has been measured by using the ratio of Tobin Q (as a dependent variable), and as independent variables board independence, the board size, institutional ownership, size of the audit committee, foreign board members, and the number of board meeting have been used. All listed private commercial banks (30 in number) have been considered as samples and data have been collected from the annual reports of the respective banks from the year 2013 to 2018. Multiples linear regression model has been used to find out the relationship and their significance. VIF was also tested to detect multicollinearity. The study found that institutional shareholding, size of the audit committee, and foreign members on board have a positive and significant influence on bank performance, on the contrary, the board size, independent members on board, and the number of board meetings have a negative but significant influence on bank performance.*

Keywords: *Bank performance, corporate governance, Tobin Q, the board size, number of the board meeting.*

I. Introduction

Bangladesh is one of the most successful developing countries in terms of accelerating economic growth and progress in corporate governance indicators. Global indicators and best practices suggest that good corporate governance should remain a key priority for the full realization of development aspirations in the corporate sector of the country. In reality, the corporate governance scenario in the financial sector especially in bank financial institutions in Bangladesh is not in line with the expectation. The family concentration of bank ownership is a common phenomenon in Bangladesh, which leads to family governance instead of corporate governance. But good corporate governance is a prerequisite for sustainable growth and well functioning of both financial and non-financial corporate entities, the capital market, and the economy as a whole. There is also a relationship between corporate governance and bank performance. It is obvious that the good the corporate governance, the good the bank performance.

Corporate governance is a system used to direct and control an organization. It includes the relationship between, and accountability of, the organization's stakeholders, as well as the laws, policies, procedures, practices, standards, and principles which may affect the organization's direction and control (Cadbury, 1992). Corporate governance is an essential part of a well-managed successful business enterprise that delivers value to its shareholders. The theory of corporate governance rests on the idea that a separation between the ownership of a company and the management of a company creates the opportunity for management to take actions that further their self-interests, with the cost of these actions borne by shareholders. In incorporations, shareholders (principals) delegate decision-making rights to management (agents), expecting agents to act in the best interest of the principals, however, the "agency problem" arises when the agents do not make their decision in the best interest of the principal or the agents are engaged in self-interest at the expense of shareholders interest (Jensen & Meckling, 1976). Therefore, instituting good corporate governance is primarily aimed at minimizing the potential loss of shareholders due to conflict of interest between shareholders and management (Bozec & Bozec, 2007).

A report on corporate governance (OECD, 2009) suggests that the corporate governance principles are still a good basis for good governance practices but the execution of these mechanisms was largely at fault and some researchers found that the financial crisis was the product of weak monitoring by shareholders, insider

trading, earning management, inappropriate asset revaluation, market manipulation, and poorly chosen management incentives. Concerns about executive compensation, compensation/ remuneration committee, nominating committee, audit committee, board composition, CEO- chairman duality, non-executive directors, independent directors, dominant and concentrated family ownership, institutional shareholders, minority shareholders, and other stakeholders, the internationality of audit firm, accountability of corporations, firm performance, and so many aspects of corporate governance have been raised in seminars, symposia, media, and regulatory circles. Research on corporate governance issues can contribute to the understanding of the related problems and underpin both policy and practice.

We can distinguish the systems of corporate governance according to the concentration of ownership and control and the uniqueness of controlling shareholders. While some systems are characterized by widely dispersed ownership (outsider systems), others tend to be characterized by concentrated ownership or control (insider systems). In outsider systems of corporate governance (particularly the US and UK) the basic conflict of interest is between strong managers and widely-dispersed weak shareholders. In insider systems (particularly Germany and Japan), conversely, the basic conflict is between controlling shareholders (or block holders) and weak minority shareholders. Problems also arise when dominant large shareholders participate in management. Large shareholders may face conflicts of interest that undermine their incentives to maximize firm value. For example, they may enjoy private benefits of control that distort their decision-making. Alternatively, large shareholders may themselves be part of organizations that face governance problems. Burkhart, Gromb, and Panunzi (1997) showed that direct control of the shareholders may discourage new initiatives on the part of managers. And many countries are adapting their legislative environments, particularly for strengthening the protection of minority shareholders, in response to abuses by controlling shareholders.

Impressive corporate failures, such as those of Enron, WorldCom, the Bank of Credit and Commerce International (BCCI), Polly Peck International, and Baring Bank, have made it a central issue, with various governments and regulatory authorities making efforts to install stringent governance regimes to ensure the smooth running of corporate organizations and prevent such failures (Al-Baidhani, 2014). In addition to the above, a good number of financial and non-financial corporate entities such as Washington Mutual, IndyMac Bank, Continental Illinois National Bank, and Trust, First Republic Bank, The Bank of New England, and MCorp have failed during the last two decades and all these failures were due to illegal operations, lack of good governance, high executive compensation, poor accountability, earnings management, unethical assets revaluation and use of creative accounting, etc. The insolvency of large companies as a result of financial indecency has stimulated discussion on the effect of corporate governance on firm performance (Claessens, 2003). In the same vein, the predominance of evil practices by management and insider trading to defraud companies because of the need to satisfy some personal interests may also be a contributory factor to poor firm performance.

Good corporate governance is an important step in building market confidence and encouraging more stable, long-term international investment flows. The loss of confidence by investors in the capital market is an indicator of poor corporate governance practices (Oyebode, 2009). Also, the existence of the agency problem that arises in between the interests of the managers and that of the shareholders usually influences corporate governance and consequently, firm performance. For that reason, Sanda, Mikailu, & Garba (2005) conceive that the managers usually take steps to increase the size of the company and, often, their pay, but they may not necessarily raise the company's profit, the major concern of the shareholders.

In many countries today, the law protects investors better than it does in Bangladesh. The independence and effectiveness of regulators depend on the quality of the wider governance systems, including the judiciary. In the United States, for example, courts try to control the managerial diversion of company assets to themselves, although even in the United States there are cases of executive compensation or transfer pricing that has a bad smell. The more serious problem with high-powered incentive contracts is that they create enormous opportunities for self-dealing for the managers, especially if these contracts are negotiated with a poorly motivated board of directors rather than with large investors. Managers may negotiate for themselves such contracts when they know that earnings or stock prices are likely to rise or even manipulate accounting numbers and investment policy to increase their pay. For example, Yermack (1997) finds that managers receive stock option grants shortly before good news announcements and delay such grants after bad news announcements.

Another problem is that the dispersed minority shareholders have no voice in corporate governance mechanisms which leads to misappropriation of financial resources and abuse of power by the dominant shareholders and corporate management. The two massive stock market crashes in Bangladesh–one in 1996 and the other in 2011- are worth mentioning, part of which is believed to have been caused by the greed of some influential corporate houses and a few other market players. The role of regulators was also questionable. Small investors have lost their investment and consequently, trust in the capital market and the regulatory authorities. Poor surveillance, weak governance, and questioning of the role of market regulators, namely DSE, CSE, BSEC, RJSC, Bangladesh Bank (BB), accompanied by poor governance of corporate entities including use of

insider trading, faulty asset revaluation, earning management, discretionary accruals, issue of right and preference shares, irregularities in book building method and the absence of transparency, accountability, and stakeholders pressure for good governance lead to massive crashes in Bangladesh Capital Market in 1996 and 2011. In Bangladesh, many corporate boards are either inefficient or involved in market manipulation frequently through insider trading. We have specifically identified fourteen major impediments from the available literature that hinder the implementation of corporate governance best practices in Bangladesh, namely: (1) concentrated family ownership, (2) underdeveloped external monitoring systems including weak surveillance of regulators, (3) poor board quality, (4) low board diversity, (5) the Insufficient number of board meetings, (6) inappropriate appointment process of independent directors, (7) conflicts of directors interests with the interests of the company, (8) inadequate corporate disclosures, (9) use of creative accounting, (10) insider trading, (11) CEO- Chairman duality, (12) lengthy legal process, (13) No provision for compensation/remuneration committee & Nominating committee in the corporate governance guidelines, and (14) agency problem, i.e. conflict of interest between managers and shareholders.

In short the governance in most of the corporate entities in Bangladesh – both financial and nonfinancial- are somewhat disorganized and not in line with the best practices. But there is a chronic governance problem in the banking sector of the country. There are several problems in the banking business in Bangladesh like low-quality assets, non-performing loans, lack of good governance, transparency, accountability, and also the inadequacy of an effective risk management system. It is therefore believed that examining the relationship between corporate governance mechanisms and bank performance would address the problems of banking business in Bangladesh. Time is mature enough to investigate the impact of corporate governance on bank performance in Bangladesh.

II. Review of Literature

In the following section, previous research on corporate governance is reviewed emphasizing corporate governance and firm performance, executive compensation, and accountability of corporate entities considering the methodologies applied, and the sectors/contexts, countries, and time horizons. The literature study on whether corporate governance does influence the firm performance or not and also its extensiveness has been tested through the findings are contradictory. Larcker, Richardson, and Tuna (2007) for example, found that the relationship between firm performance and corporate governance fails to produce a stable set of results. Fallatah and Dickins (2012) summarized that firm performance (return on assets) and corporate governance are not related, but the value of the firm (as measured by Tobin's Q and market value of equity) and corporate governance are positively related. Similarly, Heracleous (2001) mentioned that researchers have failed to find any convincing relationship between the best practices in corporate governance and the performance of the firm.

Conventionally, focusing entirely on resolving conflicts of interest (agency problems) between corporate management and shareholders, research on corporate governance has adopted an agency theory approach, (Jensen and Meckling, 1976; Fama, 1980; Fama and Jensen, 1983). This same type of corporate governance research started in the United States, arising from the original work of Berle and Means (1932) on the separation of ownership and control in stock exchange-listed companies. Lama (2012) in his study provided robust evidence in support of the agency theory argument that corporate governance matters for a firm's operating performance. Other disciplines treated corporate governance in the same way, for example, transactions cost theory in economics (Williamson, 1985). The effective dominance of corporate governance research in accounting and finance by agency theory has shaped shareholder-centric definitions of corporate governance, for example, "... the process of supervision and control...intended to ensure that the Company's management acts following the interests of stockholders" (Parkinson, 1993).

Kaplan and Reishus (1990) found a positive relationship between the number of non-executive directors and corporate financial performance. Newman (2000) found sub-committees of the board such as the compensation committee, audit committee, nomination committee, etc are mechanisms for improving board effectiveness. Managerial turnover, the proportion of non-executive directors, Chairman-CEO duality, and the existence/composition of board subcommittees are unsophisticated proxies for board effectiveness. Brennan (2004) has emphasized more relevant measures relating to firm performance, especially measures of CEO competence and activity. Another important device for improving corporate governance is the role of institutional investors as monitors of corporate management (Coffee, 1991).

Mechanisms of transparency, in the form of financial reporting and voluntary disclosures, have also taken their place in corporate governance research. Again, traditionally, these have been researched from an agency theory perspective whereby transparency in the form of disclosures to shareholders is an important mechanism for aligning shareholder and management interests (Hermanson, 2000).

The study of Aggarwal (2013) revealed that corporate governance and corporate financial performance are correlated and the governance rating of a company has a significant positive impact on its financial performance. The study of Alhassan, Bajaher & Alshehri (2015) examined the determinants of financial

performance by Saudi listed banks. Three corporate governance variables namely, the board size, board composition, and board meeting, and two firm variables namely firm size and leverage were used in this study and the study revealed that firm size is positively associated with firm performance, but board structure variables do not have any effect on firm financial performance. Al-Musalli and Ismail (2012) found that leverage, liquidity, size, and management competence index have a positive statistical effect on the financial performance of Jordanian Insurance Companies. However, some other studies have not found any relationship between corporate governance and firm performance (Singh and Davidson, 2003).

Hi, Sommer, and Xie (2011) studied CEO turnover (Based on a sample of U .S. property-liability insurance firms) and found that accounting performance measured by return on assets (ROA) is higher after CEO changes.

Miringa (2015) recommended the stringent application of corporate governance strategies in the insurance industry in Bangladesh to enhance the growth and performance of this sector. Marashdeh (2014) found that managerial ownership and firm performance have a positive relationship in Jordanian industrial and services companies which is consistent with the alignment of interest hypothesis. Klein et al. (2005) found that corporate governance does matter in Canada and firm size was consistently negatively related to firm performance. But growth and performance were positively related. The study also found no evidence that board independence had any positive effects on performance, and it was negatively related to family-owned firms.

Kocourek et al. (2003) believed that to counter the accounting, leadership, and governance scandals, organizations are desirous to institutionalize corporate governance, which may be counterproductive. Kocourek states that governance begins at home – inside the boardroom, among the directors. It is embedded in how, when, and why they gather, interact, and work with one another and with management, in other words, the "soft" stuff. But qualitative reforms to the behaviors, relationships, and objectives of the directors and CEO are meaningless unless they are subject to the "hard" mechanisms of performance criteria, processes, and measurement. According to Kocourek, this combination of soft and hard solutions can turn corporate governance from a hazy concept into a means to deliver organizational flexibility, strength, and incessantly improved performance.

Lai and Lin (2008) found that if BOD size increases total equity risk increases. But if the composition of BOD has more independent directors then with the increase in BOD size risk reduces.

Macey and O'Hara (2001) argued that a broader view of corporate governance should be adopted in the case of banking institutions, arguing that because of the peculiar contractual form of banking, corporate governance mechanisms for banks should encapsulate depositors as well as shareholders. Arun and Turner (2003) supported the need for a broader approach to corporate governance for banking institutions and also argued for government intervention to restrain the behavior of bank management. In many countries, deposit insurance is used as a mechanism to safeguard the banking system as well as the depositors. Banks in developing countries face a high risk of sharking as a result of heavy government ownership, lack of prudential regulation, weak legal protection, and the presence of special interest groups. The independent regulatory agencies are important in developing countries to act against the frequent collusion among government, businesses, and bankers to serve special interest groups. However, there is an argument that the active role of regulators may cause problems as well, as regulators may not have a convincing/sufficient motivation to monitor the banks as they do not have much at stake in case of bank failures.

Mahar and Anderson (2008) opined that there are some weaknesses, strengths, and economic implications associated with corporate governance systems. It is widely believed that good corporate governance is an important factor in improving the value of a firm in both developing and developed financial markets. According to Denis (2001), corporate governance has become one of the most common buzzwords in the business world and is frequently used by academics, practitioners, and the popular press. Bhuiyan and Biswas (2007) opined that Bangladesh has adopted the Anglo-American shareholder model that may create legitimacy threats rather than efficiency.

Some studies focus on the performance of banks and corporate governance. Al-Musalli and Ismail (2012) focused the consequences of corporate governance variables on Intellectual Capital Performance. They found that there is no relation of bank size on its performance though, bank financial performance and intellectual capital performance is positively related. Arouri, Hossain, and Muttakin (2011) focused the linkages of bank performance, measured by, (ROA) with Board Size, Block holders, CEO Duality, , Foreign ownership and Institutional Ownership. They concluded that bank performance and foreign ownership are significantly related while ownership is negatively associated with performance. On the other hand, the board characteristics like duality and board size have an insignificant influence on bank performance. And the size of the bank influences performance positively. It has been found that corporate governance has an impact on bank performance (Sufian, 2010 & Kabigting, 2011). Researchers classified corporate governance variables into two categories, i.e. control variables and governance factors. The results of the study suggest that financial

performance and board size are negatively related while insider representation is positively related to bank performance. Moreover, the dual role of the CEO has a negative association with financial performance.

It is evident from the review of prior literature that the effectiveness of corporate governance, executive compensation, the accountability of corporate entities, and the interrelationship between corporate governance and bank performance has been addressed in the developed world even in some developing nations like India, Thailand, and Malaysia but not in Bangladesh. There is a shortage of literature on the above issues in the Bangladesh context. Here is the research gap and the present study has been undertaken to fulfill this research gap.

III. Objective of the Study and Formulation of Hypotheses

The main objective of the study is to examine the linear relationship between corporate governance and bank performance in the context of Bangladesh.

For this study, some variables have been selected to examine the linear relationship between corporate governance and bank performance. Bank performance is the dependent variable and that has been measured by the ratio of Tobin Q (calculated as the market value of equity plus liabilities divided by assets), whereas Board Independence (BI), Board Size (BS), Institutional Ownership (IO), Size of Audit Committee (SAC), Foreign Board Member (FBM) and Number of Board Meeting (NBM) are the independent variables of this study. Several hypotheses have been formulated to explain the linear relationship between explanatory variables and criterion variables. The independent variables and their corresponding hypotheses are as follows:

Board Independence: Board independence is defined as the percentage of outside independent directors on the board. In line with the provision of corporate governance guidelines, one independent director is required for four elected directors on the board. The ratio of independent directors to inside directors is 1: 4 which is 20 percent. Board independence is measured by dividing the number of independent directors by board size. The range of value for this is zero to one.

H1: There is a significant relationship between board independence and bank performance.

Board Size: The number of directors is an important factor in the effectiveness of a corporate board. A larger board may bring a greater number of experienced directors (Xie et al., 2003). In contrast, a smaller board may imply a high degree of coordination and communication between the directors and managers (Jensen, 1993). Thus there are contradictory findings on this issue among the researchers. The corporate governance guidelines maintain that the number of board members should not be more than 20 or less than 5. The following hypothesis is taken to examine the linear relationship between board size and bank performance.

H2: There is a significant relationship between board size and bank performance.

Institutional Ownership: The participation of institutional investors has emerged as an important force incorporating monitoring to protect the interests of minority shareholders. The significant increase in institutional shareholdings has led to the formation of a large and powerful community that plays a significant role in corporate governance. In the UK, institutional investors own between 65 and 75 percent of the UK stock market, which suggests institutional shareholders can play a prominent role in corporate governance (Mallin, 2004). The following hypothesis has been formulated to examine the linear relationship between institutional ownership and bank performance.

H3: There is a significant relationship between institutional ownership and bank performance.

Size of Audit Committee (SAC): The size of the audit committee is very much important for effective internal audit and internal control. Thus the head of the audit committee having an accounting background and professional experience may have a positive influence on firm performance. In this context, the following hypothesis is formulated to examine the linear relationship between the size of the audit committee and bank performance.

H4: There is a significant relationship between the size of the audit committee and bank performance.

Foreign Board Member (FBM): From the literature, it has been remarked that the presence of a foreign member on the board sometime has an impact on the performance of the bank. Therefore, a hypothesis is formulated to examine the linear relationship between a foreign board member and bank performance.

H5: There is a significant positive relationship between the foreign board member and bank performance.

The number of Board Meetings (NBM): The number of board meetings held in a year is one of the major indicators of corporate governance, considering this the following hypothesis is formulated to examine the linear relationship between the number of the board meeting and bank performance.

H6: There is a significant relationship between the number of the board meeting and bank performance.

IV. Methodology

4.1 Data Source

The secondary data for this study was used and collected from the annual report of all (30) listed private commercial banks of Bangladesh from 2013 to 2018.

4.2 Data Analysis Techniques

The secondary data has been analyzed in SPSS 16.00 version and descriptive statistics and multiple linear regression has been used to analyze and interpret the results of examining the linear relationship between corporate governance and bank performance in the context of Bangladesh

4.3 Dependent Variable

The researchers used Tobin Q (basically the profitability ratio (calculated as the market value of equity plus liabilities divided by assets) as the dependent variable of the study.

4.4 Independent variables

Board size, board independence, institutional shareholding, size of the audit committee, foreign board members, and the number of board meetings were used as independent variables.

4.5 Multiple Linear Regression

Multiple linear regression is used to investigate the association between a dependent variable and one or more independent variables. The general form of the regression model is:

$$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \ \ldots + \beta_k x_k + \varepsilon \qquad (1)$$

Where y the dependent is variable, β_0 is the intercept, x_1 to x_k are the independent variables, β_1 to β_k is the change in y for each increment change in the independent variables, and ε is the disturbances.

Therefore, the ordinary least square estimated model from (1) is given by

$$\hat{y} = \hat{\beta}_0 + \hat{\beta}_1 x_1 + \hat{\beta}_2 x_2 + \hat{\beta}_3 x_3 + \cdots + \hat{\beta}_k x_k$$

$\hat{y}$ is the predicted value of the dependent variable$y$, $\hat{\beta}_0$ is the intercept, x_1 to x_k are the independent variables, $\hat{\beta}_1 \; to \; \hat{\beta}_k$ is the estimated value of β_1 to β_k.

4.6 Multicollinearity test

Variance inflation factor (VIF) was used to detect the multicollinearity problem among the independent variables (Board size, board independence, institutional shareholding, size of audit committee, foreign board member, number of board meetings) and which was calculated for each of the independent variables. The general formula of variance inflation factor (VIF) was given by,

$$\text{VIF} = \frac{1}{1-R_i^2}$$

Where, R_i^2 is the coefficient of determination for the i^{th} independent variables whose value lies between 0 to 1. The value of R_i^2 close to 1, the VIF will be very large and the value of R_i^2 close to 0, the VIF will be near to 1. VIF > 5 is cause for concern and VIF > 10 indicates a serious collinearity problem (Menard, 2001).

V. Analysis and Findings

Table 1: Correlation among Tobin Q and board size, board independence, institutional shareholding, size of the audit committee, foreign board member, number of board meeting

Variables	Pearson r	P value
Board Size	-0.344	0.000
Board Independence	-0.241	0.001
Institutional Shareholding	0.405	0.000
Size of Audit Committee	-0.034	0.329
Foreign Board Member	0.263	0.000
Number of Board Meetings	-0.352	0.000

Source: Authors calculation from collected data

This research used the Pearson correlation coefficient in estimating whether there exists a significant relationship between the dependent (Tobin Q) and independent variables (Board size, board independence, institutional shareholding, size of audit committee, foreign board member, number of board meetings).

From table 1, it is observed that Tobin Q and board size have a significant negative relationship, Tobin Q and board independence have a significant negative relationship, Tobin Q and institutional shareholding have a significant positive relationship, Tobin Q and size of the audit committee have an insignificant negative relationship, Tobin Q and foreign board member have a significant positive relationship, Tobin Q and number of board meeting have a significant negative relationship at 1 percent level of significance.

5.1 Multiple linear regression model for Tobin Q

Table 2: Analysis of variance table

Sources of Variation	DF	SS	MS	F value	P-value
Regression	6	3.233	0.539	20.096	0.000
Residual	164	4.397	0.027		
Total	170	7.629			

Source: Authors calculation from collected data

From table 2, it is observed that the board size, board independence, institutional shareholding, size of the audit committee, foreign board member, and the number of board meetings have a jointly significant effect on Tobin Q at a 1 percent level of significance.

Table 3: Testing individual significance of the regression model

Sources of Variation	Coefficients	Std. Error	t value	P-value	95% CI		VIF
					Lower	Upper	
Intercept	1.303	0.077	16.905	0.000	1.151	1.455	1.420
Board Size	-0.014	0.004	-3.733	0.000	-0.022	-0.007	1.095
Board Independence	-0.039	0.011	-3.410	0.001	-0.062	-0.016	1.162
Institutional Shareholding	0.004	0.001	5.044	0.000	0.002	0.005	1.363
Size of Audit Committee	0.029	0.014	2.085	0.039	0.002	0.057	1.151
Foreign Board Member	0.032	0.013	2.405	0.017	0.006	0.058	1.098
Number of Board Meeting	-0.011	0.002	-5.318	0.000	-0.014	-0.007	1.420

$R = 0.651, R^2 = 0.424$ and $R^2_{adj} = 0.403$

Source: Authors calculation from collected data

From the above table, the estimated model for Tobin Q is,

$$\widehat{\text{Tobin Q}} = 1.303 - 0.014\ \text{Board Size} - 0.039\ \text{Board Independence} + 0.004\ \text{Institutional Shareholding} + 0.029\ \text{Audit Committee Size} + 0.032\ \text{Foreign Board Member} - 0.011\ \text{Number of Board Meeting}$$

The value of multiple correlation coefficient (R) 0.651 indicates that there is a strong positive correlation between Tobin Q and board size, board independence, institutional shareholding, size of the audit committee, foreign board member, and the number of the board meeting. An adjusted R-square value of 0.403 indicates that 40.30% of the total variation of Tobin Q is explained by the board size, board independence, institutional shareholding, size of the audit committee, foreign board member, and the number of the board meeting. From the model, it is revealed that there is a highly significant negative association between Tobin Q and board size at a 1 percent level of significance, i.e., one unit increase in board size can cause Tobin Q to decrease by 0.014 units. There is a highly significant negative association between Tobin Q and board independence at a 1 percent level of significance, i.e., one unit increase in board independence can cause Tobin Q to decrease by 0.039 units. There is a highly significant positive association between Tobin Q and institutional shareholding at a 1 percent level of significance, i.e., one unit increase in institutional shareholding can cause Tobin Q to increase by 0.004 units. There is a highly significant positive association between Tobin Q and the size of the audit committee at a 5 percent level of significance, i.e., one unit increase in the size of the audit committee can cause Tobin Q to increase by 0.029 units. There is a highly significant positive association between Tobin Q and foreign board members at a 5 percent level of significance, i.e., one unit increase in foreign board members can cause Tobin Q to increase by 0.032 units. There is a highly significant negative association between Tobin Q and the number of board meetings at a 1 percent level of significance, i.e., one unit increase in the number of the board meeting can cause Tobin Q to decrease by 0.011 units. According to the value of variance inflation factor (VIF), it is seen that there is no multicollinearity problem among the variables board size, board independence, institutional shareholding, size of audit committee size, foreign board members, number of board meetings because the value of VIF less than 5 is highly acceptable as a rule of thumb that there is no multicollinearity problem among the variables.

5.3 Results of hypothesis

For the variables Tobin Q (bank performance) and board size, the researchers assumed the following hypothesis.

H_0: There is no significant relationship between bank performance and board size

H_1: There is a significant relationship between bank performance and board size

At a 5 percent level of significance, the researchers will test the above hypothesis. From table 3, it is disclosed that the P-value is less than 0.05 $(0.000 \leq 0.05)$ so we reject the null hypothesis and therefore we conclude that there is a significant relationship between Tobin Q and board size at a 5 percent level of significance. Here we found that there is a significant negative relationship between Tobin Q and board size.

For the variables Tobin Q (bank performance) and board independence, the researchers assumed the following hypothesis.

H_0: There is no significant relationship between bank performance and board independence

H_1: There is a significant relationship between bank performance and board independence

At a 5 percent level of significance, the researchers will test the above hypothesis. From table 3, it is revealed that the P-value is less than 0.05 $(0.001 \leq 0.05)$ so we reject the null hypothesis and therefore we conclude that there is a significant relationship between Tobin Q and board independence at a 5 percent level of significance. Here we observed that there is a significant negative relationship between Tobin Q and board independence.

For the variables Tobin Q (bank performance) and institutional shareholding, the researchers assumed the following hypothesis.

H_0: There is no significant relationship between bank performance and institutional shareholding

H_1: There is a significant relationship between bank performance and institutional shareholding

At a 5 percent level of significance, the researchers will test the above hypothesis. From table 3, it is revealed that the P-value is less than 0.05 $(0.000 \leq 0.05)$ so we reject the null hypothesis and therefore we conclude that there is a significant relationship between Tobin Q and institutional shareholding at a 5 percent level of significance. Here we discovered that there is a significant positive relationship between Tobin Q and institutional shareholding.

For the variables Tobin Q (bank performance) and the size of the audit committee, the researchers assumed the following hypothesis.

H_0: There is no significant relationship between bank performance and the size of the audit committee

H_1: There is a significant relationship between bank performance and the size of the audit committee

At a 5 percent level of significance, the researchers will test the above hypothesis. From table 3, it is seen that the P-value is less than 0.05 $(0.039 \leq 0.05)$ so we reject the null hypothesis and therefore we conclude that there is a significant relationship between Tobin Q and the size of the audit committee at a 5 percent level of significance. Here we noticed that there is a significant positive relationship between Tobin Q and the size of the audit committee.

For the variables Tobin Q (bank performance) and foreign board members, the researchers assumed the following hypothesis.

H_0: There is no significant relationship between bank performance and foreign board member

H_1: There is a significant relationship between bank performance and foreign board member

At a 5 percent level of significance, the researchers will test the above hypothesis. From table 3, it is revealed that the P-value is less than 0.05 $(0.017 \leq 0.05)$ so we reject the null hypothesis and therefore we conclude that there is a significant relationship between Tobin Q and foreign board members at a 5 percent level of significance. Here we discerned that there is a significant positive relationship between Tobin Q and foreign board members.

For the variables Tobin Q (bank performance) and the number of the board meeting, the researchers assumed the following hypothesis.

H_0: There is no significant relationship between bank performance and the number of board meeting

H_1: There is a significant relationship between bank performance and the number of board meeting

At a 5 percent level of significance, the researchers will test the above hypothesis. From table 3, it is observed that the P-value is less than 0.05 $(0.000 \leq 0.05)$ so we reject the null hypothesis and therefore we conclude that there is a significant relationship between Tobin Q and the number of the board meeting at a 5 percent level of significance. Here we remarked that there is a significant negative relationship between Tobin Q and the number of the board meeting.

5.4 Results of Multicollinearity Test

From table 3, it is found that all the variance inflation factors (VIF) of all the independent variables are less than 5 so there is no multicollinearity problem among the variables board size, board independence, institutional

shareholding, size of audit committee size, foreign board member, number of board meeting according to the rule of thumb and therefore the model is free from multicollinearity problem.

VI. Conclusion

Nowadays it is well admitted that for continued economic growth the importance of a successful banking industry is inevitable. And for being successful the banks are also required to ensure well-practiced corporate governance. Keeping this into consideration, the study has been attempted to find out the important corporate governance factor(s) or variable(s) that play a vital role in bank performance. This study examines the linear relationship between corporate governance and bank performance in the context of Bangladesh in the years 2013 to 2018. From the analysis, it is found that bank performance has a significant positive association with institutional shareholding, size of the audit committee, foreign board members, and a significant negative association with the board size, board independence, and the number of board meetings. These findings will facilitate the investors to forfeit special consideration to the corporate governance, audit committee, and type of ownership of firms while making the investments in the context of their country.

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