Influence of Corporate Governance Practices on Public Sector Sustainable Development in Nepal

Bivek Kumar Yadav, Pushkar Neupane, Kishan Sah and Ramesh Rawat *

Abstract

The study examines the influence of corporate governance practices on public sector sustainable development in Nepal. Return on assets and earning per share are selected as the dependent variables. The selected independent variables are board size, audit committee size, number of board meetings, female directors, independent directors, and institutional ownership. The study is based on secondary data of 12 commercial banks with 108 observations for the study period from 2014/15 to 2022/23. The data were collected from Banking and Financial Statistics published by Nepal Rastra Bank, publications and websites of Nepal Rastra Bank (NRB) 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 practices on public sector sustainable development in Nepal.

The study showed that board size has a positive impact on return on assets and earning per share. It indicates that increase in board size leads to increase in return on assets and earning per share. Similarly, audit committee size has a positive impact on return on assets and earning per share. It indicates that increase in audit committee size leads to increase in return on assets and earning per share. Likewise, number of board meetings have a positive impact on return on assets and earning per share. It indicates that increase in board meetings lead to increase in return on assets and earning per share. However, female directors have a negative impact on return on assets and earning per share. It indicates that increase in proportion of female directors on board leads to decrease in return on assets and earning per share. Further, independent directors have a negative impact on return on assets and earning per share. It indicates that presence of independent directors in the board lead to decrease in return on assets and earning per share. Moreover, institutional ownership has a positive impact on return on assets and earning per share. It indicates that higher the institutional ownership, higher would be the return on assets and earning per share.

Keywords: board size, audit committee size, number of board meetings, female directors, independent directors, institutional ownership, return on assets, earning per share

1. Introduction

The corporate governance definition of the Cadbury Committee

* Mr. Yadav, Mr. Neupane, and Mr. Sah are Freelance Researchers, Kathmandu, Nepal and Mr. Rawat is the Research Assistant, Uniglobe College (Pokhara University Affiliate), Kathmandu, Nepal.

highlights value creation while stakeholders receive comparatively little attention (Crifo *et al.,* 2019). Companies with good governance approach not only minimize the risk of being not successful in the long run by gaining sustainable performance but additionally improve their financial performance (Munir *et al.,* 2019). Corporations influence a significant amount of people of all kinds around the world. Nevertheless, sustainable business approaches became more and more popular in recent years, and those approaches decide whether companies will be successful in the long run. Hence, it is crucial to create a corporate governance structure that cares about stakeholders' as much as about shareholder values and enables sustainable development. Sustainable firms should furthermore address their operations and be transparent in all three pillars of sustainability. While the importance of financial success is undoubted, the interaction between financial, social, and environmental management is significant (Aras and Crowther, 2008). Critical to sustainability is that while acting in stakeholders' interests, corporations act based on sustainable development principles (Bansal and DesJardine, 2015). To support effective sustainability management, it is necessary to implement effective internal corporate governance mechanisms, which influence the intra-corporation organization. More specifically, the board, capital and incentive structures, ownership concentration, and transparency of disclosure can be defined as internal corporate governance mechanisms (Kohl, 2009). Due to the interdependency with the external mechanisms and the dependency on the place of business, internal governance mechanisms can also be found dependent on factors like country and culture. However, independent from the jurisdiction, the board of directors always has to lead the company and set the strategic goals to ensure its long-term success and survival (Cadbury, 1992; World Business Council For Sustainable Development, 2019).

Corporate governance mechanisms adopted by banks play a crucial role in improving organizational performance and contributing to various aspects of their operations, including market share expansion and enhancing understanding of business roles and obligations. Effective governance mechanisms promote transparency and accountability within banks. By ensuring clear reporting lines, disclosure requirements, and oversight mechanisms, banks can enhance transparency in their operations and financial reporting. This transparency builds trust with investors, customers, and regulators, contributing to market share growth and improved organizational performance (Nyarko *et al.*, 2017). Effective governance structures establish processes for managing identified risks. This may involve implementing controls, developing mitigation strategies, transferring risks through insurance or other means, or accepting certain risks based on informed decision-making. Risk management practices should be integrated into the organization's overall strategy and operations to ensure that risks are addressed proactively. By integrating risk identification, assessment, and management into their governance structures, organizations can enhance their ability to anticipate and respond to challenges effectively, thereby safeguarding their long-term sustainability and success. Effective corporate governance structures are essential for identifying, assessing, and managing risks within an organization (Gebba, 2015).

Abbadi *et al.* (2016) investigated the effect of corporate governance quality on earnings management in Jordan. Using a panel data set of all industrial and service firms listed on Amman Stock Exchange (ASE) during the period 2009-2013, the study revealed that earnings management is affected negatively by corporate governance quality. In particular; the results showed that earnings management is affected negatively by overall categories of governance index represented by board of director, board meeting, Audit and nomination and compensation committee. Furthermore, the results suggested that corporate governance quality has increased over time. Thus, its ability to constrain earnings management has also increased. Similarly, Aanu *et al.* (2014) analyzed the effectiveness of audit committee and firm financial performance in Nigeria. The study found a positive and significant relationship between the independence and financial expertise of the audit committee and ROA, ROE, and ROCE. However, the results showed that size and meetings of the audit committee have no significant relationship with all performance variables. Likewise, Shungu *et al.* (2014) investigated the impact of corporate governance on the performance of commercial banks in Zimbabwe. The findings showed a positive correlation between board composition, diversity, and commercial bank performance, but a negative correlation between board size, committees, and bank performance. Further, Rahman *et al.* (2019) explored the impact of audit characteristics on firm performance of the listed manufacturing firms of Dhaka Stock Exchange (DSE) during the period of 2013 to 2017. Using the pooled OLS method, the findings showed that there is a significant negative relationship between audit committee meeting and firm performance.

Fariha *et al.* (2021) analyzed the effect of board characteristics and audit committee attributes on the firm performance of publicly listed commercial banks of Bangladesh. The results showed that board independence positively influences stock returns but negatively affects ROA and Tobin's Q. Similarly, board diversity has a negative impact on ROA and ROE. Family duality boosts ROA but hampers stock returns, while audit committee size and chairman independence impact Tobin's Q negatively. Similarly, Manini and Abdillahi (2015) examined the impact of corporate governance mechanisms on banks' profitability based on the annual reports on 42 banks in Kenya in 2014. Using multiple regression analysis, the results showed that audit committee size, board gender diversity, and bank capital did not significantly impact profitability, while board size negatively influenced financial performance, and bank size had a positive association with financial performance. Likewise, Al-Matari *et al.* (2014) examined the association between the board of director's characteristics, audit committee characteristics and the executive committee characteristics and the performance of the Oman companies. The data comprised of 162 non-financial companies because financial and non-financial companies employ different methods and they have different structures. The results showed that there is a positive correlation of board size, board meetings, audit committee independence, and executive committee independence with the performance of the Oman companies. However, board independence and legal counsel have a negative relationship with the performance of the Oman companies. Moreover, CEO tenure, CEO compensation, and audit committee size have an insignificant impact on the performance of the Oman companies.

Okoye *et al.* (2020) explored the nexus between governance practices and bank profitability in Nigeria. The estimation technique of the Generalized Method of Moments was employed. The study underscores the critical link between governance and financial performance, suggesting optimal board size to mitigate conflicts and advocating for directors of banking institutions to maintain substantial equity stakes to reinforce profitable governance practices. Similarly, Fanta (2013) examined the corporate governance mechanisms and their impact on performance of commercial banks in the absence of organized stock exchange. The study assessed the relationship between selected internal and external corporate governance mechanisms, and bank performance as measured by ROE and ROA. The study found that larger board size and the presence of an audit committee have a negative impact on bank performance, while bank size has a positive effect. Capital adequacy ratio positively influenced performance, but challenges like absence of stock exchanges, government intervention, and weak corporate governance standards adversely affected bank performance in Ethiopia. Likewise, Adeabah *et al.* (2018) analyzed the efficiency of banks under board gender diversity and determinants of bank efficiency. Using descriptive statistics, correlation matrix, and panel regression model, the results showed that board independence and powerful CEOs have negative effects on bank efficiency. Further, Islam and Islam (2022) assessed the relationship between board independence, directors' ownership, and organizational profitability of listed nonfinancial enterprises on the Dhaka Stock Exchange between 2015 and 2019. Using generalized method of moments (GMM), the study reveals that board independence has a negative and significant effect on profitability. In addition, Grove *et al.* (2011) revealed that corporate governance factors significantly impact financial performance, with CEO duality and leverage showing negative effects, while executive incentive pay has mixed impacts on loan quality. Board size and average director age exhibit a concave relationship with financial performance, while evidence regarding other governance measures is weak.

In the context of Nepal, 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). Similarly, 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. Likewise, Dongol (2021) investigated the impact of corporate governance on financial performance of Nepalese commercial banks. The results gained through regression analysis depicted that larger board and audit committee size and lower frequency of board meeting, proportion of institutional ownership led to better efficiency in commercial banks. Further, 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.

The above discussion shows that empirical evidences vary greatly across the studies on the influence of corporate governance practices on public sector sustainable development. 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 influence of corporate governance practices on public sector sustainable development in Nepal. Specifically, it examines the relationship of board size, audit committee size, number of board meetings, female directors, independent directors, and institutional ownership with sustainable development of public sector.

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 12 commercial banks for the period of 2014/15 to 2022/23, leading to a total of 108 observations. The study employed stratified sampling method. The main sources of data include Banking and Financial Statistics published by Nepal Rastra Bank, publications and websites of Nepal Rastra Bank (NRB) and annual reports of the selected commercial banks. Table 1 shows the list of insurance companies 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	Nepal Bank Limited	2014/15-2022/23	9
2	NMB Bank Limited	2014/15-2022/23	9
3	Himalayan Bank Limited	2014/15-2022/23	9
4	Everest Bank Limited	2014/15-2022/23	9
5	Machhapuchchhre Bank Limited	2014/15-2022/23	9
6	Sanima Bank Limited	2014/15-2022/23	9
7	Siddhartha Bank Limited	2014/15-2022/23	9
8	Prime Commercial Bank Limited	2014/15-2022/23	9
9	Citizens Bank International Limited	2014/15-2022/23	9
10	Rastriya Banijya Bank Limited	2014/15-2022/23	9
11	Standard Chartered Bank Nepal Limited	2014/15-2022/23	9
12	Nepal SBI Bank Limited	2014/15-2022/23	9
Total number of observations			**108**

Source: Annual Reports

Thus, the study is based on 108 observations.

The model

The model used in this study assumes that sustainable development of public sector depends upon corporate governance practices. The dependent variables selected for the study are return on assets and earning per share. Similarly, the selected independent variables are board size, audit committee size, number of board meetings, female directors, independent directors, and institutional ownership. Therefore, the model takes the following form:

$$ROA_{it} = \alpha + \beta_1 BS_{it} + \beta_2 ACS_{it} + \beta_3 NoBM_{it} + \beta_4 FD_{it} + \beta_5 ID_{it} + \beta_6 IO_{it} + e_{it}$$

$$EPS_{it} = \alpha + \beta_1 BS_{it} + \beta_2 ACS_{it} + \beta_3 NoBM_{it} + \beta_4 FD_{it} + \beta_5 ID_{it} + \beta_6 IO_{it} + e_{it}$$

Where,

ROA = Return on assets as measured by the ratio of net income divided by total assets, in percentage.

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

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

ACS = Audit committee is defined as the number of audit committee member, in number.

NoBM = Number of board meeting defined as the number of meetings of board of directors, in number.

FD = Female directors as measured by number of female directors on the board of directors, in number.

ID = Independent directors defined as the number of independent directors on the board, in number.

IO = Institutional ownership as measured by the shares held by entities, in percentage.

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). Liang *et al.* (2013) investigated the effects of board characteristics such as size, composition and functioning of the board of directors on financial performance of banks and asset quality, using a sample of 50 Chinese commercial banks over the period 2003-2010. The findings suggested that board size has a significant and negative effect on bank performance measured by ROA and ROE. Similarly, Staikouras *et al.* (2007) uncovered a negative relation between the size of board of directors and profitability. Likewise, Agoraki (2010) analyzed the relationship between board structure, in terms of board size and composition, and bank performance in terms of both cost and profit efficiency of large European banks operating during the period 2002-2008. The study documented a negative correlation between board size and cost and profit efficiency. Based on it, this study develops the following hypothesis:

H_1: There is a positive relationship between board size and sustainable development.

Audit committee size

Anasweh (2021) examined the relationship between audit committee characteristics and bank's financial, operational and market performance of banks listed on the Gulf Cooperation Council Stock Exchange during the period from 2015 to 2019. The study showed that the size of audit committee and the AC member's independency in Islamic banks has positive significant impact on ROA and ROE. Similarly, Salehi *et al.* (2018) evaluated the relationship between the characteristics of the audit committee and the board and profitability among the companies listed on the Tehran Stock Exchange (TSE) in Iran. The results showed that there is a positive and significant relationship between audit committee financial expertise and profitability. Likewise, Hasan *et al.* (2019) investigated the relationship between corporate governance (CG) elements, namely board characteristics (board size, independence, expertise) and audit committee characteristics (audit committee size, independence, expertise) with profitability, present by two proxy ROA and ROE. The empirical result of the study showed that board size, board expertise and audit committee size have significant positive relationship with both proxy of profitability i.e., ROA and ROE. Based on it, this study develops the following hypothesis:

H_2: There is a positive relationship between audit committee size and sustainable development.

Number of board meetings

Board meeting refers to the meeting of directors of the company. Board meetings and its intensity are recognized as a mean to enhance the monitoring activity by board members and reflect on firm performance (Jensen and

Murphy, 1990). The number of board of director meetings significantly improve company performance based on market value of the company shares. The attendance level of the board of director meeting significantly improves company performance (Agung and Ulupui, 2019). Brick and Chidambaran (2010) found that board activity has a positive impact on firm value. Moreover, Ntim and Osei (2011) revealed that more meeting time of the board encourages a firm to increase the profitability ratio. The study also concluded that there is a positive and a significant relationship between board meeting and firm value. Based on it, this study develops the following hypothesis:

H_3: There is a positive relationship between number of board meetings and sustainable development.

Female directors

Cambrea *et al.* (2020) investigated the impact of gender diversity on corporate cash holdings by scrutinizing different positions covered by female board directors. The empirical findings demonstrated that the relationship between gender diversity and cash holdings depends on the role of female directors on the boards. Specifically, the evidence showed that women in monitoring functions, ruled by independent directors and female chairs, led to a decrease in cash reserves. Similarly, Atif *et al.* (2019) examined whether board gender diversity affects corporate cash holdings using S&P 1500 index firms in the US for the period 2006-2015. The study documented a significantly negative relationship between board gender diversity and cash holdings. Likewise, Tosun *et al.* (2022) revealed that, in the presence of overly confident CEOs, having more female directors on the board counteracts the tendency of such CEOs to reduce cash holding below an optimal level. Based on it, this study develops the following hypothesis:

H_4: There is a negative relationship between female directors and sustainable development.

Independence directors

Ozkan and Ozkan (2024) reported a negative and significant relationship between independent directors and cash holdings in UK firms. Similarly, Kusumawardani *et al.* (2021) analyzed the effect of corporate governance, such as board size, and independence on cash holding of 373 firms in seven industries publicly tabulated on Indonesia Stock Exchanges (IDX) from 2008-2017 and 2,742 firm-year observations. The result showed that the independent board has a significant negative impact on cash holding.

Likewise, Kuan *et al.* (2012) suggested a negative relationship between the proportion of independent directors on a board and cash holdings. Based on it, this study develops the following hypothesis:

H_5: There is a negative relationship between independence directors and sustainable development.

Institutional ownership

Yuwono and Aurelia (2021) examined the effect of profitability, leverage, institutional ownership, managerial ownership, and dividend policy on firm value controlled by firm size of 170 manufacturing companies listed on the Indonesian Stock Exchange from 2014 to 2018. The results of the study indicated that profitability, institutional ownership, managerial ownership and dividend policy are significantly positive with firm value, leverage is negatively related to firm value. As a control variable, firm size has a significant positive effect on firm value. A company increases institutional ownership, which is expected to put pressure on the company to continue to implement better corporate governance as desired by institutional investors. Therefore, with good company performance, the company can increase its company value (Purba and Africa, 2019). Based on it, this study develops the following hypothesis:

H_6: There is a positive relationship between institutional ownership and sustainable development.

3. Results and discussions

Descriptive statistics

Table 2 represents the descriptive statistics of selected dependent and independent variables during the period 2014/15 to 2022/23.

Table 2

Descriptive statistics

This table shows the descriptive statistics of dependent and independent variables of 12 Nepalese commercial banks for the study period of 2014/15 to 2022/23. The dependent variables are ROA (Return on assets as measured by the ratio of net income divided by total assets, in percentage), and EPS (Earnings per share as measured by the ratio of net income to total outstanding shares, in Rs). The independent variables are BS (Board size as measured by the total number of directors on the board, in number), ACS (Audit committee is defined as the number of audit committee member, in number), NoBM (Number of board meeting defined as the number of meetings of board of directors of a company, in number), FD (Female directors as measured by number of female directors on the board of directors, in number), ID (Independent directors defined as the number of independent directors on the board of company, in number), and IO (Institutional ownership as measured by the shares held by entities, in percentage).

Variables	Minimum	Maximum	Mean	S.D.
ROA	0.47	3.22	1.657	0.581
EPS	0.00	73.68	25.982	10.985
BS	5.00	11.00	7.231	1.1966
ACS	2.00	5.00	3.194	0.482
NoBM	12.00	102.00	32.342	18.733
FD	0.00	2.00	0.564	0.551
ID	0.00	2.00	0.611	0.508
IO	0.00	65.00	14.256	21.761

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 12 Nepalese commercial banks for the study period of 2014/15 to 2022/23. The dependent variables are ROA (Return on assets as measured by the ratio of net income divided by total assets, in percentage), and EPS (Earnings per share as measured by the ratio of net income to total outstanding shares, in Rs). The independent variables are BS (Board size as measured by the total number of directors on the board, in number), ACS (Audit committee is defined as the number of audit committee member, in number), NoBM (Number of board meeting defined as the number of meetings of board of directors of a company, in number), FD (Female directors as measured by number of female directors on the board of directors, in number), ID (Independent directors defined as the number of independent directors on the board of company, in number), and IO (Institutional ownership as measured by the shares held by entities, in percentage).

Variables	ROA	ROE	BS	ACS	NoBM	FD	ID	IO
ROA	1							
EPS	0.297**	1						
BS	0.247*	0.044	1					
ACS	0.156	0.054	0.116	1				
NoBM	0.067	0.285**	0.055	-0.168	1			
FD	-0.263**	-0.078	-0.271**	0.145	0.001	1		
ID	-0.283**	-0.326**	-0.296**	0.006	0.068	0.557**	1	
IO	0.134	0.116	0.189*	0.319**	-0.187	-0.111	0.146	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 return on assets. It indicates that higher the board size, higher would be the return on assets. Similarly, audit committee size has a positive relationship with return on assets. It indicates that increase in audit committee size leads to increase in return on assets. Likewise, number of board meetings have a positive relationship with return on assets. It indicates that higher the number of board meetings, higher would be the return on assets. However, female directors have a negative relationship with return on assets. It indicates that increase in proportion of female directors on board leads to decrease in return on assets. In addition, independent directors have a negative relationship with return on assets. It indicates that higher number of independent directors leads to decrease in return on assets. Moreover, institutional ownership has a positive relationship with return on assets. It indicates that higher the institutional ownership, higher would be the return on assets.

Similarly, board size has a positive relationship with earning per share. It indicates that higher the board size, higher would be the earning per share. Similarly, audit committee size has a positive relationship with earning per share. It indicates that increase in audit committee size leads to increase in earning per share. Likewise, number of board meetings have a positive relationship with earning per share. It indicates that higher the number of board meetings, higher would be the earning per share. However, female directors have a negative relationship with earning per share. It indicates that increase in proportion of female directors on board leads to decrease in earning per share. In addition, independent directors have a negative relationship with earning per share. It indicates that higher number of independent directors leads to decrease in earning per share. Moreover, institutional ownership has a positive relationship with earning per share. It indicates that higher the institutional ownership, higher would be the earning per share.

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, audit committee size, number of board meetings, female directors, independent directors, and institutional ownership on sustainable development of public sector in Nepal.

Table 4

Estimated regression results of board size, audit committee size, number of board meetings, female directors, independent directors, and institutional ownership on return on assets

The results are based on panel data of 12 Nepalese commercial banks for the study period of 2014/15 to 2022/23 by using the linear regression model and the model is $ROA_{it} = \alpha + \beta_1 BS_{it} + \beta_2 ACS_{it} + \beta_3 NoBM_{it} + \beta_4 FD_{it} + \beta_5 ID_{it} + \beta_6 IO_{it} + e_{it}$ where, the dependent variable is ROA (Return on assets as measured by the ratio of net income divided by total assets, in percentage). The independent variables are BS (Board size as measured by the total number of directors on the board, in number), ACS (Audit committee is defined as the number of audit committee member, in number), NoBM (Number of board meeting defined as the number of meetings of board of directors of a company, in number), FD (Female directors as measured by number of female directors on the board of directors, in number), ID (Independent directors defined as the number of independent directors on the board of company, in number), and IO (Institutional ownership as measured by the shares held by entities, in percentage).

Model	Intercept	Regression coefficients of						Adj. R_bar^2	SEE	F-value
		BS	ACS	NoBM	FD	ID	IO			
1	0.791 (2.362)*	0.121 (2.621)**						0.052	0.565	6.868
2	1.058 (2.836)**		0.188 (1.623)					0.015	0.576	2.635
3	1.724 (15.365)**			0.002 (0.687)				0.005	0.582	0.472
4	1.814 (23.328)**				-0.277 (2.861)**			0.061	0.563	7.876
5	1.855 (21.957)**					-0.323 (3.033)**		0.718	0.559	9.202
6	1.708 (25.635)**						0.004 (1.392)	0.009	0.578	1.932
7	0.348 (0.747)	0.133 (2.456)*	0.155 (1.366)					0.629	0.563	4.396
8	0.432 (0.889)	0.115 (2.489)*	0.143 (1.232)	0.002 (0.625)				0.054	0.565	3.044
9	0.641 (1.331)	0.085 (1.728)	0.197 (1.714)	0.001 (0.513)	-0.255 (2.494)*			0.099	0.551	3.952
10	0.789 (1.599)	0.069 (1.449)	0.191 (1.657)	0.001 (0.404)	-0.175 (1.464)	-0.168 (1.302)		0.105	0.549	3.522
11	0.379 (0.762)	0.961 (2.042)*	0.329 (2.552)**	0.003 (0.952)	-0.274 (2.274)*	-0.036 (0.275)	0.008 (2.833)**	0.163	0.531	4.474

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. Return on assets is the dependent variable.

Table 4 shows that the beta coefficients for board size are positive with return on assets. It indicates that board size has a positive impact on return on assets. This finding is consistent with the findings of Staikouras *et al.* (2007). Similarly, the beta coefficients for audit committee size are positive with return on assets. It indicates that audit committee size has a positive impact on return on assets. This finding is consistent with the findings of Anasweh (2021). Likewise, the beta coefficients for number of board meetings are positive with return on assets. It indicates that number of board meetings have a positive impact on return on assets. This finding is consistent with the findings of Brick and Chidambaran (2010). Further, the beta coefficients for female directors are negative with return on assets. It indicates that female directors have a negative impact on return on assets. This finding is consistent with the findings of Atif *et al.* (2019). In addition, the beta coefficients for independent directors are negative with return on assets. It indicates that independent directors have a negative impact on return on assets. This finding is consistent with the findings of Ozkan and Ozkan (2024). Likewise, the beta coefficients for institutional ownership are positive with return on assets. It indicates that institutional ownership has a positive impact on return on assets. This finding is consistent with the findings of Yuwono and Aurelia (2021).

Table 5 shows the estimated regression results of board size, audit committee size, number of board meetings, female directors, independent directors, and institutional ownership on sustainable development of public sector in Nepal.

Table 5

Estimated regression results of board size, audit committee size, number of board meetings, female directors, independent directors, and institutional ownership on earning per share

The results are based on panel data of 12 Nepalese commercial banks for the study period of 2014/15 to 2022/23 by using the linear regression model and the model is $EPS_{it} = \alpha + \beta_1 BS_{it} + \beta_2 ACS_{it} + \beta_3 NoBM_{it} + \beta_4 FD_{it} + \beta_5 ID_{it} + \beta_6 IO_{it} + e_{it}$ where, the dependent variable is EPS (Earnings per share as measured by the ratio of net income to total outstanding shares, in Rs). The independent variables are BS (Board size as measured by the total number of directors on the board, in number), ACS (Audit committee is defined as the number of audit committee member, in number), NoBM (Number of board meeting defined as the number of meetings of board of directors of a company, in number), FD (Female directors as measured by number of female directors on the board of directors, in number), ID (Independent directors defined as the number of independent directors on the board of company, in number), and IO (Institutional ownership as measured by the shares held by entities, in percentage).

Model	Intercept	Regression coefficients of						Adj. R_bar^2	SEE	F-value
		BS	ACS	NoBM	FD	ID	IO			
1	23.076 (3.535)**	0.402 (0.451)						0.007	11.02	0.204
2	22.08 (3.096)**		1.222 (0.553)					0.007	11.021	0.306
3	20.578 (10.096)**			0.167 (3.061)**				0.073	10.579	9.368
4	26.856 (17.677)**				-1.545 (0.801)			0.003	11.003	0.642
5	30.291 (19.246)**					-7.052 (3.554)**		0.098	10.433	12.632
6	26.815 (21.233)**						0.058 (1.199)	0.004	10.963	1.438
7	19.871 (2.173)*	0.35 (0.389)	1.122 (0.503)					0.015	11.065	0.227
8	11.804 (1.292)	0.141 (0.162)	2.332 (1.072)	0.177 (3.172)**				0.066	10.617	3.514
9	13.42 (1.447)	0.128 (0.142)	2.332 (1.072)	0.18 (3.217)**	-1.977 (1.004)			0.066	10.61	2.887
10	22.044 (2.494)*	0.765 (0.896)	2.346 (1.141)	0.198 (3.809)**	-2.695 (1.262)	-9.722 (4.218)**		0.197	9.845	6.245
11	22.441 (2.418)*	0.792 (0.903)	2.239 (1.023)	0.199 (3.749)**	-2.792 (1.244)	-9.849 (3.986)**	0.008 (0.148)	0.189	9.892	5.158

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 5 shows that the beta coefficients for board size are positive with earning per share. It indicates that board size has a positive impact on earning per share. This finding is consistent with the findings of Agoraki (2010). Similarly, the beta coefficients for audit committee size are positive with earning per share. It indicates that audit committee size has a positive impact on earning per share. This finding is consistent with the findings of Salehi *et al.* (2018). Likewise, the beta coefficients for number of board meetings are positive with earning per share. It indicates that number of board meetings have a positive impact on earning per share. This finding is consistent with the findings of Ntim and Osei (2011). Further, the beta coefficients for female directors are negative with earning per share. It indicates that female directors have a negative impact on earning per share. This finding is consistent with the findings of Tosun *et al.* (2022). In addition, the beta coefficients for independent directors are negative with earning per share. It indicates that independent directors have a negative impact on earning per share. This finding is consistent with the findings of Kusumawardani *et al.* (2021). Likewise, the beta coefficients for institutional ownership are positive with earning per share. It indicates that institutional ownership has a positive impact on earning per share. This finding is consistent with the findings of (Purba and Africa, 2019).

4. Summary and conclusion

Corporations influence a significant amount of people of all kinds around the world. Nevertheless, sustainable business approaches became more and more popular in recent years, and those approaches decide whether companies will be successful in the long run. Hence, it is crucial to create a corporate governance structure that cares about stakeholders' as much as about shareholder values and enables sustainable development. Sustainable firms should furthermore address their operations and be transparent in all three pillars of sustainability. While the importance of financial success is undoubted, the interaction between financial, social, and environmental management is significant. Critical to sustainability is that while acting in stakeholders' interests, corporations act based on sustainable development principles. To support effective sustainability management, it is necessary to implement effective internal corporate governance mechanisms, which influence the intra-corporation organization. More specifically, the board, capital and incentive structures, ownership concentration, and transparency of disclosure can be defined as internal corporate governance mechanisms. Due to the interdependency with the external mechanisms and the dependency on the place of business, internal governance mechanisms can also be found dependent on factors like country and culture.

The study attempts to examine the influence of corporate governance practices on public sector sustainable development in Nepal. This study is based on the secondary data gathered from 12 Nepalese commercial banks for the study period of 2014/15 to 2022/23.

The major conclusion of this study is that board size, audit committee size, number of board meetings, and institutional ownership have a positive relationship with return on assets and earning per share. It indicates that higher the board size, audit committee size, number of board meetings, and institutional ownership, higher would be the return on assets and earning per share. In contrast, female directors and independent directors have a negative relationship with return on assets and earning per share. It indicates that increase in female directors and independent directors lead to decrease in return on assets and earning per share. Likewise, the study also concluded that audit committee size followed by board size is the most influencing factor that explains the changes in the return on assets and earning per share in the context of Nepalese commercial banks.

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