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Linkage between Corporate Governance and Financial Performance in an Emerging Economy

Md. Saiful Islam Chowdhury, Farhana Ferdous, MD. Omar Faruk

Abstract— **The objective of this study is to explore the Linkage between Corporate Governance and Financial Performance in an Emerging Economy in the banking sector of Bangladesh. The data have been taken from primary sources. Data were collected from 22 listed banks on the Dhaka Stock Exchange (DSE). This data were analyzed by using different statistical tools like structural equation model (SEM) with the help of SmartPLS-3 software. It is found that some important factors like enablers that improve corporate governance, obstacles that affect corporate governance; those are the influential factors to build performance of selected bank. This study further supports the argument that when bank implement good corporate governance principles, it experiences improved financial performance. This study, with its emphasis on developing a corporate governance model, makes a significant contribution to the body of knowledge on corporate governance in emerging economies like Bangladesh.**

Index Terms— **Corporate Governance, Financial Performance, Discloser & Transparency, Good corporate Governance, Structural Equation Modeling (SEM)**

I. INTRODUCTION

Meaning of Corporate Governance is different things to different people. Bangladesh achieved a notable economic growth during the past few years where the GDP growth rate is approximately 6% and above, balance of payments is decreased, foreign exchange reserve is in an increasing trend and Foreign Direct Investment (FDI) is increased 142% in the last four years which indicates the success of Bangladesh economy. The long-term sustainability of the Bangladesh "success" story depends critically on the state of corporate governance in the country. Many empirical studies have been conducted over the last two decades to investigate a relationship between corporate governance and a firm's performance in the world. However, similar studies in the context of Bangladesh are very rare. Corporate governance has become a concern in developing economies since the financial scandals in the past, which have resulted in demands for improved corporate governance practices (Baydoun et al., 2012). Following the work of Al-Faki (2006), the performance of the banking sector depends on the behavior and patronage of the people towards its services. Magdi and Nadereh, (2002) have said that the process of ensuring that business performs smoothly and investors receive a fair profit is described as corporate governance. Metrick and Ishii (2002) see corporate governance as a commitment to pay a fair return on the capital invested and the willingness to operate a firm efficiently given investments.

This complements the position of Shleifer and Vishny (1997) that shareholders and creditors confer on managers the responsibility to invest in projects with positive net present values.

Corporate governance in both developed and developing countries has attracted considerable attention in academic research (Mallin, 2004; Reed, 2002; Clark, 2004; Solomon & Solomon, 2004; Sternberg, 2004; Weir & Laing, 2001). CG contributes to growth and financial stability by reinforcing market confidence, financial market integrity and economic efficiency (Organization for Economic Cooperation and Development (OECD), 2004). Good corporate governance is an effective tool for helping a firm to attain better performance (Ghabayen, 2012). The corporate governance code in Bangladesh is based on the OECD Principles of Corporate Governance (2004). Many studies have investigated the relationship between corporate governance and financial performance (Jensen & Meckling, 1976; Jensen, 1993; Adams & Mehran, 2008; Haniffa & Hudib, 2006; Bhagat & Black, 2001; Gompers, Ishii & Metrick, 2003; Klapper & Love, 2004; Ramdani & Van Witteloosuijn, 2009; Trabelsi, 2010; Griffin et al., 2014). Onakoya, Adegbemi Babatunde O, Fasanya, Ismail O, Ofoegbu and Donald Ikenna (2014) conducted a study to explore the effect of corporate governance characteristics on bank performance in Nigeria. The general area of research is governance, and the specific focus is corporate governance principles, practice and its effect on financial performance in a developing country, like Bangladesh. The aim of the research is to improve governance in Bangladesh mainly commercial bank. Our findings are important to regulators, investors, academics, and others who contend that good corporate governance.

II. OBJECTIVE OF THE STUDY

The problem in this study was to determine the opinion of the selected employees who are engaged in management level in private commercial banks in Bangladesh regarding their financial performance.

- To determine the corporate governance factors those influence on the bank financial performance of private commercial banks in Bangladesh.
- To give some suggestions for the improvement of overall bank performance by using corporate governance concept of private commercial banks in Bangladesh.

Md. Saiful Islam Chowdhury, Lecturer, Department of Business Administration, IBAIS University, Bangladesh, Mobile No.: +8801739824607

Farhana Ferdous, Lecturer, Department of Business Administration, IBAIS University, Dhaka, Bangladesh, Mobile No.: +8801914839363

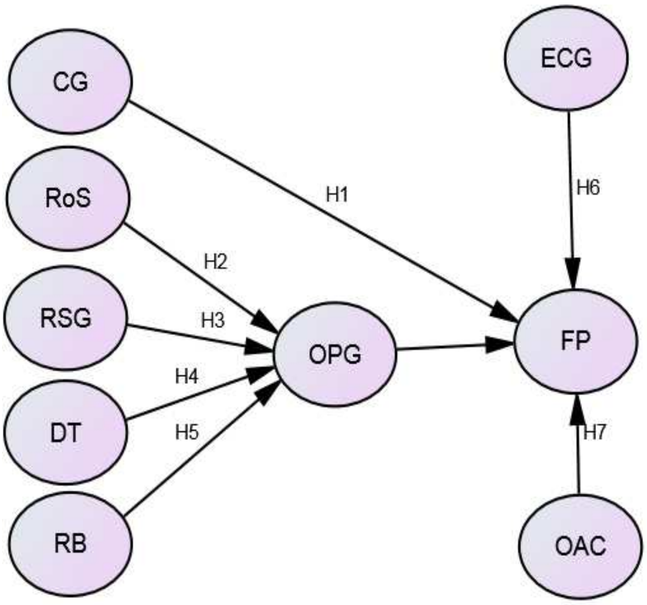
MD. Omar Faruk, Senior Lecturer, Department of Business Administration, Daffodil Institute of IT, Dhaka, Bangladesh, Mobile No.: +8801683689117

III. Literature Review

Due to past financial scandals corporate governance has become an emerging issue in developing economies which demands a better corporate governance practices (Baydoun et al., 2012). In the ground of academic research corporate governance is an important issue in both developed and developing countries (Mallin, 2004; Reed, 2002; Clark, 2004; Solomon & Solomon, 2004; Sternberg, 2004; Weir & Laing, 2001). To attain improved performance, good corporate governance performs as a successful tool (Ghabayen, 2012). According to principles of Corporate Governance of OECD the code of corporate governance of Bangladesh is formulated (2004). In Nigeria a research study is performed to see the consequence of corporate governance attributes on bank performance. Onakoya, Adegbemi Babatunde O, Fasanya, Ismail O, Ofoegbu and Donald Ikenna (2014). (Rezaee 2009) concludes that no generally accepted set of principles can be applied to board structures. By raising the framework of stakeholder engagement it is possible to enhance the stakeholder engagement associated with the financial performance (Sinclair, 2011). Balic and Bwakira (2002) report that information gap between stakeholders and management can be reduced by confirming higher transparency and improved disclosure. They proved that the companies which are less transparent and having a lack of disclosure are less valued than those companies which are higher transparent and having appropriate disclosure. In the area of corporate governance framework the board has an important role. For monitoring management performance and achieving an adequate return for investors the board is essential (Ongore & K'Obonyo, 2011). Huq and Bhuiyan (March -2012) reports the barriers that affect corporate governance practice in Bangladesh. The obstacles are accounting standards and disclosure, Bangladesh Accounting Standard and Security Exchange Commission requirements, inconsistency between Companies act of Bangladesh, inefficient regulatory system; domination of corporate ownership structures by family members, inappropriate audit report, weak capital market position, no market for corporate control, lack of shareholder's activism, etc. Again in both developed and developing countries efficient corporate governance acts as a complementary role in terms of accelerating the firms' performance. Several studies proved that corporate governance and performance of firm is interrelated (e.g., Ehikioya, 2009; Bauer et al., 2008; Gurbuz, Aybars & Kutlu, 2010). (Calabrese, Costa, Menichini, Rosati, & Sanfelice, 2013) point out that the basic objective of corporate governance is to ensure the wealth maximization of shareholders and to safeguard the interest of stakeholders. They state that currently researchers tried to find out the effect of corporate governance on firms performance. A challenge was found out that there is no generally accepted ideal measure of corporate governance. Ramano et al. (2012), point out that good corporate governance should use any variable, which has a direct effect on financial performance. (Fernando, 2009) analyzed that concept of corporate governance has gone further as a subject of issue, an objective, or a system applied for the interest of shareholders, customers, employees, bankers and in fact for the reputation and accelerating the nation economy. However, (Chiorazzo et al., 2008) has suggested corporate ownership and control as the measure of corporate governance for large and non-financial organizations. Boone, Casares Field Karpoffa and Raheja (2007) point out that bank performance is boost up due to effective corporate governance practices because it affects the bank reputation in overall market. (Abdullah 2004) point out that maximization of firm value and shareholder wealth maximization depends upon the board's success. Gillan (2006) highlights that board of directors hold the control of internal governance system and they are responsible for management compensation and monitor the duties of management. Epps & Cereola 2008 reports that due to the separation of ownership from the company the corporate governance arises as the control is handed over management. Macus et al. (2008) argues that it is important to keep the management in right path, so that they perform for shareholder interest in perspective of agency problem. Here demand from shareholders is management should avoid opportunistic behavior. (Zubaidah 2009) argues that as shareholders hire management to utilize their fund so there is a competitive advantage of information in favor of management. As a result there is an opportunity to utilize the fund in their interest. Comparing to emerging economies corporate governance has a strong effect on developed countries. Kolk and Pinkse (2010) reported that good corporate governance is essential for a company and which has several benefits. Barth, Caprio and Levine (2006) reported that good corporate governance reduce the risk of financial collapse which has overwhelming social and financial costs. Finally, effective corporate governance ensures better relationship with all stakeholders of the corporation. And thus improves the relationship with society, labor and others also (Enobakhane, 2010). The board of directors holds the key role of effecting corporate governance mechanism (Blair, 1995). By creating a literature board structure considering board size, board committees, and board diversity it could be used as a alternative for measuring corporate governance practices in firms (Enobakhane, 2010). Ogbechie and Koufopoulos (2009) argued that a board structure is an essential part of the firm as it helps to increase the value of organization. To align management and shareholders' interests, reducing agency costs and forming a link between management actions and performance nomination and remuneration committee acts as an effective tool (Romano et al, 2012). Adams and Ferreira (2009) found out that there is no relationship of financial performance with having an independent director; but, Kaplan and Minton (1995) reported that when director is appointed from outside than performance of corporation become poor. In past empirical researched in the last decades it is shown that there is no significant relationship between board structure and banks performance (Adams & Mehran, 2008; Romano et al., 2012). In a similar empirical research performed in the Middle East and North Africa shows that there is a positive relationship between bank performances with corporate governance (Enobakhare, 2010).

IV. Hypothesis of the Study

For examining the impact of different concepts, principles, obstacles and enablers of corporate governance on financial performance of private commercial banks in Bangladesh, the following hypotheses have been framed.



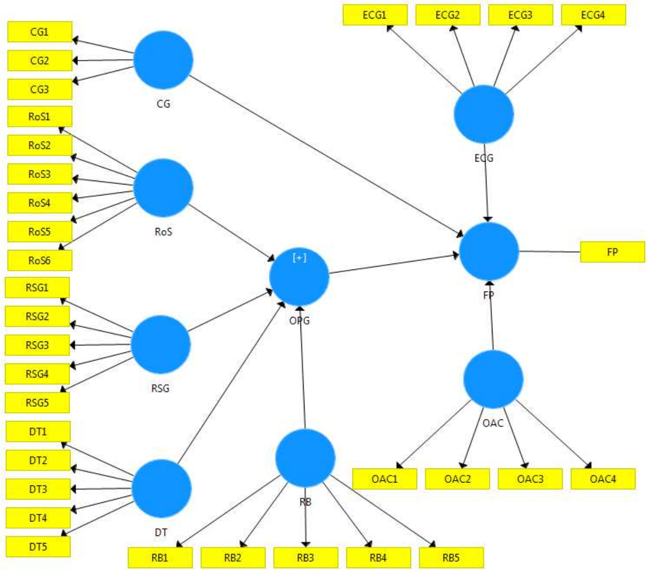
OC=Corporate Governance, DT=Discloser & Transparency, ECG=Enablers that improve corporate governance,

FP=Financial Performance, OACG=Obstacles that affect corporate governance, OPG=Overall Concept, RoS=Role of Stakeholders', RB=Responsibility of Board Directors, and ROS=Shareholders' Right

H1: There is significant and positive relationship between the concept of corporate governance and financial performance.
H2: There is significant positive relationship between the disclosure & transparency and overall principles of corporate governance.
H3: There is significant positive relationship between the enablers that improve corporate governance and financial performance.
H4: There is significant positive relationship between the obstacles that affect corporate governance and financial performance.
H5: There is significant positive relationship between the Overall Principles of Corporate Governance and financial performance.
H6: There is significant positive relationship between the responsibilities of board director's and Overall Principles of Corporate Governance.
H7There is significant positive relationship between the rights of shareholders and Overall Principles of Corporate Governance.
H8: There is significant positive relationship between the role of stakeholders in corporate governance and Overall Principles of Corporate Governance.

V. Theoretical Framework

In the literature, the related studies suggest that the types of factors in path model applications in different commercial banks concept of corporate governance, disclosure & transparency, enablers that improve corporate governance, obstacles that affect corporate governance, responsibility of board directors, rights of shareholders, role of stakeholders in corporate governance. The theoretical model is presented in figure 1. We will look at the theoretical model for each of the hypotheses in the following bellow.



VI. Methodology of the Study

This study is to explore the linkage between corporate governance and financial performance in an emerging economy concerned with the use of different factors like concept of corporate governance, disclosure & transparency, enablers that improve corporate governance, obstacles that affect corporate governance, responsibility of board directors, rights of shareholders, the role of stakeholders in corporate governance in private commercial banks in Bangladesh. To conduct the study, the data have been collected from primary sources like different private commercial banks in Bangladesh.

Determination of Sample Size:

The employee's selected for this study heterogeneous in terms of their subjects. The statistics show that there was more than 50 thousand employees are in different private commercial banks in Bangladesh. Remember that prior research suggested that a sample size of 100-200 is usually a good starting point in carrying out path modeling (Hoyle, 1995). The sampled customers can be determined by using the following formula suggested by Yamane (1967). The formula used in this study is shown below:

n=

Where,

n=Sample Size

N= Population

e=Level of Precision

In calculating sample size the following assumptions were made to determine, n=204

Population size is > 50000 employees

Level of precision is 7%

Questionnaire Design, Data collection and Test of Reliability

A structured questionnaire with the 5-points scale was developed for the items related to the impact of different functions of corporate governance principles & procedures on financial performance of private commercial banks in Bangladesh. A 5-point scale ranging from 1 to 5 with 1 indicating strongly disagrees and 5 indicating strongly agree was used in the questionnaire. A survey has been conducted different private commercial banks in Bangladesh with the assistance of many students about CA background who are now in different private commercial banks as an external auditor. The interviewers were properly trained on the items representing the questionnaire for data collection before resuming the interview. Table-2 shows that the reliability coefficient of the questionnaire. It shows that the cronbach's alpha, composite reliability, the average variance extracted of the questionnaire are shown table-2 which is at the acceptable limit as per Nunnally and Berstein (1994), Hair et al. 1998, Fornell & Larcker, (1981); Henseler, Ringle, & Sinkovics, (2009) respectively).

Along with descriptive statistics, inferential statistical techniques such as Factor analysis, and structural equation modeling were used to analysis the data by using SPSS (Statistical Package for Social Science) and SmartPLS (statistical software). Structural equation modeling was conducted to identify the influential factors; those factors have been affected on financial performance of those banks in this study.

Table 01: Demographic Information of the respondents who have continued their job in different management level of commercial banks in Bangladesh

Description	Frequency	Percent
Age		
30 years or less	50	24
31-40 years	45	21
41-50 years	25	12
51-60 years	18	9
More than 60 years	72	34
Position		
Senior manager or CEO	56	27
Board member	55	26
Audit committee member	47	22
Accountant	20	10
Internal auditor	32	15
Level of Education		
PhD.	35	17
Masters	60	29
Bachelor	45	21
Others (like BIBM)	20	10
Professional (CA, CMA etc)	50	24
Major Educational Qualification		
Accounting	54	26
Finance	47	22
Management	40	19
Economics	10	5
Other	59	28
Experience		
Less than 5 years	55	26
5-10 years	45	21
11-15 years	50	24
16-20 years	20	10
More than 20 years	40	19

Table-1 provides the frequency distribution of the management people of commercial banks. A total of 210 employees of private commercial bank were included in this study, majority per cent of the respondents in private commercial bank whose age were 50 years and above. More than 26% of the employees, there positions were in senior manager or CEO and board member in this sector. More than 29% of the employees, their level of education were in Masters in this sector.

Above 28% of the employees, their major educational qualification was in other that means not in accounting, finance, management or economics in this sector. Exactly 26% of the employees, their experience were less than 5 years in this sector.

VII. Results and Discussion

Measurement model evaluation

We tested a measurement model at the item level to check whether scale items were adequate indicators of their underlying constructs. The measurement model revealed seven latent constructs (i.e. Corporate Governance, Discloser & Transparency, Enablers that improve corporate governance, Obstacles that affect corporate governance, Role of Stakeholders', Responsibility of Board Directors, and Shareholders' Right).

The internal consistency statistics were assessed by Cronbach's alpha and composite reliability (CR) (Hair et al. 1998), which were represented in Table III. Both the Cronbach's alpha and CR of all constructs were above the threshold of 0.7. Therefore, all the items used in this study were found reliable. We proceeded to test the construct validity by measuring average variance extracted (AVE), which measures the percentage of the variance captured by a construct by showing the ratio of the sum of the variance captured by the construct and measurement variance. Table III shows that the AVE of each construct was greater than a threshold of 0.5 (Yoo and Alavi, 2001).

Further, we tested the discriminant validity examining whether a construct better explains the variance of its own indicators than the variance of other constructs. The correlations estimated between every two constructs were from 0.03 to 0.82. Table IV illustrates that the square root of the AVE of each construct, representing in the diagonal positions, was higher than the entries in the corresponding rows and columns. Hence, the results support the discriminant validity of all constructs in the hypothesized model.

Table 02: **The measurement model**

	Alpha	CR	AVE
Corporate Governance	0.61	0.77	0.64
Discloser & Transparency	0.71	0.83	0.63
Enablers that improve corporate governance	0.73	0.83	0.55
Financial Performance	1.00	1.00	1.00
Obstacles that affect corporate governance	0.60	0.80	0.67
Overall Concept	1.00	1.00	1.00
Role of Stakeholders'	0.75	0.84	0.56
Responsibility of Board Directors	0.54	0.76	0.51
Shareholders' Right	0.81	0.88	0.64

Note: AVE>0.50 (Fornell & Larcker, 1981); Henseler, Ringle, & Sinkovics, 2009), Composite Reliability>0.70 (Hair et al. 1998), Cronbach's alpha>= 0.60, (Nunnally and Berstein (1994)) Indicator Reliability>=0.4 (Hulland, 1999)

Table 03: Discriminent Validity

	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
CG	**.80**								
DT	.13	**.79**							
ECG	.07	.17	**.74**						
FP	.12	.14	.31	**1.0**					
OAC	.06	.16	.12	.34	**.82**				
OPG	.03	.28	.44	0.37	.52	**.81**			
RB	.05	.19	.54	.36	.56	.57	**.76**		
RSG	.04	.07	0.39	.34	.33	.57	.52	**.72**	
RoS	.04	.08	.21	0.20	.29	.41	.57	.34	**.8**

OC=Corporate Governance, DT=Discloser & Transparency, ECG=Enablers that improve corporate governance, FP=Financial Performance, OACG=Obstacles that affect corporate governance, OPG=Overall Concept, RoS=Role of Stakeholders', RB=Responsibility of Board Directors, and ROS=Shareholders' Right

Exploratory Factor Analysis

EFA is a widely utilized and broadly applied statistical technique in social science. A total 210 usable survey responses were analyzed in this section. The factor analysis technique has been applied to determine the relationship between different factors in corporate governance. The seven factors that have found from the rotated factor matrix, have been discussed in the following paragraph.

Factor-1 (Concept of Corporate Governance): This factor includes two variables like relationship with all stakeholders, relationship with all members of society which are the principal factors. So, it provides a basis for conceptualization of a dimension which may be identified as concept of corporate governance factor.

Factor-2 (Disclosure & Transparency): This includes three variables like financial and operating results, objectives of the company, and ownership, which are the principal factors. So, it provides a basis for conceptualization of a dimension which may be identified as disclosure & transparency factor.

Factor-3 (Enablers that Improve Corporate Governance): This includes four variables like training support, compliance with principles, establishing an institute of directors for training, raising awareness and education, establishing corporate governance education programs at universities which are the principal factors. So, it provides a basis for conceptualization of a dimension which may be identified as enablers that improve corporate governance factor.

Factor-4 (Obstacles that affect Corporate Governance): This includes two variables like law enforcement, quality accounting and finance education which are the principal factors. So, it provides a basis for conceptualization of a dimension which may be identified as obstacles that affect corporate governance factor.

Factor-5 (Responsibility of Board Directors): This includes five variables like Board members act accordingly, stakeholders' interests, and effectiveness of governance practices which is the principal factors. So, it provides a basis for conceptualization of a dimension which may be identified as responsibility of board director's factor.

Factor-6 (Rights of Shareholders): This includes four variables like ownership transfer facility, profit sharing, right of obtaining company informed, right of vote, which are the principal factors. So, it provides a basis for conceptualization of a dimension which may be identified as rights of shareholders factor.

Factor-7 (Role of Stakeholders in Corporate Governance): This includes two variables like rights by law are respected, developed Performance-enhancing mechanisms, effective redress for violation of their rights, timely information, which are the principal factors. So, it provides a basis for conceptualization of a dimension which may be identified as role of stakeholders in corporate governance factor.

Table 02: Factor Analysis of Corporate Governance on Financial performance in Commercial Banks of Bangladesh

Factors	Variables	Original Sample	Sample Mean	SD	T Statistics	IR
Corporate Governance	CG2 <- CG	0.96	0.74	0.38	2.50	0.9
	CG3 <- CG	0.70	0.59	0.33	2.10	0.5
Discloser & Transparency	DT1 <- DT	0.72	0.70	0.09	7.65	0.5
	DT2 <- DT	0.86	0.85	0.06	13.98	0.7
	DT3 <- DT	0.79	0.79	0.10	8.34	0.6
Enablers that improve corporate governance	ECG2 <-ECG	0.75	0.72	0.14	5.34	0.6
	ECG3 <-ECG	0.74	0.71	0.13	5.75	0.5
	ECG4 <-ECG	0.76	0.75	0.08	9.12	0.6
	ECG5 ←-ECG	0.74	0.73	0.09	8.58	0.5
Bank Performance	FP ←--------FP	1.00	1.00	0.00		
Obstacles that affect corporate governance	OAC1 <-OAC	0.77	0.72	0.17	4.45	0.6
	OAC4 <-OAC	0.86	0.86	0.09	9.68	0.7
Overall Concept	OPG <- OPG	1.00	1.00	0.00		
Role of Stakeholders'	RB1 <- RB	0.67	0.67	0.07	10.15	0.5
	RB2 <- RB	0.68	0.67	0.07	9.26	0.5
	RB3 <- RB	0.86	0.85	0.03	25.49	0.7
	RB4 <- RB	0.78	0.77	0.09	8.96	0.6
Responsibility of Board Directors	RSG1 <- RSG	0.67	0.64	0.13	5.13	0.5
	RSG2 <- RSG	0.83	0.83	0.09	8.87	0.7
	RSG3 <- RSG	0.63	0.57	0.23	2.69	0.4
Shareholders' Right	RoS1 <- RoS	0.83	0.80	0.12	6.71	0.7
	RoS2 <- RoS	0.76	0.77	0.05	14.70	0.6
	RoS3 <- RoS	0.89	0.88	0.05	17.14	0.8
	RoS4 <- RoS	0.71	0.70	0.07	10.11	0.5

OC=Corporate Governance, DT=Discloser & Transparency, ECG=Enablers that improve corporate governance, FP=Financial performance, OACG=Obstacles that affect corporate governance, OPG=Overall Concept of Corporate Governance, RoS=Role of Stakeholders', RB=Responsibility of Board Directors, and ROS=Shareholders' Right, IR>0.40 (Hulland, 1999)

From table-2 shows that all of the T-Statistic is larger than 1.96 at the 5% level of significance, we can say that the outer model loadings are statistically significant. So, our SEM model is accepted for above evidence in this study. Generally, A global fit measure (GOF) was conducted for path modeling; it is defined as the geometric mean of average of AVE and average (especially endogenous variables) (Chin, 2010) (see the formula). In this study, GOF value was 0.83 (= 0.195, average AVE = 0.64 for overall financial performance). So, the value of GOF exceeded the largest cutoff value (0.36), and it was indicated that the proposed model of this study had better explaining power than that based on the recommended value of GOF small = 0.1, GOF medium = 0.25, and GOF large = 0.36 (Akter et al., 2011).

$$GOF=\sqrt{AVE \times R^2}$$

Results of Multivariate Analysis - Partial Least Square (PLS) A multivariate analysis technique like 'Partial Least Square' was used to identify the significant job satisfaction factors from the factors identified through factor analysis. Table 05 describes the structural model with the variance explained (R2) and the path coefficients of all the constructs. We found that enablers that improve corporate governance (0.262; t-statistic=3.366; $p<0.001$), Obstacles that affect corporate governance (0.270; t-statistic=2.849; $p<0.05$), had a positive and significantly impact on bank financial performance. Thus, the results support the H6, and H7. The R2 for retention was 0.195, indicating that the variation in the all corporate governance factors can be explained 19.5 per cent of the total variance the results support only two hypothses H6, and H7 but not others. (Figure 3). In table 03 also shows every values of VIF (variance inflation factor) have been represent that there is no multicollinearity effect among those factors because the value of VIF is not higher than 3.

Table 03: Summary Results of the Model Constructs

	Original Sample	SD	T Statistics	Conclusion	VIF
CG -> FP	0.094	0.099	0.944	Not Supported	1.054
DT -> OPG	0.341	0.039	8.766	Supported	1.033
ECG -> FP	0.262	0.078	3.366	Supported	1.026
OAC -> FP	0.270	0.095	2.849	Supported	1.559
OPG -> FP	0.051	0.131	0.391	Not Supported	1.587
RB -> OPG	0.231	0.070	3.282	Supported	1.854
RSG -> OPG	0.134	0.084	1.592	Not Supported	1.363
RoS -> OPG	0.375	0.062	6.021	Supported	1.497

Multicollinearity Statistic (VIF) the rules of thumb for the VIF are as follows: VIF < 3; no problem, VIF > 3; potential problem, VIF > 5; very likely problem, VIF > 10; definitely problem.

VIII. Conclusion & Managerial Implication

This study has been able to achieve its main objective. It has also been able to answer all of the research questions. More specifically, the study has comprehensively investigated corporate governance practices in private commercial banks of Bangladesh. It has also identified the possible barriers to, enablers of, the implementation of good corporate governance. Essentially, this study has used path diagram models to examine the relationship between corporate governance principles financial performance in private commercial banks of Bangladesh. The path coefficients of the factors concerned with CG principle & procedure show that the concept of corporate governance, disclosure & transparency, enablers that improve corporate governance, obstacles that affect corporate governance, responsibility of board directors, rights of shareholders, the role of stakeholders in corporate governance of private commercial banks in Bangladesh. (Table 3) By using SEM analysis firstly it is found that, only four factors such disclosure & transparency, responsibility of board directors, rights of shareholders, the role of stakeholders in corporate governance those are significantly affected on overall principles of corporate governance at 5% level of significance. But finally two factors enablers that improve corporate governance, obstacles that affect corporate governance those are statistically significant impact on financial performance but not overall principles of corporate governance. This study suggests that in representative banks of Bangladesh, the policy makers and concerned authorities should focus more on the factors like enablers that improve corporate governance, obstacles that affect corporate governance. The results of the analysis also indicate the impact of corporate governance on bank financial performance. This study supports the argument that there is a positive relationship between corporate governance factors and bank financial performance in private commercial banks of Bangladesh. Overall, the model has been very useful in achieving the objectives of this study.

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Md. Saiful Islam Chowdhury was born in Village – Dhakarpara; Post Office – Shalaipur; Thana - Panchbibi; District - Joypurhat, Bangladesh on 16th August, 1993. He received Bachelor of Business Administration (BBA), 2015 and Master of Business Administration (MBA), 2016 from University of Rajshahi, Bangladesh. At present he is working as a Lecturer at IBAIS University in the Department of Business Administration, Uttara, Dhaka, Bangladesh. His concentration is on share market, government and nongovernment financial institutions.

Farhana Ferdous was born in PurbaBarandi, Molla Para, Jessore, Bangladesh on 2st December, 1986. She received Bachelor of Business Administration (BBA), 2015and Master of Business Administration (MBA), 2016 from University of Rajshahi, Bangladesh. At present she is working as a Lecturer at IBAIS University in the Department of Business Administration, Uttara, Dhaka, Bangladesh. Her concentration is on banking and insurance, capital budgeting and economics.

Md. Omar Faruk was born in Village – Dandabar; Post Office – Savar Cantonment; Thana - Savar; District - Dhaka, Bangladesh on 05th June, 1984. He received Master of Business Administration, 2008 from University of Dhaka and Bachelor of Business Administration, 2007 University of Dhaka, Bangladesh. At present he is working as Senior Lecturer of Department of Business Administration, Daffodil Institute of IT, Dhaka, Bangladesh. He has published 5 text books under national university of Bangladesh.