

# Impact of Corporate Governance and Timeliness of Financial Reporting on the Performance of Nepalese Commercial Banks

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## Abstract

This study examines the impact of corporate governance and timeliness of financial reporting on the performance of Nepalese commercial banks. Return on assets and return on equity are selected as the dependent variables. Similarly, board size, leverage, audit committee size, annual general meeting delay, board meeting and independent directors are selected as the independent variables. This study is based on secondary data of 17 commercial banks with 119 observations for the study period from 2015/16 to 2021/22. The data were collected from Banking and Financial statistics published by Nepal Rastra bank and the annual reports of respective banks. The correlation coefficients and regression models are estimated to test the significance and importance of corporate governance on the timeliness of financial reporting in Nepalese commercial banks.

The study revealed that board size has a negative impact on return on assets and return on equity. It means that increase in board size leads to decrease in return on assets and return on equity. Likewise, leverage ratio has a positive impact on return on equity. It shows that higher the leverage ratio, higher would be the return on equity. Similarly, leverage ratio has a negative impact on return on assets. It shows that higher the leverage ratio, lower would be the return on assets. Moreover, this study showed that audit committee has a positive impact on return on assets and return on equity. It means that increase in audit committee leads to increase in return on assets and return on equity. Further, annual general meeting has a negative impact on return on equity. It shows that higher the annual general meeting, lower would be the return on equity. In addition, annual general meeting has a positive impact on return on assets. It shows that higher the annual general meeting, higher would be the return on assets. Likewise, board meetings have a positive impact on return on assets and return on equity. It shows that higher the board meetings, higher would be the return on assets and return on equity. Likewise, independent director has a negative impact on return on equity. It indicates that increase in independent director leads to decrease in return on equity. Similarly, independent director has a positive impact on return on assets. It indicates that increase in independent director leads to increase in return on assets.

*Keywords:* return on assets, return on equity, board size, leverage ratio, audit committee, annual general meeting delay, board meeting, independent directors

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## 1. Introduction

Corporate governance can be defined as the process and structure that is used for directing and managing business' affairs in order to enhance business prosperity and corporate accountability with the ultimate objective (Mohamed

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*et al.*, 2016). Firms' governance plays an important role in the probability of accounting frauds and firms which have a weak governance structure being more prone to accounting frauds (Berkman *et al.*, 2009). 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. 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. Similarly, Mappadang *et al.* (2021) revealed that profitability, company size, liquidity and leverage have no significant effect on the timeliness of financial reporting.

Commercial banks are the major source of credit for business firms and households in many countries (Rose and Spiegel, 2012). Bank profitability is a key factor shaping financial development and economic growth (Osuagwu, 2014). Return on assets (ROA) is an indication of the operational efficiency of the bank (Petersen and Schoeman, 2008). ROA is also used to evaluate the competence and operational performance of banks as it examines the profits generated from the assets invested by the bank (Goaied, 2008). The return on assets (ROA) compares income with total assets (equivalently, total liabilities and equity capital). It can be interpreted in two ways. First, it measures management's ability and efficiency in using the firm's assets to generate operating profits. Second, it reports the total return accruing to all providers of capital (debt and equity), independent of the source of capital (Nimer *et al.*, 2015). Return on assets is a ratio calculated by dividing the net income over total assets. ROA have been used in most of the studies for the measurement the profitability of the banks. ROA measures the profit earned per dollar of assets and reflect how well bank measurement uses the bank's real investment resource to generate profits (Naceur, 2002).

Hoang *et al.* (2022) examined the factors affecting the timeliness of financial statements from the perspective of company characteristics and corporate governance mechanism. The study found that company size has a negative impact on the timeliness of financial statements, while profitability has a positive impact. The study also showed that board ownership and audit quality have negative impact on the timeliness of financial statements. Similarly, Okerekeoti and Ezejiofor (2022) examined the effect of corporate governance compositions on timeliness of financial reporting in deposit money banks in Nigeria. The study showed that board size has a positive and significant effect on financial reporting timeliness of deposit money banks in

Nigeria, while audit committee independence has a positive but insignificant effect on financial reporting timeliness. Kolapo *et al.* (2012) assessed the credit risk management and bank performance. The study confirmed that increase in credit risk management increases profitability that is credit risk management is positively related to profitability of banks. Similarly, Ehiedu (2014) stated that there is a significant positive correlation between current ratio and profitability as measured by return on assets (ROA). Likewise, Enekwe *et al.* (2014) found that debt-equity ratio (DER) has a negative relationship with return on assets (ROA). Moreover, Mahdi and Abbes (2018) found that profitability of the bank (measured by ROA) is positively related to capital and also positively affects the bank liquidity.

Return on equity (ROE) is the ratio of net income to total equity capital which measures the return to shareholders on their equity. It measures how well the management is utilizing the shareholder's invested money to generate profit (Athanasoglou *et al.*, 2008). ROE is a good indicator of whether the company is even capable of generating a return that is worth whatever risk the investment may entail (Berman *et al.*, 2013). Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested (Siraj and Pillai, 2012). ROE shows the management productivity in utilizing the bank funds in attaining a profit (Alshatti, 2015).

Javed *et al.* (2015) analyzed the effect of financial leverage on performance of the firms. The study showed that leverage has a negative association with the return on equity of the firm. Almazari (2013) showed that there is a positive relationship between return on assets and return on equity. Similarly, Alhadab and Alshawneh (2016) found that loan loss provision has a negative impact on bank profitability (ROE). Likewise, Ndoka and Islami (2016) found that non-performing loan (NPL) has a negative but statistically insignificant relationship with return on equity (ROE).

Grove *et al.* (2011) revealed that the frequency of board meetings is positively associated with financial performance. According to Gafoor *et al.* (2018), board meeting is positively related to return on assets. Similarly, Haldar and Mishra (2016) found that age, foreign shareholding and revenue from aboard appear to have strong and significant impact on the timelines of corporate annual report disclosures. According to Mohamed *et al.* (2016), board meeting is positively related to return on equity. Moussa and Boubaker (2020) showed that liquidity ratio has no significant impact on return on equity (ROE). According to Staikouras and Wood (2003), there exist a positive link between a greater equity and profitability among EU banks. Similarly, Myers

and Majluf (1984) stated that firms use debt only when the internal financing is not available and argued against the existence of target capital structure. Debt financing sources may also exert different effects on managerial incentives and resolve moral hazard issues. In addition, when ownership and control over a firm is diluted, managerial optimality rather than shareholders optimality should be considered (Zwiebel, 1996).

In the context of Nepal, Rajbahak *et al.* (2014) showed that there is a significant impact of corporate governance on ROA as well as ROE in Nepalese commercial banks. The study also showed that board size, firm size and firm growth have positive and significant impact on return on assets but insignificant impact on return on equity. Similarly, Poudel and Hovey (2013) showed that bigger board and audit committee size and lower frequency of board meeting and lower proportion of institutional ownership led to better efficiency in the commercial banks. Goet (2022) examined the impact of many bank-specific characteristics on the financial performance of listed commercial banks in Nepal. The study discovered a link between board size, business size, foreign ownership and credit-to-deposit ratio with financial performance. The study also showed that the size of the board of directors, the size of the company, foreign ownership and the credit-to-deposit ratio all have a major influence on financial success. Similarly, Pradhan (2014) found that board size has a positive and significant impact on ROA and ROE whereas the total assets and executive CEO have insignificant effect on ROE and ROA.

The above discussion shows that empirical evidences vary greatly across the studies on the impact of corporate governance and timeliness of financial reporting on the performance of commercial bank. 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 main purpose of the study is to analyze the impact of corporate governance and timeliness of financial reporting on the performance of Nepalese commercial bank. Specifically, it examines the relationship of board size, leverage, audit committee, annual general meeting delay, board meeting, independent directors with 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 sections draws the conclusion.

## 2. Methodological aspects

The study is based on the secondary data which were gathered from 17 commercial banks for the period from 2015/16-2021/22, leading to a total of 119 observations. The study employed stratified sampling method. The main sources of data include Banking and Financial Statistics published by Nepal Rastra Bank, reports published by Ministry of Finance and annual report of respective 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 the commercial banks	Study period	Observations
1	Everest Bank Limited	2015/16-2021/22	7
2	Nepal Bank Limited	2015/16-2021/22	7
3	Global IME Bank Limited	2015/16-2021/22	7
4	NMB Bank Limited	2015/16-2021/22	7
5	Nepal SBI Bank Limited	2015/16-2021/22	7
6	Standard Chartered Bank Nepal Limited	2015/16-2021/22	7
7	Sunrise Bank Limited	2015/16-2021/22	7
8	Citizens Bank International Limited	2015/16-2021/22	7
9	Himalayan Bank Limited	2015/16-2021/22	7
10	Siddhartha Bank Limited	2015/16-2021/22	7
11	Nepal Investment Bank Limited	2015/16-2021/22	7
12	Machhapuchchhre Bank Limited	2015/16-2021/22	7
13	Kumari Bank Limited	2015/16-2021/22	7
14	Nic Asia Bank Limited	2015/16-2021/22	7
15	Prabhu Bank Limited	2015/16-2021/22	7
16	Sanima Bank Limited	2015/16-2021/22	7
17	Nabil Bank Limited	2015/16-2021/22	7
Total number of observations			119

Thus, the study is based in 119 observations.

### *The model*

The model estimated in this study assumes that the bank's timeliness of financial reporting depends on corporate governance mechanism. The dependent variables selected for the study are return on assets and return

on equity. Similarly, the selected independent variables are board size, independent directors, leverage ratio, audit committee, board meetings and annual general meeting. Therefore, the model takes the following form:

$$ROE = \beta_0 + \beta_1 BS + \beta_2 ID + \beta_3 BM + \beta_4 LR + \beta_5 AC + \beta_6 AGM + e_{it}$$

$$ROA = \beta_0 + \beta_1 BS + \beta_2 ID + \beta_3 BM + \beta_4 LR + \beta_5 AC + \beta_6 AGM + e_{it}$$

Where,

ROE = Return on equity as measured by the net profit of shareholder's equity, in percentage.

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

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

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

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

LR = Leverage ratio as measured by the ratio of total debts to total assets, in percentage.

BM = Board meetings, in numbers.

AGM = Annual general meeting delay by number of days in the last fiscal year, (0 if AGM is conducted on time otherwise 1).

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

#### *Board size*

Larger board of directors is harmful to firms' performance (Switzer and Tang, 2009). Similarly, Arora (2012) examined the impact of board directors' size on the performance of 150 pharmaceutical companies for the period from 2001 to 2010. The study found that board directors' size has a positive impact on firms' performance. Likewise, Anderson *et al.* (2004) argued that board directors' size plays a vital role in improving firms' performance as it enables the companies to control and oversee managers. In addition, Yermack (1996) found that there is a negative association between firms' performance and number of board directors. However, Jackling and Johl (2009) found that number board of directors has a positive impact on Indian firms' performance. Based on it, this study develops the following hypothesis:

H<sub>1</sub>: There is a positive relationship between board size and timeliness of financial reporting on the performance.

### *Board independence*

Bhagat and Bolton (2008) found a negative relationship between board independence and operating performance. Similarly, Switzer and Tang (2009) found that degree of board independence positively correlates with firms' performance. Likewise, Chatterjee (2011) found that board independence insignificantly impacts all types of companies. Further, Agrawal and Knoeber (1996) found that there is a positive association between firms' value and board directors. There is a low positive association between board composition and financial performance (Rhoades *et al.*, 2017). In addition, Johl *et al.* (2015) revealed that board independence has no impact on firms' performance. Moreover, Arora (2012) stated that board directors' composition negatively affects firms' performance. Based on it, this study develops the following hypothesis:

H<sub>2</sub>: There is a positive relationship between board size and timeliness of financial reporting on the performance.

### *Board meetings*

Board meetings are very fundamental for directors as they utilize the attendance as a way which enables them to control properly (Yameen *et al.*, 2019). Similarly, Mohamed *et al.* (2016) found that board meetings are positively correlated with return on equity. Likewise, Johl *et al.* (2015) stated that board meetings have a diverse impact on firms' performance. In addition, Arora (2012) found that board meetings negatively affect firms' performance. On the contrary, Arora and Sharma (2016) found that board of directors positively impacts firms' performance. Based on it, this study develops the following hypothesis:

H<sub>3</sub>: There is a positive relationship between board size and timeliness of financial reporting on the performance.

### *Audit committee size*

Audit committee is one of the important factors that play a vital role in boosting firms' performance, it provides a sufficient protection against fraud and makes sure that these protections are in accordance with the best practices. Audit committee members must be qualified holders and have the experience in the field of auditing (Aldamen *et al.*, 2012). The study found that small audit committee size that consists of well-experienced members and financial expertise have positive impact on firms' performance. Similarly, Detthamrong *et al.* (2017) investigated the impact of corporate governance on firms' performance of 493 non-financial companies in Thailand. The study found that audit committee size has an impact on firms' performance.

Likewise, Beasley (1996) argued that audit committee role makes sure of meeting the quality of financial reporting. The study concluded that audit committee presence does not affect the financial statement fraud. Similarly, Aldamen *et al.* (2012) advocated that there is a negative association between audit committee and firms' performance. Based on it, this study develops the following hypothesis:

H<sub>4</sub>: There is a positive relationship between board size and timeliness of financial reporting on the performance.

#### *Annual general meeting*

The Annual General Meeting (AGM) is an interesting event for a variety of reasons (Apostolides, 2010). It is an important UK legal requirement and forms one of the few occasions that all stakeholders in an organization are able to come together in one place to have their say in public in the full glare of both conventional company processes and the media. Similarly, Catasús and Johed (2007) noted that AGMs showed several traces of an ideal speech situation but that they are also repetitive acts in which the actors seek jointly to support the closing of the accounting year. Likewise, Dimitrov and Jain (2011) found that there is significantly positive average cumulative abnormal returns (CARs) during the 40 days before the annual meeting date. The study also found that permeating returns are significantly higher when shareholder discontent with managerial performance is likely to be stronger. Based on it, this study develops the following hypothesis:

H<sub>5</sub>: There is a positive relationship between board size and timeliness of financial reporting on the performance.

#### *Leverage*

Frank and Goyal (2009) examined the capital structure decisions and found that there is a negative relationship between the leverage and the profitability of firms. Abbadi and Abu-Rub (2012) found that that leverage negatively and significantly affects banks' profitability. Yakubu *et al.* (2017) also concluded that there is a negative relationship between profitability and leverage. Similarly, Chechet and Olayiwola (2014) found a negative relationship between the leverage and profitability. Further, Sen and Ranjan (2018) concluded that there is no significant impact of financial leverage on profitability. Based on it, this study develops the following hypothesis:

H<sub>6</sub>: There is a positive relationship between board size and timeliness of financial reporting on the performance.



### 3. Results and discussion

#### *Descriptive statistics*

Table 2 presents the descriptive statistics of selected dependent and independent variables during the period 2015/16-2021/22.

Table 2

#### **Descriptive statistics**

This table shows the descriptive statistics of dependent and independent variables of 17 Nepalese commercial banks for the study period 2015/16-2021/22. The dependent variables are ROA (Return on equity as measured by the net profit of shareholder's equity, in percentage) and ROE (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), AC (Audit committee size as measured by the number of audit members, in numbers), ID (Independent director as measured by the number of independent directors on the board, in numbers), LR (Leverage ratio as measured by the ratio of total debts to total assets, in percentage), BM (Board meetings, in numbers) and AGM (Annual general meeting delay by number of days in the last fiscal year, (0 if AGM is conducted on time otherwise 1).

Variables	Minimum	Maximum	Mean	S.D.
ROE	5.201	29.035	14.372	4.329
ROA	0.383	3.117	1.521	0.486
BS	5.007	11.000	6.845	1.074
LR	0.734	0.942	0.886	0.026
AC	1.003	9.006	3.145	0.713
AGM	0.007	1.005	0.277	0.445
BM	3.009	62.007	22.473	11.596
BI	0.001	1.008	0.806	0.396

#### *Correlation analysis*

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

Table 3

#### **Pearson's correlation coefficients matrix**

This table shows the bivariate Pearson's correlation coefficients of dependent and independent variables of 17 Nepalese commercial banks for the study period 2015/16-2021/22. The dependent variables are ROA (Return on equity as measured by the net profit of shareholder's equity, in percentage) and ROE (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), AC (Audit committee size as measured by the number of audit members, in numbers), ID (Independent director as measured by the number of independent directors on the board, in numbers), LR (Leverage ratio as measured by the ratio of total debts to total assets, in percentage), BM (Board meetings, in numbers) and

AGM (Annual general meeting delay by number of days in the last fiscal year, (0 if AGM is conducted on time otherwise 1).

Variables	ROE	ROA	BS	LR	AC	AGM	BM	ID
ROE	1							
ROA	0.511**	1						
BS	-0.060	-0.119	1					
LR	0.020	-0.332**	0.087	1				
AC	0.070	0.094	0.225*	-0.172	1			
AGM	-0.112	0.085	0.054	-0.047	0.064	1		
BM	0.032	0.106	0.047	0.163	-0.042	0.192*	1	
ID	-0.191*	0.021	-0.163	-0.035	-0.111	-0.073	0.056	1

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

Table 3 shows that board size has a negative relationship with return on equity. It means that increase in board size leads to decrease in return on equity. Likewise, leverage ratio has a positive relationship with return on equity. It shows that higher the leverage ratio, higher would be the return on equity. In addition, audit committee size has a positive relationship with return on equity. It means that increase in audit committee leads to increase in return on equity. Further, this study shows that there is a negative relationship between annual general meeting and return on equity. It means that increase in annual general meeting leads to decrease in return on equity. Furthermore, there is a positive relationship between board meetings return on equity. It indicates that increase in board meetings leads to increase in return on equity. Similarly, independent director has a negative relationship with return on equity. It means that increase in independent director leads to decrease in return on equity.

On the other hand, the result also shows that board size has a negative relationship with return on assets. It means that increase in board size leads to decrease in return on assets. Likewise, leverage ratio has a negative relationship with return on assets. It shows that higher the leverage ratio, lower would be the return on assets. In addition, audit committee size has a positive relationship with return on assets. It means that increase in audit committee leads to increase in return on assets. Further, this study shows that there is a positive relationship between annual general meeting and return on assets. It means that increase in annual general meeting leads to increase in return on assets. Furthermore, there is a positive relationship between board meetings return on assets. It indicates that increase in board meetings leads to increase in return on assets. Similarly, independent director has a positive relationship

with return on assets. It means that increase in independent director leads to increase in return on assets.

*Regression analysis*

Having indicated the Pearson’s correlation coefficients, the regression analysis has been carried out and results are presented in Table 4. More specifically, it shows the regression results of board size, leverage, audit committee, annual general meeting delay, board meeting and independent directors with return on equity of Nepalese commercial banks.

Table 4

**Estimated regression results of board size, leverage, audit committee, annual general meeting delay, board meeting, and independent directors on return on equity**

The results are based on panel data of 17 Nepalese commercial banks with 119 observations for period 2015/16-2021/22 by using linear regression model. The model is  $ROE = \beta_0 + \beta_1 BS + \beta_2 ID + \beta_3 BM + \beta_4 LR + \beta_5 AC + \beta_6 AGM + e_{it}$  where dependent variable is ROE (Return on equity as measured by the net profit of shareholder’s equity, in percentage). The independent variables are BS (Board size as measured by the number of board members, in numbers), AC (Audit committee size as measured by the number of audit members, in numbers), ID (Independent director as measured by the number of independent directors on the board, in numbers), LR (Leverage ratio as measured by the ratio of total debts to total assets, in percentage), BM (Board meetings, in numbers) and AGM (Annual general meeting delay by number of days in the last fiscal year, (0 if AGM is conducted on time otherwise 1).

Model	Intercept	Regression coefficients of						Adj. R_bar <sup>2</sup>	SEE	F-value
		BS	LR	AC	AGM	BM	ID			
1	16.131 (6.246)**	-0.256 (0.688)						0.004	4.333	0.473
2	10.608 (0.855)		4.26 (0.304)					0.008	4.340	0.092
3	14.25 (7.924)**			0.04 (0.072)				0.009	4.342	0.005
4	14.672 (31.528)**				-1.07 (1.211)			0.004	4.315	1.467
5	14.046 (16.13)**					0.015 (0.426)		0.007	4.339	0.181
6	16.073 (18.09)**						-2.104 (2.127)*	0.029	4.261	4.523
7	11.704 (0.934)	-0.268 (0.713)	5.092 (0.361)					0.012	4.350	0.301
8	14.421 (8.011)**			0.081 (0.145)	-1.078 (1.213)			0.004	4.333	0.738
9	15.679 (13.676)**					0.019 (0.546)	-2.133 (2.147)*	0.023	4.273	2.397
10	16.932 (1.291)	-0.416 (1.078)	1.77 (0.123)	0.119 (0.206)	-1.339 (1.485)	0.03 (0.861)	-2.430 (2.386)**	0.019	4.283	1.377

Notes:

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

Table 4 shows that the beta coefficients for board size are negative with return on equity. It indicates that board size has a negative impact on return on equity. This finding is inconsistent with the findings of Arora (2012). Further, the beta coefficients for leverage ratio are positive with return on equity. It indicates that leverage ratio has a positive impact on return on equity. This finding is similar to the findings of Domadenik *et al.* (2016). Moreover, the beta coefficients for audit committee are positive with return on equity. It indicates that audit committee has a positive impact on return on equity. This finding is similar to the findings of Zraiq and Fadzil (2018). Likewise, the beta coefficients for annual general meeting are negative with return on equity. It indicates that annual general meeting has a negative impact on return on equity. This finding is inconsistent with the findings of Mijntje (2013). Similarly, the beta coefficients for board meetings are positive with return on equity. It indicates that board meetings has a positive impact on return on equity. This finding is inconsistent to the findings of Orozco *et al.* (2018). Similarly, the beta coefficients for independent directors are negative with return on equity. It indicates that independent directors have a negative impact on return on equity. This finding is similar to the findings of Margaritis and psillaki (2010).

Table 5 shows the eestimated regression results of board size, leverage, audit committee, annual general meeting delay, board meeting and independent directors on return on assets in Nepalese commercial banks.

Table 5

### **Estimated regression results of board size, leverage, audit committee, annual general meeting delay, board meeting and independent directors on return on assets**

The results are based on panel data of 17 Nepalese commercial banks with 119 observations for period 2015/16-2021/22 by using linear regression model. The model is  $ROA = \beta_0 + \beta_1 BS + \beta_2 ID + \beta_3 BM + \beta_4 LR + \beta_5 AC + \beta_6 AGM + e_{it}$  where 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), AC (Audit committee size as measured by the number of audit members, in numbers), ID (Independent director as measured by the number of independent directors on the board, in numbers), LR (Leverage ratio as measured by the ratio of total debts to total assets, in percentage), BM (Board meetings, in numbers) and AGM (Annual general meeting delay by number of days in the last fiscal year, (0 if AGM is conducted on time otherwise 1).

Model	Intercept	Regression coefficients of						Adj. R <sub>bar</sub> <sup>2</sup>	SEE	F-value
		BS	LR	AC	AGM	BM	ID			
1	1.880 (6.482)**	-0.051 (1.222)						0.004	0.486	1.494
2	6.652 (5.050)**		-5.793 (3.891)**					0.107	0.460	15.138
3	1.324 (6.588)**			0.065 (1.046)				0.001	0.487	1.094
4	1.505 (28.595)**				0.089 (0.887)			0.002	0.488	0.786
5	1.433 (14.653)**					0.004 (1.116)		0.002	0.487	1.246
6	1.503 (14.729)**						0.032 (0.285)	0.008	0.489	0.081
7	6.811 (5.130)**	-0.039 (0.972)	-5.673 (3.796)**					0.107	0.460	8.038
8	1.311 (6.464)**			0.062 (0.993)	0.083 (0.825)			0.002	0.488	0.886
9	1.413 (10.768)**					0.004 (1.098)	0.026 (0.226)	0.006	0.489	0.644
10	6.749 (4.788)**	-0.500 (1.194)	-5.858 (3.783)**	0.045 (0.722)	0.039 (0.406)	0.007 (1.770)	0.004 (0.039)	0.0108	0.460	3.390

Notes:

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

Table 5 shows that the beta coefficients for board size are negative with return on assets. It indicates that board size has a negative impact on return on assets. This finding is inconsistent with the findings of Adams and Mehran (2003). Further, the beta coefficients for leverage ratio are negative with return on assets. It indicates that leverage ratio has a negative impact on return on assets. This finding is similar to the findings of Rahman et al. (2020). 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 similar to the findings of Al-Jaifi et al. (2017). Moreover, the beta coefficients for annual general meeting are positive with return on assets. It indicates that annual general meeting has a positive impact on return on assets. This finding contradicts with the findings of Appiah and Chizema (2015). Similarly, the beta coefficients for board meetings are positive with return on assets. It indicates that board meetings have a positive impact on return on assets. This finding contradicts with the findings of Mersland and Strom (2009). Likewise, the beta coefficients for independent directors are positive with return on assets. It indicates that independent directors have a positive impact on return on assets. This finding is inconsistent with the findings of Bhagat and Bolton (2008).

#### 4. Summary and conclusion

Corporate governance can be defined as the process and structure

that is used for directing and managing business' affairs in order to enhance business prosperity and corporate accountability with the ultimate objective. Firms' governance plays an important role in the probability of accounting frauds and firms which have a weak governance structure being more prone to accounting frauds.

This study attempts to analyze the impact of corporate governance and timeliness of financial reporting on the performance of Nepalese commercial bank. The study is based on secondary data of 17 commercial banks with 119 observations for the period from 2015/16-2021/22.

The study showed that board size, annual general meeting delay and independent directors have negative impact on return on equity. Similarly, leverage ratio, audit committee and board meeting have a positive impact return on equity. The study showed that board size and leverage ratio have negative impact on return on assets. Similarly, annual general meeting delay, independent directors, audit committee and board meeting have a positive impact on return on assets. Likewise, the study concluded that independent directors followed by audit committee is the most influencing factor that explains the changes in the return on equity of Nepalese commercial banks. Similarly, the study also concluded that leverage ratio is the most influencing factor that explains the changes in return on assets in context of Nepalese commercial banks.

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