

Board Attributes and Performance of Non-Banking Financial Institutions in Bangladesh: An Empirical Study

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Abstract: *This paper examines the relationship between board attributes and performance of non-banking financial institutions in Bangladesh. Based on the economic perspective of agency theory, the study develops hypotheses to explain the board-performance relationship. With the sample of 40 firm-year observations, this study conducts regression analysis to investigate the relationship. Results of the study show the positive but least significant impact of board independence on firm performance. However, the associations of other board attributes with performance measures are insignificant which indicates the lack of effectiveness of board as a corporate governance mechanism to protect shareholders' interests. Empirical findings of the study contribute in the scarce literature related to corporate governance in non banking financial institutions, and these have important policy implications to public and private policy makers to formulate appropriate corporate governance framework.*

Keywords: *corporate governance, board of directors, board attributes, non-banking financial institutions, agency theory, managerial opportunism.*

1. INTRODUCTION

Corporate Governance (CG) is the comprehensive monitoring mechanism of opportunistic behavior of managers to protect shareholders' interests. Board of Directors (hereafter, board) is one of the important CG tools for monitoring managers (Fama, 1980). Recent CG reforms in Bangladesh have given special emphasizes on the role of the board to ensures better CG practices of the companies. Because the effective board can play the important role to monitor corporate activities and to provide strategic directions so that companies can perform better. However, prior studies found the inconclusive results on the relationship between board and firm-performance (for example, Donaldson and Davis, 1991; Mak and Li, 2001; Bhagat and Black, 2002; Jackling and Johl, 2009). In addition, findings of these studies mostly based on developed

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or other large emerging economies are not suitable to understand the board-performance relationship of companies in Bangladesh. Because the institutional environment of Bangladesh is different than those countries in some important aspects, including weak market for corporate control, more concentrated ownership, and poor country level CG practices. Moreover, these prior studies excluded financial companies which are highly regulated in nature. O'Connell and Cramer (2010) in their study on CG-performance relationship dropped financial institutions with reason of different nature of accounting report of financial sector compare to other industries. However, the current study exclusively focuses on the non-banking financial institutions (NBFIs) of Bangladesh. Because NBFIs in any economy have two fold roles: firstly, these companies directly involve in capital generation for entrepreneurs, and secondly, a financial institution itself performs as a business entity and contribute in employment generation and tax revenue. Indeed, proper CG practice of NBFIs is essential for their better performance which, in turn, has important role for economic development of an emerging country like Bangladesh.

Therefore, the main objectives of the study are to find the board governance attributes of NBFIs in Bangladesh and to examine the relationship of the board attributes and firm performance. The most important contribution of this study is to provide empirical evidence for the first time on board governance practices of NBFIs in Bangladesh. With that, CG literature is extended with another empirical research in the context of emerging economy.

The remaining part of the paper is organized as follows: section 2 presented the literature review and hypotheses development, and section 3 explains the methodology of the study. This is followed by the empirical findings and discussion in section 4 and section 5 concludes the study.

2. LITERATURE REVIEW AND HYPOTHESES

2.1 Theoretical Underpinnings

Jensen and Meckling (1976) promulgated dominating CG theory called agency theory to explain the conflict of interest between shareholders (principals) and managers (agents). Since shareholders do not directly participate in business management, managers may take the chance to maximize their own interest rather than shareholders of a company. Therefore, monitoring the opportunistic behavior of managers has become very vital to protect shareholders' interests. Williamson (1985) recommended board as a structural mechanism to prevent the managerial opportunism. Other prior researchers (Shleifer and

Vishny, 1986, 1997, Fama and Jensen 1983, Fama, 1980) also assert that agency conflict can be mitigated through the internal CG mechanisms like board.

The board, at the top of internal control systems, holds the responsibilities to advise and monitor management as well as hire, fire and compensate the senior management (Jensen, 1993). By performing audits and performance evaluations, board can check the misuses of corporate resources. Board is charged to communicate the investors' objectives to managers and control their (managers') scope of resource expropriation. However, there is a significant doubt about the effectiveness of board whether it functions just as a 'rubber stamp' of management rather than protecting minority shareholders' interest (Saywell, 2002). According to agency theorists, the effectiveness of board monitoring role depends on the extent to which the board members are independent from management and to what extent shareholders' interests is aligned with board and management (Shleifer and Vishny, 1997, Fama and Jensen, 1983, Jensen and Meckling, 1976).

Like various institutions around the world, the BSEC (Bangladesh Securities and Exchange Commission) has also promulgated CG code in 2006 and subsequently in 2012 giving significant emphasis on effectiveness of board to monitor managers. These CG codes have recognized some board characteristics which can enhance the board's monitoring role for the better corporate performance. For example, the code of CG by BSEC has recommended at least 20% independent directors in code 2012 which was 10% in code 2006. This study considers that if companies adopt these principles, they will be more likely to perform better than others who have less effective CG structure. Additionally, academic literature in CG focuses on the different attributes of board structures and monitoring capabilities to understand the CG practices and their impact on corporate performance in a particular country as well as cross countries variations (Yermack, 1996, Hermalin and Weibach, 1991, Bhagat and Black, 2001, Bhagat and Bolton, 2008, Jackling and Juhl, 2009, Chaing and He, 2010). The current study considers the following board attributes to hypothesize board-performance relationship.

2.2 Board Size

Board size is defined as total number of members on board of a corporation (Jensen, 1993, Yermack, 1996). In recent notification on code of corporate governance issued by the Bangladesh Securities and Exchange Commission (BSEC) board size is defined between 5 to 20 members. But there is a continuous debate on the appropriate board size (large board vs small BOD) which will effectively monitor management and enhance corporate performance. Jensen (1993) argues that a small board consisting around seven to eight is more suitable to mitigate agency conflict and improve corporate performance.

He added that when board goes beyond this size it is less likely to function effectively and easier for the CEO to control. Lipton and Lorsch (1992) and Garg (2007) also consider a smaller board can function more efficiently. Because, the coordination among a large group of people is more difficult and costly than a small group. This theoretical argument indicates the negative impact of larger board on corporate performance. In contrary, resource dependency theorists treat board as a source of network and resources, and board with more members can give external linkage supports and make easier to excess of external resources (Burt, 1983, Mirzruchi and Stearns, 1988), which in turn positively affects firm performance.

Several empirical research studies investigate the relationship between board size and corporate performance which also failed to resolve the above theoretical debate of the relationship. Yermak (1996) based on 452 US large industrial corporations observed that smaller board size is suitable to enhance the firm value measured by Tobin's Q (TQ). Eisenberg et al. (1998) also found the evidence of negative relationship between board size and Return on Assets (ROA) for a sample of small and mid size Finnish firms. Similar empirical evidence is also revealed by Andres et al., 2005, Ghosh, 2006. In contrast, a study by Jackling and Jhol (2009) on 180 large corporations in an emerging market India explored the positive impact of board size on firm performance measures ROA and TQ. Focusing on the sample of banking industry, Belkhir (2009) found the robust empirical evidence of positive effect of board size on ROA and TQ. Therefore, the real impact of board size on corporate performance is not conclusive. However, a smaller board can be suitable in the CG where country level governance mechanism is weaker, and dynamic of conflict of interest is different than developed economy. Because, it is easier for the board to monitor opportunistic behavior of managers and responsibility of members of smaller board is easily traceable. In addition, board members of financial institutions should have more specialized knowledge related to financial industry, and smaller member with proper knowledge and skill can be enough to enhance the firm performance. Therefore, the first hypothesis of the study is as follow:

Hypothesis 1: There is a negative relationship between board size and firm performance in non-banking financial institutions.

2.3 Board Independence

Board independence refers to the proportion of independent directors on the board. Most of the CG codes across the world give emphasis on independent directors (Jackling and Johl, 2009). Agency theorists argue that higher board independence can effectively monitor the conflict of interest between managers and shareholders (Fama and Jensen, 1983). In the context of CG, agency theory emphasizes on adequate monitoring

mechanisms to protect shareholders' interests. Therefore a higher extent of board independence is treated as potentially having a positive relationship with firm performance (Fama and Jensen, 1983; Shleifer and Vishny, 1997). However, stewardship theory does not recognize the importance of independent directors. Because stewardship theorist think that there is no agency conflict between management and resource providers in corporation and managers always play unbiased role to protect shareholders interest (Donaldson and Davis, 1991).

The empirical results of association between board independence and corporate performance are inconclusive like competing theories. Some empirical studies (see Baysinger and Bulter, 1985; Pearce and Zhara, 1992) reveals positive impact of board independence on corporate performance while few other studies (see Agrawal and Knoeber, 1996; Krivogorsky 2006, Yermack, 1996, Hermalin and Weisbach, 1991) find negative association between board independence and firm performance. In addition, Jackling and Johl (2009) find the positive but marginal relationship between board independence and firm performance. These competing theoretical arguments and empirical evidence indicate the need of further examine the influence of board independence on firm performance. As the interest of minority shareholders are in high risk in the financial institutions Bangladesh due to the weak country level CG environment, higher level of board independence is essentially important to protect the interests of the shareholders. Therefore, the second hypothesis is:

Hypothesis 2: There is a positive relationship between board independence and firm performance in non-banking financial institutions.

2.3 Board Ownership

With a fiduciary obligation to shareholders, and the responsibility to provide strategic direction and monitoring, the role of board in governance is very important (Gillan, 2006). As the main purpose of the board is to protect the interest of the outside shareholders who does not participate in corporate management, different regulatory bodies have suggested enhancing the independence of the board. For example, Sarbanes-Oxley (SOX) Act in USA, SEC notification and code provided by BSEC has recommended increasing the percentage of independent directors on board. Therefore, if the percentage of shareholding by the board members increases, it may reduce the independence of the board and free-riding problem can be arisen by collusion of board and management especially in the case of the financial institutions of Bangladesh. In addition, higher board shareholding may motivate board to concentrate exclusive the interests of block shareholders rather minority shareholders. Consequently, the firm

performance may be negatively affected with higher level of board shareholdings. Thus, the third hypothesis of the study is as follows:

Hypothesis 3: There is a negative relationship between board ownership and firm performance in non-banking financial institutions.

2.4 Board Compensation

Generally, experts of finance and accounting asserted that compensation policies chosen by companies for directors and managers can play an important role in aligning the interest of owners, directors and managers. Thus compensation structure can mitigate agency conflict between shareholders and managers. Some researchers (i.e. Fama and Jensen, 1983; Kaplan and Reishus, 1990) observe that board bears significant employment risk in monitoring corporate performance. As a result, high compensation may offset their increased employment risk. Aggrawal and Samwick (2006) observe the positive association between board incentives and investment as firm performance is increasing in incentives at all level of investments. Li and Zhang (2008) also hypothesize that total compensation of a company has positive relationship with the quality of disclosure as an indicator of good governance. They argue that in the competitive society, compensation should be sufficient to attract competent directors and managers, and the appropriate incentives motivate them to promote CG practices in the company. In addition, Chaing and He (2010) consider higher board compensation as an indicator of better supervision ability and monitoring quality of directors. They provide empirical evidence that higher board compensation accompanying with higher board independence increases corporate transparency.

However, during the 1990s, academics and practitioners disagree with the effectiveness of equity-based compensation (particularly stock options) as a mechanism for aligning diverge interests of different stakeholders (Gillan, 2006). Brick et al. (2006) found that excess compensation paid to directors is related with excess CEO compensation. They argue that excess compensation for directors compromises their independence and leads to overpayment of CEOs. For example, the high compensation of Enron's directors reported by *The New York Times* as \$380,619 in cash and stock, the seventh highest director remuneration in the United States, may have compromised their objectivity in monitoring management on behalf of shareholders. Moreover, higher board compensation negatively affects the level of corporate disclosure when it harms the indolence of directors (Chiang and He, 2010). Consequently, particular compensation policies do not mitigate the agency conflict and even negatively affects the long term sustainability of corporations (Core et al., 1999).

Thus the major debate on the effectiveness of board compensation as a board monitoring mechanism goes around the trade-off between level of compensation and the role of board. Indeed, the inconclusive research findings indicate that the clear impact of board compensation on board monitoring capacity, in turn, on firm performance is yet to identify. The study argues that proper board compensation can be helpful to align the interests of board and minority shareholders which positively affect the firm performance. Therefore, the fourth hypothesis of the study is:

Hypothesis 4: There is a positive relationship between board compensation and firm performance in non-banking financial institutions.

2.5 CEO Compensation

With that, CEO compensation is a critical CG issues particularly in case of emerging economy like Bangladesh. Because of the concentrated ownership structure in financial institutions, block shareholders appoint CEO to protect their own interests rather minority shareholders or other stakeholders. In addition, block shareholders influence the decision of fixing CEO compensation to extend the CEO will work for their interests. As a result, CEO compensation is not determined to align the interests of management and minority shareholders rather to protect major block shareholders. Hence, the fifth hypothesis of the study is:

Hypothesis 5: There is a negative relationship between CEO compensation and firm performance in non-banking financial institutions.

3. METHODOLOGY

3.1 Sample and Data

The study focuses on the non-bank financial institutions (NBFIs) in Bangladesh. At present, there are 31 NBFIs regulated under Financial Institution Act 1993 and controlled by the Bangladesh Bank. Primarily, this research targets all 31 NBFIs for year 2010 and year 2011, i.e. targeted sample size is 62 firm-years. The study collects data from published annual report of the sample companies. As it is legally mandatory for the companies in Bangladesh to publish audited financial statements and annual report, the study considers the annual report as a reliable data source. However, lack of available required data disclosed in annual reports of the companies, the final sample size of the study is 40 firm-years. In annexure-A the list of selected NBFIs is enclosed.

3.2 Model and variables

The study aims to examine the relationship between different board governance attributes and financial performance of NBFIs. Here, the board attributes are the basic function of the financial performance. In this function, financial performance is the dependent variable and board attributes are independent variables. Two financial performance proxies are selected such as Return on Assets (ROA) and Return on Equity (ROE), and five board attributes (board size, independence, ownership, compensation and CEO compensation) are considered as the proxy of CG. The study uses two Ordinary Least Square (OLS) Multiple Regression Models to investigate the relationship between independent variables and dependent variables. The models in the equation form are as follows:

Table 1: Regression Models of this study

Model 1:	ROA =	$\beta_0 + \beta_1 \text{BSIZ} + \beta_2 \text{BIND} + \beta_3 \text{BOWN} + \beta_4 \text{BCOM} + \beta_5 \text{CCOM} + \beta_6 \text{LEV} + \beta_7 \text{CSIZ} + \beta_8 \text{AGE} + \beta_9 \text{LC} + \beta_{10} \text{YD} + \square$
Model 2:	ROE =	$\beta_0 + \beta_1 \text{BSIZ} + \beta_2 \text{BIND} + \beta_3 \text{BOWN} + \beta_4 \text{BCOM} + \beta_5 \text{COM} + \beta_6 \text{LEV} + \beta_7 \text{CSIZ} + \beta_8 \text{AGE} + \beta_9 \text{LS} + \beta_{10} \text{YD} + \square$

Variables of these models 1 and 2 are explained detail in Table 2.

Table 2: Defining of Research Variables

Variable Symbol	Variables	Variable Definition	Predicted Sign
Dependent Variables			
ROA	Return on Asset	Net income available to shareholders /Total Assets	+/-
ROE	Return on Equity	Net income available to shareholders /Shareholders' Common Equity	+/-
Independent Variables			
BSIZ	Board Size	Total Number of Board Members	+
BIND	% Independent Director	Independence Directors a % of total board members	+
BOWN	Board Ownership	% of total ownership held by Board	+
BCOMP	Board Compensation	% of board compensation to net income available to shareholders	+/-
CCOM	CEO Compensation	% of board compensation to net income available to shareholders	+/-
Control Variables			
LEV	Deposit to Loan ratio	Total Deposit/Total Loan	+
CSIZ	Company Size	Log of Total Assets	+/-
AGE	Period of Starting business	Number of years after starting business	+
LS	Listing status	'1' for listing, otherwise '0'	?
YD	Dummy Variables for Year	'1' for 2010, otherwise '0'	?
β_0	Standard Sample Error		+/-
β_0	Intercept of the Regression line		+/-

4. FINDINGS AND DISCUSSION

4.1 Descriptive Analysis

Table 3 presents the descriptive statistics of board attributes, control variable and firm-performance measures. Results show that average size of the board is 10.95 with the standard deviation 1.32, and average independent directors is 7.7% with 4.9% standard deviation. The result indicates the very weak board independence level with wide variance of the financial institutions in Bangladesh, and non-independent directors dominate on board in corporate decision making. Moreover, five companies in 2010 and four companies in 2011 have not appointed any independent directors following the recommendation of BSEC code of CG. The results of average BOWN (21.9%) reflects the dominant board ownership in financial institutions which is expected in the country like Bangladesh with family concentrated corporate ownership culture. The mean score of BCOM and CCOM presents that average financial institutions provide .08% and 8.1% of their net income as board compensation and CEO compensation. However, wide variation of board and CEO compensation can be observed among sample firms that indicates the lack of consistent compensation package in the financial industry in Bangladesh.

Table 3: Descriptive analysis of board attributes, control variables and firm performance measures

Variables	N	Mean	Median	SD	Min.	Max.
CG Variables						
BSIZ	40	10.950	11.000	1.319	8.000	14.000
BIND	40	0.077	0.091	0.049	0.000	0.200
BOWN	40	0.219	0.180	0.205	0.000	0.620
BCOM	40	0.008	0.003	0.016	0.000	0.090
CCOM	40	0.081	0.029	0.202	0.004	1.206

Control Variables						
LEV	40	2.109	1.869	1.136	0.139	5.625
Total Assets (in millions)	40	10841.15	9812.23	6816.15	2220.98	29518.82
CSIZ	40	9.946	9.991	0.294	9.350	10.470
AGE	40	16.550	16.000	5.368	10.000	33.000
LS	40	0.900	1.000	0.304	0.000	1.000
YD	40	0.500	0.500	0.506	0.000	1.000
Firm-Performance measures						
ROA	40	0.034	0.028	0.026	0.000	0.130
ROE	40	0.185	0.139	0.144	0.010	0.530

In table 3, SD: Standard Deviation; Min: Minimum; Max: Maximum

The descriptive statistics of control variables presents that the average assets of the sample of financial institutions is 10841.15 million with high variation among the companies in terms of total assets. The results also show that average establishment age of the sample firms is 16.55 years and 90% of the firms are listed. The results of firm-performance measures present that average ROE and ROA is 3.4% and 18.5% respectively, but the high standard deviation of the measures indicates the wide variation of financial institutions in terms of financial performance.

4.2 Correlation and Multicollinearity Analysis

Table 4: Correlation and multicollinearity analysis

	<i>VIF</i>	<i>BSIZ</i>	<i>BIND</i>	<i>BOWN</i>	<i>BCOM</i>	<i>CCOM</i>	<i>LEV</i>	<i>CSIZ</i>	<i>AGE</i>	<i>LS</i>	<i>YD</i>
BSIZ	2.09	1.00									
BIND	1.51	-0.40**	1.00								
BOWN	1.31	-0.13	-0.15	1.00							
BCOM	5.97	-0.01	-0.07	0.15	1.00						
CCOM	7.36	-0.09	-0.19	0.20	0.88**	1.00					
LEV	1.23	-0.06	0.09	0.05	-0.08	-0.14	1.00				
CSIZ	1.60	0.27	-0.10	-0.30	-0.11	-0.02	-0.37*	1.00			
AGE	1.80	-0.29	0.41**	-0.29	0.05	-0.08	-0.16	0.21	1.00		
LS	2.12	-0.33*	0.29	0.03	-0.52**	-0.57**	0.09	-0.05	0.22	1.00	
YD	1.28	-0.08	-0.04	-0.02	-0.29	-0.28	0.00	-0.08	-0.16	0.00	1.00

Table 4 provides the Pearson correlations of the independent and control variables. The results show that the correlation coefficients are less than 0.60 except the correlation between BCOM and CCOM 0.88. The high correlation of BCOM and CCOM creates the chance of multicollinearity problem for regression analysis. Therefore, the study conduct Variance Inflation Factor (VIF) test for the independent and control variables. The results show that all of the VIFscores are lower ($VIF < 7.36$) than critical value of 10.00 (Netter et al., 1998). Therefore, the study does not suffer a serious problem of multicollinearity in regression analysis to explore the relationship between board attributes and firm performance.

4.3 Regression Analysis

Table 5 provides the results of two OLS multiple regression models with ROA (model 1) and ROE (model 2) as the dependent variable. The value of R^2 indicates that the model 1 and 2 are explaining 45% and 40% of cross sectional variations of its variables respectively which is consistent with the prior study (Jackling and Johl, 2009). Results show the negative effect of board size on both performance measures ROA ($\beta = -0.07$) and ROE ($\beta = -0.57$) which is consistent with hypothesis 1. However, the negative relationship is statistically insignificant. The results find the positive ($\beta = .34$) and significant relationship between board independence and ROA, while positive ($\beta = .25$) but insignificant relationship of board independence with ROE. Therefore, null hypothesis 2 is not completely rejected. This result also indicates that the positive impact of board independence on firm performance of financial institutions in Bangladesh is not robust. The results of BOWN indicate the negative impact of board ownership on firm performance which is consistent with hypothesis 3. Due to statistically insignificant relationship, null hypothesis 3 is not rejected. The regression findings for BCOM and CCOM show the positive and negative effects respectively on firm performance which is consistent with hypothesis 4 and 5 but the relationship is not significant. Therefore, null hypothesis 4 and 5 are not rejected. Overall regression results show that the board governance attributes are insignificantly affecting firm performance of NB financial institutions in Bangladesh.

Table 5: Results of regressions of board attributes and firm-performance

	Model 1: ROA			Model 2: ROE		
	Beta	sig.	t-value	Beta	sig.	t-value
Const.	0.06	0.67	0.43	-0.57	0.52	-0.65
BSIZ	-0.07	0.74	-0.33	-0.17	0.42	-0.82
BIND	0.34	0.05	2.03	0.25	0.16	1.44
BOWN	-0.05	0.74	-0.34	-0.08	0.63	-0.49
BCOM	0.12	0.73	0.35	0.05	0.88	0.15
CCOM	-0.36	0.34	-0.96	-0.40	0.31	-1.04
LEV	0.02	0.87	0.16	-0.03	0.87	-0.17
CSIZ	-0.05	0.76	-0.31	0.21	0.27	1.13
AGE	0.29	0.12	1.60	0.04	0.86	0.18
LS	-0.11	0.58	-0.55	-0.29	0.18	-1.38
YD	0.19	0.24	1.21	0.32	0.06	1.97
F value	2.39			1.93		
sig.	0.03			0.08		
R ²	0.45			0.40		
Adj. R ²	0.26			0.19		
N	40			40		

These results suggest two important insights about the board-performance relationship in Bangladesh. Firstly, insignificant impact of all board attributes on firm performance of Bangladeshi NBFIs leads a question about effectiveness of board governance to minimize the conflict of interest between management and shareholders, particularly minority shareholders. For example, though most of the companies have appointed independent directors according to the recommendation of BSEC code of CG, the firm performance is not significantly reflecting their (independent directors) role. It suggests that the board independence as a CG instrument is playing its role effective in Bangladesh. Secondly, the results indicate the lack of proper design of board governance mechanisms. For example, insignificant impact of board and CEO compensation on firm performance suggests the lack of policy for appropriate compensation package in Bangladeshi NBFIs to align the interests of shareholders, board and management. In sum, results indicate that board as a CG mechanism is not playing effectively monitoring role to mitigate the

conflict of interests between managers and shareholders which imply the limited role of agency theory in Bangladesh to explain the relationship of CG with firm performance.

5. CONCLUSION

This study explores the board governance practices and examines the relationship between board attributes and firm performance using a sample of Bangladeshi NBFIs. Findings of the study indicate that NBFIs is adopting board governance attributes according to the BSEC code of CG. However, the board governance is still in elementary stage in the NBFIs with very low level of board independence, highly concentrated board ownership, and wide variation of board and CEO compensation among different companies. Results on the relationship between board governance attribute and firm-performance shows the expected but insignificant impact of board on performance. These findings are consistent with findings of Mak and Li (2001) but contradicting with prior findings by Jackling and Johl (2009) and Dalton et al. (1998). The overall results suggest the lack of efficiency of board governance to protect the interests of shareholders and agency theory has limited implication to examine the effectiveness of board in NBFIs of Bangladesh.

The above findings of this research have important implications for policy makers, regulators and corporate board in developing effective CG framework and mechanisms. The results also contribute in scarce empirical evidence on CG-performance relationship of FIs. However, these findings have limitation to apply in generalization of CG effectiveness of other industries or of other contexts. In addition, small sample size of this research creates a caveat to understand the actual impact of CG on performance of FIs in Bangladesh. Thus, the study creates possible scope for further extension. One possibility is to extend the study in similar institutional environment such as India and Sri Lanka with wider time horizon. A multi-country research with larger sample size can provide more powerful test of the relationship explored in this study.

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Annexure-A: List of sample NBFIs:

1. Bangladesh Industrial Finance Company Limited (BIFC)
2. Delta Brac Housing Finance Corporation Ltd. (DBH)
3. FAS Finance & Investment Limited
4. First Lease Finance & Investment Ltd.
5. GSP Finance Company (Bangladesh) Limited (GSPB)
6. IDLC Finance Limited
7. Industrial and Infrastructure Development Finance Company (IIDFC) Limited
8. Industrial Promotion and Development Company of Bangladesh Limited (IPDC)
9. International Leasing and Financial Services Limited
10. Islamic Finance and Investment Limited
11. Lanka Bangla Finance Ltd.
12. MIDAS Financing Ltd. (MFL)
13. National Housing Finance and Investments Limited
14. People's Leasing and Financial Services Ltd
15. Phoenix Finance and Investments Limited
16. Prime Finance & Investment Ltd
17. Reliance Finance Limited
18. Union Capital Limited
19. United Leasing Company Limited (ULCL)
20. Uttara Finance and Investments Limited