Corporate Governance, Globalization and Firm Performance: A Case of Nepal

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Abstract

This study examines the corporate governance, globalization and firm performance in the context of Nepalese commercial banks. Return on assets and return on equity are selected as the dependent variables. The selected independent variables are board size, audit committee size, number of board meeting, independent director, female board member and foreign ownership. The study is based on secondary data of 10 Nepalese commercial banks with 100 observations for the period from 2014/15 to 2023/24. 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, globalization and firm performance in the context of Nepalese commercial banks.

The study showed that board size has a positive impact on return on assets and return on equity. It indicates that larger the board size, higher would be the return on assets and return on equity. Similarly, audit committee size has a positive impact on return on assets and return on equity. It indicates that increase in audit committee size leads to increase in return on assets and return on equity. Likewise, number of board meetings have positive impact on return on assets and return on equity. It indicates that increase in number of board meetings lead to increase in return on assets and return on equity. Further, independent director has a positive impact on return on assets and return on equity. It indicates that increase in independent director leads to increase in return on assets and return on equity. In addition, female board member has a positive impact on return on assets and return on equity. It indicates that higher the female in board, higher would be the return on assets and return on equity. Moreover, foreign ownership has a positive impact on return on assets and return on equity. It indicates that increase in foreign ownership leads to increase in return on assets and return on equity.

Keywords: board size, audit committee size, number of board meeting, independent director, female board member, foreign ownership, return on assets, return on equity

1. Introduction

Corporate governance simply can be described as the management and regulation of companies in line with the principles and rules in the corporate governance field and in the best interest of all the stakeholders. Corporate governance, encompassing an array of policies, procedures, and regulations, plays a crucial role in determining business transparency, fairness, and stakeholder alignment, substantially influencing firms' performances (Alodat *et al.,* 2022). Additionally, sound governance practices are recognized as providing a competitive edge to companies. Yet, the link between corporate governance and firm performance has been relatively under-investigated, especially within distinct institutional environments such as those of Hong Kong and Shenzhen, two cities located in China's Greater Bay Area (GBA). Significant differences exist in corporate governance regulations between Hong Kong and Mainland China, particularly for non-listed non-state-owned enterprises, necessitating further research (Molnar *et al.,* 2017). Corporate governance is vital for attracting investment

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and building shareholder trust in firms, reducing investor risk, improving capital access, and positively influencing business outcomes (Guo and Kga, 2012). Independent boards and ethical business practices enhance market confidence and functionality (Guo and Kga, 2012). As such, it is an important aspect of business not only to be considered by firms seeking these benefits but also to be thoroughly investigated and researched scientifically for a deeper understanding to better inform investment and policy-making decisions.

Tarraf and Majeske (2008) investigated the relationship among corporate governance, risk taking and financial performance at bank holding companies (BHCs) during the financial crisis of 2008. The study found that there is no significant relationship between corporate governance and risk-taking level. Similarly, Aebi *et al.* (2012) argued that banks have to significantly improve the quality and profile of their corporate governance and risk management function in order to be well prepared to face a financial crisis. Likewise, Wilevy and Kurniasih (2021) examined the financial distress of registered banking in Indonesia Stock Exchange: Review of the good corporate governance aspect and banking performance. The study found that institutional, managerial, independent commissioner board composition, audit committee, capital adequacy ratio, and loan to deposit ratio have significant impact on financial distress. The study also found that non-performing loan has a positive and significant impact on economic desperation. Further, Ramly and Basharahil (2021) investigated the bank governance and risk-taking: A survey of the literature. The study concluded that board of directors' features on the risk-taking of banks still requires more empirical investigation using alternative analytical methods and alternative measures of risks of the banking industry. In addition, Pham and Duy (2019) analyzed the effects of corporate governance mechanisms on the financial leverage–profitability relation. The study found that board size, board independence and state ownership have positive and significant impact on the financial leverage. Moreover, Liang *et al.* (2016) investigated examined on financial ratios and corporate governance indicators in bankruptcy prediction. The study focuses on examining the discriminatory power obtained by combining different categories of financial ratios (FRs) and corporate governance indicators (CGIs) for bankruptcy prediction.

Masum *et al.* (2024) stated that there is a paradoxical finding representing that although the foreign shareholdings significantly influenced the corporate performance in the transitional economy the inclusion of foreign members on the board has no significant impact on corporate performance. Similarly, Ali and Nasir (2018) examined the relationship between corporate governance mechanisms. The study provided evidence that board meeting or board activity has a significant relationship with financially distressed companies. According to Boudiab (2017), audit committee independence and meeting have a positive significant with the performance, but, the size of the audit committee has an insignificant relation with the performance. Likewise, Lestari *et al.* (2021) examined the impact of extensible business reporting language (XBRL) adoption on financial reporting timeliness. The results revealed that extensible business reporting language adoption positively affects financial reporting timeliness. Further, Grove *et al.* (2011) revealed that the frequency of board meetings is positively associated with financial performance. In addition, Rokhayati *et al.* (2022) showed that the capital structure has a significant effect on financial distress where the higher the company's leverage will cause financial distress. While female director, liquidity, and profitability have no significant effect on the company's financial distress.

De Andres and Vallelado (2008) examined the corporate governance in banking: The role of the board of directors. The study found that board size, and board independence

have positive impact on bank performance. Similarly, Arora (2018) showed that independent boards are better at searching for information, giving advice, and accessing needed capital. Likewise, Mwega (2011) revealed that there is a positive correlation between qualification of board of directors and profitability in banks. Further, Garcia-Meca *et al.* (2015) showed that performance of banks measured by return on assets (ROA), and Tobin's Q are affected positively by the number of independent directors on the board of directors. In addition, Wu and Li (2015) examined the influence of independent directors on financial performance. The study showed that more independent directors have positive and significant influence on financial performance. Further, Bertoni *et al.* (2014) investigated the influence of board independence on corporate company value. The study revealed that board independence, company age and board of directors have positive and significant impact on profitability of banks. Moreover, Handriani and Robiyanto (2019) examined the institutional ownership, independent board, the board size, and firm performance: Evidence from Indonesia. The study showed a positive impact of institutional ownership, independent board, the board size on bank performance.

Petchsakulwong and Jansaku (2014) investigated the relationship between board of directors and profitability ratio of Thai non-life insurers. The study concluded that profitability is influenced by the size of the board of directors in a firm and by the percentage of external directors. Similarly, Najjar (2012) revealed that corporate governance has a significant impact on the financial performance of firms as a result of the supervision and control made by shareholders, the degree of ownership concentration, and the independence of the board. Likewise, Latif *et al*. (2014) concluded that increasing the size of the board may lead to a diversity of experiences among board members. Further, the study also found that performance and profitability of firms is influenced by mixing ownership structure to achieve different goals. Further, Markonah *et al.* (2019) examined the effect of corporate governance and premium growth on the performance of insurance companies in Indonesia during the period from 2011 to 2017. The study concluded that there is a positive and a significant impact of corporate governance on growth of the companies. In addition, Junaid *et al.* (2020) indicated that board composition, ownership concentration, and executive compensation are the most influential internal mechanisms for the insurers' performance. Moreover, Mehari and Aemiro (2013) found that company size, loss ratio, tangibility and leverage represent important determinants of insurers' performance, while growth of gross written premiums, age and liquidity have an insignificant statistical power. Likewse, Malik (2011) revealed that there is a positive impact of board size on return on assets. However, leverage has a negative impact on return on assets.

Nyamongo and Temesgen (2013) showed that there is a positive relationship between number of independent directors on the board and performance of commercial banks. Similarly, Adams and Mehran (2012) showed that board independence has no impact on bank performance. Likewise, Johl *et al*. (2015) showed that board independence has not significant impact on the firm performance. However, Rhoades *et al.* (2017) revealed that there is a positive and an insignificant relationship of board independence with firm performance. Moreover, Bhagat and Black (2002) found that there is a negative relationship between board independence and firm performance. Similarly, Wang *et al*. (2012) showed that independent directors on the board have a negative effect on the corporate performance. Likewise, Karim (2015) argued that a bank with large board members has more capabilities to monitor the managers and to get resources from outside sources at lower costs. Further,

Fratini and Tettamanzi (2015) showed that board size has a positive and a significant relationship with firm performance which implies that larger the board size, higher would be the firm performance. Moreover, Anderson (2004) revealed that larger board size has the ability to lower the costs of debt which leads to increase in the firm performance. In addition, Danoshana and Ravivathani (2013) revealed that the board meeting frequency has a negative and a significant relationship with profitability ratio implying that the board's longer meeting times increase the cost of management, decrease the time for managing the company management team, and decrease the profitability ratio.

In the context of Nepal, Bhojraj and Sengupta (2003) observed that a firms' risk, institutional ownership enjoys lower bond yields and higher bond rating due to monitoring power of the institutional owners. Corporate governance reforms are of great significance for developing countries like Nepal, to gain a sustained effort to attract foreign direct investment and foreign portfolio management and to mobilize greater saving through capital market (Maskay, 2004). Similarly, Pradhan (2014) revealed that there is positive impact of board size on return on equity and returns on equity which indicated that larger the number of board of directors, higher will return on equity and return on equity. Likewise, Kumari and Pattanayak (2017) concluded that there is a negative impact of the audit committee on the bank performance. However, public shareholder has positive impact on return on equity which means larger the number of public shareholders, higher will be return on assets. Further, Singh *et al.* (2021) examined the effect of non-performing loan (NPL) of Nepalese conventional banks. The study concluded that return on assets, bank size, GDP, and inflation have a significant effect on non-performing loan but car does not have a significant effect on the non-performing loan of banks. The study also concluded that the GDP effect on non-performing loan in the study shows a positive and significant effect while most studies show a negative effect.

The above discussion shows that empirical evidences vary greatly across the studies on the effect of corporate governance and globalization on bank performance. 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 effect of corporate governance and globalization on bank performance in Nepalese commercial banks. Specifically, it examines the relationship of board size, independent director, female board member, number of board meeting, audit committee size and foreign ownership on return on assets and return on equity 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 collected from 10 Nepalese commercial banks for the study period from 2014/15 to 2023/24, leading to a total of 100 observations. The main sources of data collected from the Bank Supervision Report published by Nepal Rastra Bank (NRB) and annual reports of the selected commercial banks. This study is based on descriptive as well as causal comparative research designs. Table 1 shows

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

Table 1

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

S.N.	Name of Commercial Banks	Study Period	Observations
1	Global IME Bank Limited	2014/15-2023/24	10
2	NIC Asia Bank Limited	2014/15-2023/24	10
3	Nabil Bank Limited	2014/15-2023/24	10
4	Prabhu Bank Limited	2014/15-2023/24	10
5	Himalayan Bank Limited	2014/15-2023/24	10
6	Nepal Bank Limited	2014/15-2023/24	10
7	Agricultural Development Bank Limited	2014/15-2023/24	10
8	Siddhartha Bank Limited	2014/15-2023/24	10
9	Everest Bank Limited	2014/15-2023/24	10
10	NMB Bank Limited	2014/15-2023/24	10
Total number of observations			**100**

Thus, the study is based on 100 observations.

The model

The model estimated in this study assumes that financial performance depends upon corporate governance and globalization. The selected dependent variables are return on assets and return on equity. Similarly, the selected independent variables are board size, audit committee size, number of board meeting, independent director, female board member and foreign ownership. Therefore, the model takes the following from:

$$ROA_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 AC_{it} + \beta_3 NOM_{it} + \beta_4 ID_{it} + \beta_5 FD_{it} + \beta_6 FO_{it} + e_{it}$$

$$ROE_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 AC_{it} + \beta_3 NOM_{it} + \beta_4 ID_{it} + \beta_5 FD_{it} + \beta_6 FO_{it} + e_{it}$$

Where,

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

ROE = Return on assets as measured by the ratio of net income to total shareholder equity, in percentage.

BS = Board size as measured by the number of board members, in numbers.

AC = Audit committee size as measured by the number of audit committee members, in numbers.

NOM = Number of board meetings as measured by the number of board meetings held in a year, in numbers.

ID = Independent director as measured by the number of independent directors in the board,

in numbers.

FD = Female director as measured by the number of female board members in the board, in numbers.

FO = Foreign ownership as the dummy variable where 0 implies no any ownership of foreign institutions and 1 implies there is the ownership of foreign institutions.

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

Board size

Khan *et al.* (2025) investigated the influence of ownership structure and board characteristics on firm performance in emerging market economies, with a focus on Bangladesh. By using data from DSE30 listed firms on the Dhaka Stock Exchange and applying accounting and market performance measures including return on assets, return on equity, market-to-book, and Tobin's Q, the study revealed that ownership structures and board characteristics have a mixed impact on firm performance. ROA is positively associated with foreign ownership, sponsor ownership, and board independence but negatively associated with institutional ownership, government ownership, and family firms. ROE is positively influenced by gender diversity and board expertise, whereas government ownership, board size, and family firm ownership have a negative impact. Similarly, Tobin's Q is positively significant in relation to board size, board independence, gender diversity, and board expertise, while ownership structure shows a negative significance. Abiad *et al.* (2025) investigated the impact of corporate governance characteristics on bank financial performance in Gulf Cooperation Council countries. The board characteristics include board size, board independence, board gender diversity, and CEO duality (CEO is also Board Chair), with bank size as the moderating variable. The results showed that board size, board independence, and board gender diversity significantly increase return on assets and return on equity. Haniffa and Hudaib (2007) found a positive relationship, with boards displaying stronger monitoring due to the presence of a range of experts and shareholders with a broad array of viewpoints. Based on it, this study develops the following hypothesis:

H_1: There is positive relationship between board size and bank performance.

Audit committee size

Lisbeth and Edastami (2024) examined the effects of audit committee size, frequency of audit committee meetings, and audit committee independence on the financial performance of property and real estate companies listed on the Indonesia Stock Exchange for the period 2017-2022. The results revealed that the audit committee plays a crucial role in ensuring the integrity of financial information and mitigating risks. Karim *et al.* (2024) examined how audit committee characteristics influence sustainable firms' performance within Bangladeshi commercial banks. Using data from 26 publicly traded banks over 13 years (2011-2023), this research investigates the impact of audit committee size, independence, and meeting frequency on both financial and market-based performance metrics. Specifically, the findings reveal that larger audit committees (ACs) are associated with higher market valuation, indicating that committee size contributes to strategic oversight and governance effectiveness. The size of an audit committee has been recognized as a crucial determinant of its effectiveness. Larger ACs

are often thought to provide better oversight by bringing diverse perspectives and a wider range of expertise to the table. Studies from both developed and emerging markets highlight that larger ACs tend to offer more comprehensive supervision of financial reporting processes and internal controls (Rouf and Akhtaruddin, 2020). Based on it, this study develops the following hypothesis:

H_2: There is positive relationship between audit committee size and bank performance.

Number of board meeting

Frequent board meetings have an adverse effect on financial performance of an entity as board meetings carry with them administrative costs in terms of board members sitting allowances that ultimately affect the firm's financial performance negatively (Alsartawi, 2019). It is also believed that companies that hold regular board meetings are not operating well and they should actively be monitored. Boards that meet more frequently do so in the quest of addressing problems brought about by poor performance of the management and the entity at large (Amin *et al.*, 2018). Thus, it is argued that frequent board meetings negatively influence the financial performance of an entity. This means that fewer board meetings can enhance the shareholder's value (Aernan *et al.*, 2023). In Nigeria, an analysis that examined the effect of board size, board composition and board meetings of 10 listed consumer goods from 2006-2015 revealed that board meetings has a negative and no-significant impact to financial performance measured in terms of ROA (Gambo *et al.*, 2018). Board meetings exert a negative and insignificant influence to financial performance of 13 listed industrial goods that are listed at the Nigerian Stock of Exchange using a 10-year data set from 2012-2021(Mohammed *et al.*, 2023). Based on it, this study develops the following hypothesis:

H_3: There is a negative relationship between number of board meeting and bank performance.

Independent director

With increase in the number of corporate frauds, shareholders, analysts and the general public look forward to independent director as the saviours who can help prevent such corporate misdoings. Mishra (2023) attempted to find out if having more independent director in the board influences firm profitability. Using panel data consisting of all listed Indian companies in the sample period of 2003-2019, the study found that proportion of independent director is negatively related to firm profitability. Oghoyokwa and Obasi (2024) examined impact of independent director educational background and tenure on financial performance of listed financial companies in Nigeria from 2015-2023. The study revealed that independent director and their educational background has significant positive effect on corporate performance (ROA) of listed financial companies in Nigeria. Awad and Ghanem (2023) stated that the more independent the board is, the better the performance. Taking a sample of 96 companies, the results show that a more extensive and independent board positively affects business results, and the same applies to the implementation of an audit committee. Based on it, this study develops the following hypothesis:

H_4: There is positive relationship between independent director and bank performance.

Female board member

Hussain *et al.* (2024) reported a positive impact on firm performance from having

female board members. Saha (2023) revealed a significantly positive impact of the total percentage of female board members on firms' financial performance. Further, by disentangling the impact of the total percentage of female board members between independent directors and executive directors, the study showed that independent female board members make a significant positive contribution to their firms' financial performance. In addition, the findings revealed that firms with a higher proportion of independent female board members outperform firms with a higher percentage of female executive directors. Sanad and Al Lawati (2023) investigated the relationship between gender diversity on corporate boards and firms' performance, with a particular focus on the moderating role of Fintech. The study showed a positive relationship between gender diversity on corporate boards and financial performance. Additionally, the findings of the study highlighted the positive impact of Fintech practices on firms' performance. Nevertheless, the impact of Fintech on the relationship between board gender diversity and corporate performance was found to be insignificant. Based on it, this study develops the following hypothesis:

H_5: There is a positive relationship between female board member and bank performance.

Foreign ownership

Boshnak (2023) showed that government, institutional, insider and foreign ownership all positively affect both accounting and market-based performance measures, whereas family ownership exerts a negative impact across the models. The findings support resource dependence theory, agency theory and alignment effects arguments. Putri and Setiawan (2023) focused on the impact of foreign ownership and the presence of a company website on firm performance in Indonesia, concluding that both factors positively influence firm performance. Gupta and Mer (2023) investigated the relationship between foreign ownership, ownership concentration, and firm performance. After addressing endogeneity concerns, the findings indicated that foreign ownership had a significant positive impact on Tobin's Q and return on equity (ROE), but a significant negative effect on return on assets (ROA). Similarly, ownership concentration was found to have a significant positive influence on Tobin's Q and ROE, while negatively affecting ROA. Based on it, this study develops the following hypothesis:

H_6: There is positive relationship between foreign ownership and bank performance.

3. Results and discussions

Descriptive statistics

Table 2 presents the descriptive statistics of selected dependent and independent variables during the period 2014/15-2023/24.

Table 2

Descriptive statistics

This table shows the descriptive statistics of dependent and independent variables of 10 Nepalese commercial banks for the study period of 2014/15 to 2023/24. The dependent variables are ROA (Return on assets as measured by the ratio of net income to total assets, in percentage) and ROE (Return on equity as measured by the ratio of net income to total shareholder equity, in percentage). The independent variables are BS (Board size as measured by the number of board members, in numbers), ACS (Audit committee size as measured by the number of audit committee members, in numbers),

NOM (Number of board meetings as measured by the number of board meetings held in a year, in numbers), ID (Independent director as measured by the number of independent directors in the board, in numbers), FD (Female director as measured by the number of female board members in the board, in numbers) and FO (Foreign ownership as the dummy variable where 0 implies no any ownership of foreign institutions and 1 implies there is the ownership of foreign institutions).

Variables	Minimum	Maximum	Mean	Std. Deviation
ROA	0.47	2.79	1.58	0.50
ROE	4.00	43.00	14.08	5.02
BS	5.00	10.00	6.80	1.11
ACS	2.00	5.00	3.09	0.37
NOM	5.00	35.00	19.26	7.46
ID	0.00	2.00	0.80	0.43
FD	0.00	2.00	0.56	0.53
FO	15.00	95.08	48.57	22.36

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 10 Nepalese commercial banks for the study period of 2014/15 to 2023/24. The dependent variables are ROA (Return on assets as measured by the ratio of net income to total assets, in percentage) and ROE (Return on equity as measured by the ratio of net income to total shareholder equity, in percentage). The independent variables are BS (Board size as measured by the number of board members, in numbers), ACS (Audit committee size as measured by the number of audit committee members, in numbers), NOM (Number of board meetings as measured by the number of board meetings held in a year, in numbers), ID (Independent director as measured by the number of independent directors in the board, in numbers), FD (Female director as measured by the number of female board members in the board, in numbers) and FO (Foreign ownership as the dummy variable where 0 implies no any ownership of foreign institutions and 1 implies there is the ownership of foreign institutions).

Variables	ROA	ROE	BS	ACS	NOM	FA	BSIZE	FO
ROA	1							
ROE	0.407**	1						
BS	0.143	0.148	1					
ACS	0.098	0.001	-0.122	1				
NOM	0.012	0.044	-0.170	0.081	1			
ID	0.219*	0.178	0.045	0.125	0.443**	1		
FD	0.289**	0.049	0.088	0.060	0.118	0.352**	1	
FO	0.084	0.009	-0.145	-0.076	-0.425**	-0.221*	0.044	1

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

Table 3 shows that there is a positive relationship between board size and return on assets. It indicates that larger the board size, higher would be the return on assets. Similarly, there is a positive relationship between audit committee size and return on assets. It indicates that increase in audit committee size leads to increase in return on assets. Likewise, there is a positive relationship between number of board meetings and return on assets. It indicates that increase in number of board meetings lead to increase in return on assets. Further, there is a positive relationship between independent director and return on assets. It indicates that increase in independent director leads to increase in return on assets. In addition, there is a positive relationship between female director and return on assets. It indicates that higher the number of female director in the board, higher would be the return on assets. Moreover, there is a positive relationship between foreign ownership and return on assets. It indicates that increase in foreign ownership leads to increase in return on assets.

Similarly, there is a positive relationship between board size and return on equity. It indicates that larger the board size, higher would be the return on equity. Similarly, there is a positive relationship between audit committee size and return on equity. It indicates that increase in audit committee size leads to increase in return on equity. Likewise, there is a positive relationship between number of board meetings and return on equity. It indicates that increase in number of board meetings lead to increase in return on equity. Further, there is a positive relationship between independent director and return on equity. It indicates that increase in independent director leads to increase in return on equity. In addition, there is a positive relationship between female director and return on equity. It indicates that higher the number of female director in the board, higher would be the return on equity. Moreover, there is a positive relationship between foreign ownership and return on equity. It indicates that increase in foreign ownership leads to increase in return on equity.

Regression analysis

Having analyzed the Pearson's correlation coefficients, the regression analysis has been carried out and the results are presented in Table 4. More specifically, it presents the regression results of board size, audit committee size, number of board meeting, independent director, female board member and foreign ownership on return on assets of Nepalese commercial banks.

Table 4

Estimated regression results of board size, audit committee size, number of board meeting, independent director, female board member and foreign ownership on return on assets

The results are based on panel data of 10 Nepalese commercial banks with 100 observations for the study period from 2014/15 to 2023/24 by using the linear regression model and the model is $ROA_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 AC_{it} + \beta_3 NOM_{it} + \beta_4 ID_{it} + \beta_5 FD_{it} + \beta_6 FO_{it} + e_{it}$ where, the dependent variable is ROA (Return on assets as measured by the ratio of net income to total assets, in percentage). The independent variables are BS (Board size as measured by the number of board members, in numbers), ACS (Audit committee size as measured by the number of audit committee members, in numbers), NOM (Number of board meetings as measured by the number of board meetings held in a year, in numbers), ID (Independent director as measured by the number of independent directors in the board, in numbers), FD (Female director as measured by the number of female board members in the board, in numbers) and FO (Foreign ownership as the dummy variable where 0 implies no any ownership of foreign institutions and 1 implies there is the ownership of foreign institutions).

Model	Intercept	Regression coefficients of						Adj. R_ bar2	SEE	F-value
		BS	ACS	NOM	ID	FD	FO			
1	1.312 (1.343))	0.438 (3.087)**						0.076	1.598	9.527
2	2.050 (1.490)		0.125 (0.282)					0.009	1.669	0.082
3	3.318 (3.315)**			0.032 (4.530)**				0.159	1.524	20.480
4	3.318 (3.315)**				0.123 (1.095)			0.017	1.650	2.744
5	1.332 (2.854)**					0.092 (0.514)		0.004	1.672	0.558
6	2.090 (11.477)**						0.025 (4.190)**	0.138	1.541	17.550
7	0.688 (0.433)	0.443 (3.102)**	0.125 (0.282)					0.070	1.603	4.850
8	2.322 (1.362)	0.257 (1.809)	0.317 (0.787)	0.028 (3.695)**				0.173	1.518	8.190
9	0.549 (0.282)	0.257 (1.809)	0.277 (0.694)	0.028 (3.746)**	0.148 (1.325)			0.192	1.496	7.120
10	0.336 (0.166)	0.071 (0.485)	0.253 (0.626)	0.028 (3.719)**	0.151 (1.285)	0.291 (1.601)		0.185	1.514	5.620
11	4.256 (2.136)*	0.071 (0.485)	0.253 (0.626)	0.037 (5.244)**	0.150 (1.262)	0.291 (1.601)	0.030 (4.820)**	0.337	1.363	9.630

Notes:

i. Figures in parenthesis are t-value
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 similar to the findings of Khan *et al.* (2025). 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 Lisbeth and Edastami (2024). Likewise, the beta coefficients for number of board meetings are positive with return on assets. It indicates that number of board meetings have positive impact on return on assets. This finding is similar to the findings of (Alsartawi, 2019). Further, the beta coefficients for independent directors are positive with return on assets. It indicates that independent directors have positive impact on return on assets. This finding is consistent with the findings of Mishra (2023). In addition, the beta coefficients for female director are positive with return on assets. It indicates that female director has a positive impact on return on assets. This finding is similar to the findings of Hussain *et al.* (2024). Moreover, the beta coefficients for foreign ownership are positive with return on assets. It indicates that foreign ownership has a positive impact on return on assets. This finding is similar to the findings of Gupta and Boshnak (2023).

Table 5 presents the regression results of board size, audit committee size, number of board meeting, firm age, bank size and foreign ownership on return on equity of Nepalese commercial banks.

Table 5

Estimated regression results of board size, audit committee size, number of board meeting, firm age, bank size and foreign ownership on return on equity

The results are based on panel data of 10 Nepalese commercial banks with 100 observations for the study period from 2014/15 to 2023/24 by using the linear regression model and the model is $ROE_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 AC_{it} + \beta_3 NOM_{it} + \beta_4 ID_{it} + \beta_5 FD_{it} + \beta_6 FO_{it} + e_{it}$ where, the dependent variable is ROE (Return on equity as measured by the ratio of net income to total shareholder equity, in percentage). The independent variables are BS (Board size as measured by the number of board members, in numbers), ACS (Audit committee size as measured by the number of audit committee members, in numbers), NOM (Number of board meetings as measured by the number of board meetings held in a year, in numbers), ID (Independent director as measured by the number of independent directors in the board, in numbers), FD (Female director as measured by the number of female board members in the board, in numbers) and FO (Foreign ownership as the dummy variable where 0 implies no any ownership of foreign institutions and 1 implies there is the ownership of foreign institutions).

Model	Intercept	Regression coefficients of						Adj. R_ bar2	SEE	F-value
		BS	ACS	NOM	ID	FD	FO			
1	1.370 (0.225)	2.031 (2.308)*						0.040	9.908	5.325
2	1.370 (0.225)		7.018 (2.695)**					0.057	9.820	7.261
3	9.260 (3.632)**			0.117 (2.504)*				0.049	9.865	6.272
4	10.960 (1.758)				1.148 (2.002)**			0.005	10.141	0.467
5	9.930 (3.581)**					4.487 (3.153)**		0.031	9.940	4.250
6	17.240 (15.101)**						0.123 (3.254)**	0.085	9.674	10.590
7	18.140 (1.898)	1.883 (2.194)*	6.645 (2.593)**					0.091	9.642	6.174
8	38.009 (3.758)**	3.105 (3.647)**	7.332 (3.071)**	0.186 (4.113)**				0.215	8.961	10.404
9	43.337 (3.710)**	3.102 (3.641)**	7.453 (3.114)**	0.186 (4.105)**	0.005 (0.008)			0.214	8.969	7.999
10	49.275 (4.205)**	2.767 (3.270)**	7.978 (3.393)**	0.185 (4.172)**	0.122 (0.190)	4.379 (2.862)**		0.248	8.755	7.734
11	37.200 (2.965)**	37.200 (2.965)**	7.680 (3.337)**	0.157 (3.500)**	0.196 (0.300)	4.348 (2.840)**	0.092 (2.358)*	0.282	8.556	7.675

Notes:

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

Table 5 shows that the beta coefficients for board size are positive with return on equity. It indicates that board size has a positive impact on return on equity. This finding is similar to the findings of Abiad *et al.* (2025). Similarly, the beta coefficients for audit committee size are positive with return on equity. It indicates that audit committee size has a positive impact on return on equity. This finding is consistent with the findings of Karim *et al.* (2024). Likewise, the beta coefficients for number of board meetings are positive with return on equity. It indicates that number of board meetings have positive impact on return on equity. This finding is similar to the findings of (Aernan *et al.*, 2023). Further, the beta coefficients for independent directors are positive with return on equity. It indicates that independent directors have positive impact on return on equity. This finding is consistent with the findings of Oghoyokwa and Obasi (2024). In addition, the beta coefficients for female director are positive with return on equity. It indicates that female director has a positive impact on return on equity. This finding is similar to the findings of Sanad and Al Lawati (2023). Moreover, the beta coefficients for foreign ownership are positive with return on equity. It indicates that foreign ownership has a positive impact on return on equity. This finding is similar to the findings of Putri and Setiawan (2023).

4. Summary and conclusion

Corporate governance plays a crucial role in shaping firm performance by establishing a framework of rules, practices, and processes through which companies are directed and controlled. Strong governance mechanisms help mitigate agency problems, reduce the risk of fraud or mismanagement, and enhance investor confidence. Well-governed firms are more likely to attract capital, manage risks effectively, and achieve long-term profitability. Companies that can navigate these challenges and leverage global networks are better positioned to enhance their performance and resilience. Firm performance is the ultimate measure of how well a company utilizes its resources, strategies, and governance structures to achieve its goals. High-performing firms not only generate better returns for investors but also contribute positively to economic development and employment. Collectively, sound corporate governance strengthens internal decision-making and accountability, globalization offers broader strategic opportunities, and strong firm performance reinforces the sustainability and growth of a company. Their synergy is essential for long-term value creation in today's dynamic business environment.

This study attempts to examine the corporate governance, globalization and firm performance: A case of Nepal. This study is based on the secondary data of 10 Nepalese commercial banks, leading to a total of 100 observations.

The major conclusion of this study is that board size, audit committee size, number of board meeting, independent directors, female director and foreign ownership have positive impact on return on assets and return on equity. It indicates that higher the board size, audit committee size, number of board meeting, independent directors, female director and foreign ownership, higher would be the return on assets and return on equity. Similarly, the study also concluded that number of board meetings followed by foreign ownership is the most influencing factor that explains the changes in return on assets in the context of Nepalese commercial banks. Likewise, the study also concluded that foreign ownership followed by female director is the most influencing factor that explains the changes in return on equity in the context of Nepalese commercial banks.

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