Impact of Corporate Governance on Corporate Firm Value: A Case of Nepalese Commercial Banks

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Abstract

The study examines the impact of corporate governance on corporate firm value of Nepalese commercial banks. Earnings per share and market capitalization are selected as the dependent variables. The selected independent variables are board size, board gender diversity, audit committee, board independence, financial leverage, corporate size, and bank age. The study is based on secondary data of 15 commercial banks with 105 observations for the study period from 2014/15 to 2021/22. The data were collected from Banking and Financial Statistics published by Nepal Rastra Bank and annual reports of the selected commercial banks. The correlation coefficients and regression models are estimated to test the significance and importance of corporate governance on the corporate firm value of Nepalese commercial banks.

The study showed that board independence has a negative impact on earnings per share and market capitalization. It indicates that presence of independent board of director leads to decrease in earnings per share and market capitalization. Similarly, corporate size has a positive impact on earnings per share. It indicates that increase in corporate size leads to increase in earnings per share. Similarly, bank age has a positive impact on earnings per share and market capitalization. It indicates that increase in bank age leads to increase in earnings per share and market capitalization. Further, the study also showed that board size has a positive impact on earnings per share. It indicates that increase in board size leads to increase in earnings per share. Similarly, financial leverage has a positive impact on market capitalization. It indicates that increase in financial leverage leads to increase in market capitalization. Likewise, board gender diversity has a negative impact on earnings per share. It indicates that presence of female board of director leads to decrease in earnings per share. In addition, audit committee has a positive impact on earnings per share. It implies that increase in audit committee member leads to increase in earnings per share.

Keywords: board size, board gender diversity, audit committee, corporate size, board independence, financial leverage and bank age, earning per share, market capitalization

1. Introduction

Corporate governance has been defined as the relationship among shareholders, board of directors and the top management in determining the direction and performance of the corporation (Wheelen and Hunger, 2006).

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Butt and Hasan (2009) stated that corporate governance as a philosophy and mechanism that entails processes and structure which facilitates the creation of shareholder value through management of corporate affairs in such a way that ensures the protection of the individual and collective interest of all the stakeholders. Similarly, Arora and Sharma (2016) revealed that the corporate collapses resulting from a weak system of corporate governance highlighted the need to improve and reform the governance structure. Likewise, Shleifer and Vishny (1997) defined corporate governance as the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment. Further, Gillan and Starks (1998) defined corporate governance as the system of laws, rules, and factors that control operations at a company. The jobs of board of directors are to set the organizational philosophies, delineate an organizational strategic plane, ensuring the availability of resources to mangers and inspiring them to materialize those goals, in an accountable way, and at the same time also to provide adequate and timely information for shareholders (Lopes and Walker, 2012). Likewise, boards are accountable to shareholders and their actions are subject to strict laws and regulations (Cadbury, 1992).

Firms' governance plays an important role in the probability of accounting frauds and firms which have a weak governance structure being more prone to accounting frauds (Berkman *et al.*, 2009). Further, the failure in preventing these scams has fueled many debates on the effectiveness of current corporate governance rules, principles, structures and mechanisms (Sun *et al.*, 2011). Similarly, Dang *et al.* (2023) analyzed the corporate governance and global financial crisis. The study revealed that corporate governance positively impacts on the firm value of listed firms in term of board independence, the presence of female member in board, large shareholders and foreign investors. Likewise, Wijesinghe *et al.* (2020) examined the impact of corporate governance on firm value. The study revealed that the number of board meetings of listed manufacturing companies capable of improving firm value. Further, the study also identified that the control and risk management system of manufacturing entities positively impact on firm value while board size and the board committees do not contribute significantly to improve the firm value of manufacturing sector entities in Sri Lanka. Similarly, Yao (2015) showed that corporate governance has a positive and significant relationship with firm value. Likewise, Gul *et al.* (2018) studied the impact of corporate governance variables on market valuation of corporate firms in Pakistan. The study revealed that CG plays a major role in determining market valuation of corporate firms in Pakistan. Further, it also showed that

the market value of a firm varies with the level of its insiders' ownership, and the pattern of valuation differs relying jointly on CG and insiders' ownership. In addition, Azizah (2020) revealed that the nature and quality of the audit committee are important factors which influence the firm value in Indonesia. Similarly, Mukyala *et al.* (2020) examined a comparative study between corporate governance and firm value. The study revealed that the board size, board independence, and board expertise as proxies of corporate governance significantly affect the firm value.

Ngilamele (2019) analyzed the impact of corporate governance on firm value. The study showed that board size, board independency, managerial ownership and institutional ownership have no impact on the firm value. Similarly, Promsen (2015) found that in both firms with and without other comprehensive income (OCI), and the control variables including total assets, leverage ratio and earnings before interest and tax are significantly associated with firm value. Likewise, Hossain and Tohidul Alam (2019) examined the impact of corporate governance and financial leverage on firm value. The result showed that audit committee, board size, CEO duality, and financial leverage are negatively related to the firm value. Moreover, Yu *et al.* (2017) stated that good governance of Chinese firms significantly increases firm value only in competitive industries. Likewise, Iujin *et al.* (2020) found that private equity (PE) investment can raise firm value as well as affect management behavior at the macro level. Moreover, Ley *et al.* (2019) studied the board characteristics, investors' confidence and firm value of Malaysian companies. The study found that role of investors' confidence in the relationship between board characteristics and firm value indicates that investors' confidence plays significant role between CEO duality and firm value.

Okumu (2015) found that corporate governance attributes have significant influence on return on assets while corporate governance attributes have an insignificant influence on market to book value ratio as measures of firm value. Similarly, Mitra and Bakshi (2017) examined the impact of corporate governance on profitability of banks. The study revealed that the existence of independent directors does not bear any significant relationship with any variable representing performance and profitability of listed banks. Additionally, the duality of chairman and managing director position in banks have significant positive impact on return on assets and capital adequacy ratio and negative effect on net non-performing assets. Likewise, Pucheta-Martínez *et al.* (2018) reported that female institutional directors on boards enhance corporate performance, but when they reach a certain threshold on

boards (11.72 %), firm value decreased. The study also stated that in line with female institutional directors, pressure-resistant female directors on boards also increase firm value, but only up to a certain figure (12.71 % on boards), above which they have a negative impact on firm performance.

Anh and Anh (2020) investigated the impact of corporate governance on firm performance. The study revealed that size of board and block-holder ownership, affect the financial performance of Vietnamese firms. Likewise, Sheikh and Karim (2015) found that board size is significantly and positively related to ROA, ROE and MBR. The study also found that board composition is positively related to ROA, ROE and EPS while negatively related to MBR. Furthermore, Uddin *et al.* (2021) revealed that when the board structure is familiarly and politically affiliated and led by CEO-duality, the firm value is decreased. The study also revealed that the inclusion of dynamic professionals and independent members in the board structure increased the firm value. Further, Kartika (2021) assessed the corporate social responsibility and firm value. The study found that good corporate governance has a positive impact on firm value. Moreover, Lakkanawanit *et al.* (2022) showed that the proportion of majority shareholder and firm size plays a key role of value creation in this group. Likewise, Heraniah (2022) revealed that board gender has a positive but an insignificant relationship with firm value as proxied by Tobin's Q, while board size has a positive and significant relationship with firm value, whereas board meetings have negative and an insignificant relationship with firm value.

Abang *et al.* (2022) showed that board meetings, board skill and gender diversity individual provisions of corporate governance are significantly and positively associated with capital budget realization ratio (CBRR). The study also showed that aggregate corporate governance disclosure index, board sub-committees, board size and independent non-executive directors are positive but insignificantly related to CBRR. Likewise, Pham *et al.* (2021) examined the effect of governance characteristics on corporate performance. The result revealed that two main components of corporate governance, namely board gender diversity and block holder ownership tend to foster firm performance. Furthermore, Indrawati and Hanif (2023) revealed that neither the capital structure nor GCG have any impact on the company's ability to control its profitability. Likewise, Pamungkas *et al.* (2023) showed that corporate governance affects firm value, corporate governance affects financial performance. The study also showed that corporate governance also affects company value with financial performance as an intervening variable.

In the context of Nepal, Pradhan (2014) examined the corporate governance and bank performance in Nepal. The study revealed that there is a significant impact of corporate governance on return on assets as well as return on equity in the financial institutions mainly commercial banks. The study also revealed that board size and total assets have positive and significant impact on return on assets whereas the executive CEO has an insignificant effect on ROA. Similarly, Saphi *et al.* (2023) found that board management and structure disclosure, accounting and auditing disclosure, remuneration of directors' disclosure, ownership disclosure, and risk management disclosure all have positive impact on earnings per share (EPS). Moreover, Karki *et al.* (2023) revealed that female directors on the board, family ownership, and leverage have negative impact on return on assets and basic earning power ratio. Additionally, female executives in the management team, board size, board independence, firm size, and net interest margin have positive impact on return on assets and basic earning power ratio.

Bhandari *et al.* (2014) examined the effect of board size, board composition, and ownership structure on bank performance. The result found that corporate governance, board size and board independence have significantly impact on bank performance. Similarly, Poudel and Hovey (2012) showed that bigger board and audit committee size and lower frequency of board meeting and lower proportion of institutional ownership led to better efficiency in the commercial banks. Likewise, Bhattrai (2017) found that the board size has a negative impact on financial performance of commercial banks in Nepal whereas audit committee size and portion of independent directors have positive impact on financial performance of commercial banks in Nepal. Further, Pradhan *et al.* (2017) examined the impact of fundamental factors on stock price. The study showed that dividend per share (DPS), return on assets (ROA) and earning per share (EPS) are positively related to the stock price.

The above discussion shows that empirical evidences vary greatly across the studies on the impact of corporate governance on corporate firm value in commercial banks. Though there are above mentioned empirical evidences in the context of other countries and in Nepal, no such findings using more recent data exist in the context of Nepal. Therefore, in order to support one view or the other, this study has been conducted.

The major objective of the study is to examine the impact of corporate governance on corporate firm value of Nepalese commercial banks. Specifically, it examines the relationship of board size, financial leverage,

board gender diversity, audit committee, board independence, corporate size and bank age with corporate firm value of Nepalese commercial banks.

The remainder of this study is organized as follows: Section two describes the sample, data and methodology. Section three presents the empirical results and the final section draws the conclusion.

2. Methodological aspects

The study is based on the secondary data which were gathered from 15 commercial banks for the period of 2014/15 to 2021/22, leading to a total of 105 respondents. The study employed stratified sampling method. The main sources of data include Banking and Financial Statistics published by Nepal Rastra Bank and annual report of respective banks. Table 1 shows the list of commercial banks for the study along with the study period and number of observations.

Table 1

List of commercial banks selected for the study along with the study period and number of observations

S. N.	Name of commercial banks	Study time Period	Observations
1	Nabil Bank Limited	2014/15-2020/21	7
2	Standard Chartered Bank Nepal	2015/16-2021/22	7
3	Himalayan Bank Limited	2015/16-2021/22	7
4	Nepal SBI Bank Limited	2015/16-2021/22	7
5	Everest Bank Limited	2015/16-2021/22	7
6	Prime Commercial Bank Limited	2015/16-2021/22	7
7	Sanima Bank Limited	2015/16-2021/22	7
8	Machhapuchchhre Bank Limited	2015/16-2021/22	7
9	NIC Asia Bank Limited	2015/16-2021/22	7
10	Rastriya Banijya Bank Limited	2015/16-2021/22	7
11	Nepal Bank Limited	2015/16-2021/22	7
12	Agriculture Development Bank Limited	2015/16-2021/22	7
13	NMB Bank Limited	2014/15-2020/21	7
14	Mega Bank Limited	2015/16-2020/22	7
15	Nepal Investment Bank Limited	2015/16-2020/22	7
Total number of observations			105

Source: Annual Reports

Thus, the study is based on 105 observations.

The model

The model used in this study assumes that corporate firm value depends upon corporate governance. The dependent variables selected for the study are earning per share and market capitalization. Similarly, the selected independent variables are board size, financial leverage, board gender diversity, audit committee, board independence, corporate size and bank age. Therefore, the model takes the following form:

$$EPS_{it} = \alpha + \beta_1 BS_{it} + \beta_2 FL_{it} + \beta_3 BGD_{it} + \beta_4 AC_{it} + \beta_5 BI_{it} + \beta_6 CS_{it} + \beta_7 BA_{it} + e_{it}$$

$$MC_{it} = \alpha + \beta_1 BS_{it} + \beta_2 FL_{it} + \beta_3 BGD_{it} + \beta_4 AC_{it} + \beta_5 BI_{it} + \beta_6 CS_{it} + \beta_7 BA_{it} + e_{it}$$

Where,

EPS = Earnings per share as measured by the total net income divided by the number of shares outstanding, in Rs.

MC = Market capitalization as measured by the product of market price per share and number of shares outstanding, Rs. in billions.

BS = Board size as measured by the total number of directors on the board.

FL = Financial leverage as measured by the total liabilities divided by the total assets, in percentage.

BGD = Board gender diversity as measured by the dummy variable which is measured as '0' if there are no female directors in the board of directors, and '1' if there are female directors in the board of directors.

AC = Audit committee as measured by the number of audit committee member.

BI = Board independence as measured by the dummy variable which is measured as '0' if there are no independent directors in the board of directors, and '1' if there are independent directors in the board of directors.

CS = Corporate size as measured by the total assets, Rs. in billions.

BA = Bank age as measured by the established time of the bank, measured in years.

The following section describes the independent variables used in this study along with the hypothesis formulation:

Board size

Smaller board size is more efficient than the larger board size to obtain higher market valuation, such as earning per share and market capitalization (Yermack, 1996). Wijesinghe *et al.* (2020) found that board size has no significant contribution to improve the firm value. Similarly, Sheikh and Karim (2015) found that board size has a positive and significant relationship

with firm value. Likewise, Heraniah (2022) revealed that board size has a positive and significant relationship with firm value. Further, Pradhan (2014) found a positive and significant relationship between board size and firm value. Moreover, Abang *et al.* (2022) showed that there is a positive but an insignificant relationship between board size and capital budget realization ratio (CBRR). Based on it, this study develops the following hypothesis:

H_1: There is a positive relationship between board size and corporate firm value.

Audit committee

Azizah (2020) revealed that the nature and quality of the audit committee are important factors influencing firm value. However, Hossain and TohidulAlam (2019) revealed that audit committee is negatively related to firm value. Likewise, Poudel and Hovey (2012) showed that bigger audit committee size led to better efficiency in the commercial banks. Similarly, Bhattrai (2017) revealed that audit committee size has a positive impact on financial performance of commercial banks. Based on it, this study develops the following hypothesis:

H_2: There is a positive relationship between audit committee and corporate firm value.

Financial leverage

Hossain and TohidulAlam (2019) revealed that financial leverage is negatively related to firm value. However, Abor (2007) showed a positive relationship between corporate governance and leverage and identified that firm having a good corporate governance practice has more chances to get debt financing than those have not got implement the good corporate governance practices. Moreover, Promsen (2015) found that leverage ratio is significantly associated with firm value. However, Kyereboah-coleman and Biekpe (2006) found that financial leverage has a positive and significant association with financial performance. However, Rayan (2008) revealed that financial leverage has a negative impact on firm value. Based on it, this study develops the following hypothesis:

H_3: There is a negative relationship between financial leverage and corporate firm value.

Board gender diversity

Li *et al.* (2021) found that the effect of CSR strengths (CSR concerns) on the market assessed firm value, measured by Tobin's Q and annual stock return, is incrementally more positive (more negative) for firms with greater

female representation on the board. Similarly, Nguyen and Faff (2007) revealed that gender diversity promotes shareholders' value as the presence of women directors is associated with higher firm value. Likewise, Noguera (2020) found that women directors' presence renders a modest positive effect on financial performance. Based on it, this study develops the following hypothesis.

H_4: There is a positive relationship between board gender diversity and corporate firm value.

Corporate size

Promsen (2015) examined the value relevance of corporate governance on firm value in the comprehensive income context. The study found that total assets have significant impact on firm value. However, Setiadharma and Machali (2017) found that there is no direct effect of firm size on firm value. Likewise, Pradhan (2014) revealed that total assets have positive and significant impact on firm value measured by return on assets. Further, Karki *et al.* (2023) revealed that firm size has a positive impact on firm value. However, Hirdinis (2019) revealed that firm size has a significant negative effect on firm value. Similarly, Lumapow and Tumiwa (2017) showed that firm size has a positive and significant impact on firm value. Based on it, this study develops the following hypothesis:

H_5: There is a positive relationship between corporate size and corporate firm value.

Board independence

Dang *et al.* (2023) found that board independence has a positive impact on firm value. Similarly, Mukyala *et al.* (2020) revealed that board independence has a positive impact on firm value. Likewise, Karki *et al.* (2023) revealed that board independence has a positive impact on firm value measured by return on assets and earning per share. However, Kumar and Singh (2012) argued that board independence has an insignificant but positive impact on firm value. Furthermore, Brown and Caylo (2006) found that there is no relationship between board independence and firm value. Based on it, this study develops the following hypothesis:

H_6: There is a positive relationship between board independence and firm value.

Bank age

Lambey (2021) revealed that bank age has a significant and positive impact on firm value. However, Chay (2015) showed that firm age has a

negative impact on firm value. Similarly, Putri and Rachmawati (2017) revealed that company age has a negative and significant impact on firm value. Likewise, Tiara and Jayanti (2022) revealed that firm age has a significant negative impact on firm value. However, Zhang (2018) revealed that firm age has a positive impact on firms' performance. Based on it, this study develops the following hypothesis:

H_7: There is a positive relationship between bank age and corporate firm value.

3. Results and discussions

Descriptive statistics

Table 2 represents the descriptive statistics of selected dependent and independent variables during the period 2014/15 to 2021/22.

Table 2

Descriptive statistics

This table shows the descriptive statistics of dependent and independent variables of 15 Nepalese commercial banks for the study period of 2014/15 to 2021/22. The dependent variables are EPS (Earnings per share as measured by the total net income divided by the number of shares outstanding, in Rs.), MC (Market capitalization as measured by the product of market price per share and number of shares outstanding, Rs. in billions). The independent variables are BS (as measured by the total number of directors on the board), FL (Financial leverage as measured by the total liabilities divided by the total assets, in percentage.), BGD (Board gender diversity as measured by the dummy variable which is measured as '0' if there are no female directors in the board of directors, and '1' if there are female directors in the board of directors), AC (Audit committee is defined as the number of audit committee member), BI (Board independence is defined as the dummy variable which is measured as '0' if there are no independent directors in the board of directors, and '1' if there are independent directors in the board of directors), CS (Corporate size as measured by the total assets, Rs. in billions), and BA (Bank age is defined as the established time of the bank, measured in years).

Variables	Minimum	Maximum	Mean	S.D.
EPS	10.15	59.86	27.92	10.54
MC	16.84	114.95	45.93	19.67
BS	5	10	7.24	1.09
FL	81.20	95.00	88.71	3.01
BGD	0	1	0.52	0.50
AC	3	4	3.18	0.39
BI	0	1	0.96	0.19
CS	39.87	358.57	156.92	68.63
BA	6	56	26.93	12.91

Source: SPSS output

Correlation analysis

Having indicated the descriptive statistics, Pearson's correlation coefficients are computed and results are presented in Table 3.

Table 3

Pearson's correlation coefficients matrix

This table shows the correlation coefficients of dependent and independent variables of 15 Nepalese commercial banks for the study period of 2014/15 to 2021/22. The dependent variables are EPS (Earnings per share as measured by the total net income divided by the number of shares outstanding, in Rs.), MC (Market capitalization as measured by the product of market price per share and number of shares outstanding, Rs. in billions). The independent variables are BS (as measured by the total number of directors on the board), FL (Financial leverage as measured by the total liabilities divided by the total assets, in percentage.), BGD (Board gender diversity as measured by the dummy variable which is measured as '0' if there are no female directors in the board of directors, and '1' if there are female directors in the board of directors), AC (Audit committee is defined as the number of audit committee member), BI (Board independence is defined as the dummy variable which is measured as '0' if there are no independent directors in the board of directors, and '1' if there are independent directors in the board of directors), CS (Corporate size as measured by the total assets, Rs. in billions), and BA (Bank age is defined as the established time of the bank, measured in years).

Variables	EPS	MC	BS	FL	BGD	AC	BI	CS	BA
EPS	1								
MC	0.394**	1							
BS	0.246*	0.057	1						
FL	-0.040	0.270**	0.001	1					
BGD	-0.188	-0.005	-0.072	-0.009	1				
AC	0.162	0.073	0.125	-0.213*	-0.047	1			
BI	-0.119	-0.185	-0.048	-0.124	0.209*	-0.036	1		
CS	0.045	0.453**	0.035	0.226*	0.398**	-0.015	0.103	1	
BA	0.366**	0.198	0.156	-0.168	0.300**	0.157	0.059	0.447**	1

Note: the asterisk signs (**) and (*) indicate that coefficients are significant at one percent and five percent levels of respectively.

Table 3 shows that board size has a positive relationship with earning per share. It indicates that higher the board size, higher would be the earnings per share. Similarly, financial leverage has a negative relationship with earning per share. It indicates that increase in financial leverage leads to decrease in earnings per share. Likewise, female board of director has a negative relationship with earnings per share. It indicates that presence of female director in the board leads to decrease in earnings per share. However, audit committee has a positive relationship with earnings per share. It indicates that increase in audit committee members leads to increase in earnings per share.

In addition, board independence has a negative relationship with earnings per share. It indicates that increase in number of independent directors on the board leads to decrease in earnings per share. Likewise, corporate size has a positive relationship with earning per share. It indicates that increase in corporate size leads to increase in earnings per share. Moreover, bank age has a positive relationship with earning per share. It indicates that older the banks, higher would be the earnings per share.

Similarly, board size has a positive relationship with market capitalization. It indicates that higher the board size, higher would be the market capitalization. Similarly, financial leverage has a positive relationship with market capitalization. It indicates that increase in financial leverage leads to increase in market capitalization. Likewise, female board of director has a negative relationship with market capitalization. It indicates that presence of female director in the board leads to decrease in market capitalization. However, audit committee has a positive relationship with market capitalization. It indicates that increase in audit committee members leads to increase in market capitalization. In addition, board independence has a negative relationship with market capitalization. It indicates that increase in number of independent directors on the board leads to decrease in market capitalization. Likewise, corporate size has a positive relationship with market capitalization. It indicates that increase in corporate size leads to increase in market capitalization. Moreover, bank age has a positive relationship with market capitalization. It indicates that older the banks, higher would be the market capitalization.

Regression analysis

Having analyzed the Pearson's correlation coefficients, the regression analysis has been carried out and the results are presented in Table 4 and Table 5. More specifically, Table 4 shows the regression results of board size, board gender diversity, audit committee, board independence, corporate size, and bank age on earnings per share of Nepalese commercial banks.

Table 4

Estimated regression results of board size, board gender diversity, audit committee, board independence, corporate size, and bank age on earning per share

The results are based on panel data of 15 Nepalese commercial banks with 105 observations for the period of 2014/15 to 2021/22 by using the linear regression model and the model is $EPS_{it} = \alpha + \beta_1 BS_{it} + \beta_2 FL_{it} + \beta_3 BGD_{It} + \beta_4 AC_{it} + \beta_5 BI_{it} + \beta_6 CS_{it} + \beta_7 BA_{it} + e_{it}$ where, the dependent variables are EPS (Earnings per share as measured by the total net income divided by the number of shares outstanding, in Rs.), MC (Market capitalization as measured by the product of market price per share and number of shares outstanding, Rs. in billions). The

independent variables are BS (as measured by the total number of directors on the board), FL (Financial leverage as measured by the total liabilities divided by the total assets, in percentage.), BGD (Board gender diversity as measured by the dummy variable which is measured as '0' if there are no female directors in the board of directors, and '1' if there are female directors in the board of directors), AC (Audit committee is defined as the number of audit committee member), BI (Board independence is defined as the dummy variable which is measured as '0' if there are no independent directors in the board of directors, and '1' if there are independent directors in the board of directors), CS (Corporate size as measured by the total assets, Rs. in billions), and BA (Bank age is defined as the established time of the bank, measured in years).

Model	Intercept	Regression coefficients of							Adj. R_bar^2	SEE	F-value
		BS	FL	BGD	AC	BI	CS	BA			
1	10.675 (1,576)	2.382 (2.574)**							0.051	10.264	6.625
2	29.987 (20.388)**			-3.954 (1.96)*					0.026	10.400	3.786
3	13.907 (1,638)				4.404 (1.662)				0.017	10.450	2.763
4	34.205 (6,506)**					-6.538 (1.220)			0.005	10.514	1.488
5	19.643 (8,449)**							0.300 (3.849)**	0.125	9.906	14.811
6	23.184 (0,759)	2.382 (2,57)**	0.141 (0.420)						0.044	10.306	3.374
7	13.429 (1,965)*	2.262 (2.465)*		-3.601 (1.810)					0.072	10.153	5.024
8	0.320 (0.032)	2.221 (2.392)*			3.622 (1.387)				0.060	10.219	4.305
9	16.718 (1,938)	2.332 (2.520)*				-5.904 (1.128)			0.054	10.251	3.958
10	9.892 (1,391)	2.370 (2.569)*					0.006 (0.377)		0.043	10.307	3.356
11	9.079 (1,327)	1.541 (1,640)						0.280 (3.578)**	0.140	9.820	8.881
12	8.578 (0,257)	2.116 (2.285)**	0.05 (0.160)	-3.504 (1.758)	3.355 (1.260)				0.070	10.164	2.953
13	27.909 (5.215)**					-7.600 (1.503)	-0.013 (0.793)	0.338 (3.898)**	0.135	9.849	6.032
14	24.420 (0.620)	1.078 (1.151)	0.373 (0.923)	-4.856 (2.240)*	2.847 (1.085)	-4.148 (0.819)	-0.008 (0.442)	0.365 (3.975)**	0.184	9.565	4.121

Notes:

i. Figures in parenthesis are t-values.
ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.
iii. Earnings per share is the dependent variable.

Table 4 shows that the beta coefficients for board size are positive with earning per share. It indicates that board size has a positive impact on earnings per share. This finding is consistent with the findings of Sheikh and Karim (2015). Similarly, the beta coefficients for financial leverage are positive with earning per share. It indicates that financial leverage has a positive impact on earnings per share. This finding is consistent with the findings of Kyereboah-coleman and Biekpe (2006). Likewise, the beta coefficients for board gender

diversity are negative with earning per share. It indicates that board gender diversity has a negative impact on earnings per share. This finding is consistent with the findings of Indrawati and Hanif (2023). Further, the beta coefficients for audit committee are positive with earning per share. It indicates that audit committee has a positive impact on earnings per share. This finding is consistent with the findings of Poudel and Hovey (2012). In addition, the beta coefficients for board independence are negative with earning per share. It indicates that board independence has a negative impact on earnings per share. This finding is consistent with the findings of Brown and Caylo (2006). Likewise, the beta coefficients for corporate size are negative with earning per share. It indicates that corporate size has a negative impact on earnings per share. This finding is consistent with the findings of Hirdinis (2019). Moreover, the beta coefficients for bank age are positive with earning per share. It indicates that bank age has a positive impact on earnings per share. This finding is consistent with the findings of Zhang (2018).

Table 5 shows the estimated regression results of board size, board gender diversity, audit committee, board independence, corporate size, and bank age in the context of Nepalese commercial banks.

Table 5

Estimated regression results of board size, board gender diversity, audit committee, board independence, corporate size, and bank age on market capitalization

The results are based on panel data of 15 Nepalese commercial banks with 105 observations for the period of 2014/15 to 2021/22 by using the linear regression model and the model is $MC_{it} = \alpha + \beta_1 BS_{it} + \beta_2 FL_{it} + \beta_3 BGD_{It} + \beta_4 AC_{it} + \beta_5 BI_{it} + \beta_6 CS_{it} + \beta_7 BA_{it} + e_{it}$ where, the dependent variables are EPS (Earnings per share as measured by the total net income divided by the number of shares outstanding, in Rs.), MC (Market capitalization as measured by the product of market price per share and number of shares outstanding, Rs. in billions). The independent variables are BS (as measured by the total number of directors on the board), FL (Financial leverage as measured by the total liabilities divided by the total assets, in percentage.), BGD (Board gender diversity as measured by the dummy variable which is measured as '0' if there are no female directors in the board of directors, and '1' if there are female directors in the board of directors), AC (Audit committee is defined as the number of audit committee member), BI (Board independence is defined as the dummy variable which is measured as '0' if there are no independent directors in the board of directors, and '1' if there are independent directors in the board of directors), CS (Corporate size as measured by the total assets, Rs. in billions), and BA (Bank age is defined as the established time of the

bank, measured in years).

Model	Intercept	Regression coefficients of							Adj. R_bar^2	SEE	F-value
		BS	FL	BGD	AC	BI	CS	BA			
1	111.142 (1.910)		1.773 (2.701)**						0.063	19.041	7.295
2	63.160 (6.500)**					-17.985 (1.811)			0.024	19.434	3.282
3	24.119 (5.020)**						0.146 (4.900)**		0.197	17.628	24.013
4	38.132 (7.457)**							0.355 (1.876)	0.028	19.654	3.519
5	127.106 (2.068)**	1.598 (0.821)	1.823 (2.760)**						0.059	19.074	3.972
6	56.352 (3.165)**	0.907 (0.457)				-17.731 (1.775)			0.015	19.517	1.731
7	13.983 (1.000)	1.386 (0.772)					0.147 (4.912)**		0.193	17.667	12.253
8	24.996 (1.591)	1.892 (0.884)						0.335 (1.761)	0.026	19.679	2.146
9	144.914 (2.246)*		1.922 (2.869)**	-0.703 (0.179)	-6.382 (1.227)				0.058	19.091	2.924
10	47.893 (2.736)**				-2.279 (0.468)	-21.735 (2.452)*	0.157 (4.996)**	0.155 (0.869)	0.253	17.225	8.385
11	152.137 (2.298)*	1.084 (0.533)	1.940 (2.882)**	-0.878 (0.221)	-5.639 (1.043)				0.050	19.166	2.247
12	41.118 (4.206)**					-21.540 (2.444)*	0.156 (4.999)*	0.133 (0.776)	0.260	17.145	11.212
13	21.617 (0.279)	2.293 (1.176)	0.614 (0.772)	-6.650 (1.665)	-4.209 (0.802)	-17.149 (1.902)	0.164 (4.542)**	0.244 (1.258)	0.274	16.986	5.694

Notes:

i. Figures in parenthesis are t-values.
ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.
iii. Market capitalization is the dependent variable.

Table 5 shows that the beta coefficients for board size are positive with market capitalization. It indicates that board size has a positive impact on market capitalization. This finding is consistent with the findings of Pradhan (2014). Similarly, the beta coefficients for financial leverage are positive with market capitalization. It indicates that financial leverage has a positive impact on market capitalization. This fining is consistent with the findings of Abor (2007). Likewise, the beta coefficients are positive for board gender diversity. It indicates that board gender diversity has a negative impact on market capitalization. This finding is consistent with the findings of Indrawati and Hanif (2023). Further, the beta coefficients for audit committee are negative with market capitalization. It indicates that audit committee has a negative impact on market capitalization. This fining is consistent with the findings of Hossain and TohidulAlam (2019). In addition, the beta coefficients for board independence are positive with market capitalization. It indicates that board independence has a negative impact on market capitalization. This fining

is consistent with the findings of Kumar and Singh (2012). Likewise, the beta coefficients for corporate size are positive for market capitalization. It indicates that corporate size has a positive impact on market capitalization. This finding is consistent with the findings of Pradhan (2014). Moreover, the beta coefficients for bank age are positive with market capitalization. It indicates that bank age has a positive impact on market capitalization. This fining is consistent with the findings of Zhang (2018).

4. Summary and conclusion

Corporate governance is a crucial aspect of the banking industry, ensuring the stability, transparency, and accountability of commercial banks. In Nepal, the banking industry is crucial to the growth and development of the economy since it provides financial intermediation and encourages investment. Effective corporate governance frameworks have become more and more necessary as the industry has developed over time. The guiding principles of corporate governance in Nepalese commercial banks are openness, responsibility, and good management.

The study attempts to examine the impact of corporate governance on corporate firm vale of Nepalese commercial banks. This study is based on the secondary data gathered from 15 Nepalese commercial banks for the study period from 2014/15 to 2021/22.

The major conclusion of this study is that that board size has a positive relationship with earning per share and market capitalization. Similarly, financial leverage has a negative relationship with earning per share. In contrast, financial leverage has a positive relationship with market capitalization. Likewise, female board of director has a negative relationship with earnings per share. However, female board of director has a negative relationship with market capitalization. Further, audit committee has a positive relationship with earnings per share and market capitalization. In addition, board independence has a negative relationship with earnings per share and market capitalization. Moreover, corporate size has a positive relationship with earning per share and market capitalization. Further, bank age has a positive relationship with earning per share and market capitalization. Likewise, the study concluded that audit committee followed by board size is the most influencing factor that explains the changes in the earning per share in the context of Nepalese commercial banks. Similarly, the study also concluded that financial leverage followed by bank age is the most influencing factor that explains the changes in market capitalization in the context of Nepalese commercial banks.

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