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Governance accounting archive review
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Page no: 56-74

Effect of Corporate Governance on Bank Productivity

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Abstract

In the contemporary financial landscape, corporate governance plays a pivotal role in shaping the operational efficiency and performance of banking institutions. This scholarly article delves into the intricate relationship between corporate governance practices and bank productivity, drawing upon empirical evidence and theoretical frameworks. The study adopts a multidimensional approach to examine how various aspects of corporate governance, including board structure, executive compensation, transparency, and accountability mechanisms, influence the productivity levels of banks. Through a comprehensive review of existing literature, the article synthesizes insights to elucidate the mechanisms through which corporate governance exerts its effects on bank productivity. Furthermore, the article explores the moderating factors that may influence the strength and direction of this relationship, such as regulatory environment, market competition, and technological advancements. By considering these contextual factors, the study provides a nuanced understanding of the complexities involved in assessing the impact of corporate governance on bank productivity. The article discusses practical implications for policymakers, regulators, and banking executives, highlighting the importance of implementing effective governance mechanisms to enhance productivity and mitigate risks within the banking sector. By fostering transparency, accountability, and strategic decision-making, robust corporate governance frameworks can contribute to the long-term sustainability and resilience of banks in an increasingly dynamic and competitive environment. In article contributes to the existing body of knowledge by offering insights into the nuanced interplay between corporate governance and bank productivity. By synthesizing empirical evidence and theoretical perspectives, the study provides a comprehensive understanding of the mechanisms through which governance practices influence the performance of banks, thereby informing future research directions and policy interventions aimed at fostering a sound and efficient banking sector.

Citation:

URL: https://garjournal.com/index.php/Journal

Governance accounting archive review
E(ISSN) 3006-2527, P(ISSN) 3006-2519

Page no: 56-74

Introduction

A robust financial system is crucial for guaranteeing financial stability and promoting economic growth. Diamond and Rajan (2005) argue that the bank's function as an intermediary is inevitable in the process of economic stabilisation. This is due to the essential position that banks assume in the process of providing loans to borrowers. Arif and Nauman Anees (2012) argue that banks play a vital role in the economy by mitigating unemployment and boosting GDP through their financial investments in crucial businesses. Technological advancements and deregulation have compelled the banking industry to enhance its offerings in recent years. Consequently, this has led to heightened competitiveness in the business. Due to the heightened focus on the banking sector, there has been a shift towards enhancing banking efficiency (Fiordelisi et al. 2011). Consequently, banks are compelled to function in a manner that is either close to "best-practice" or very efficient in terms of the services they offer.

Athanasoglou et al. (2006) argue that a higher level of stability in the banking industry enhances the productivity of the economy and enables effective management of external adverse events. In addition, due to the implementation of economic liberalisation and monetary policy, international banks are expanding their presence in domestic markets. As a consequence, the dominance of local banks is diminished, leading to decreased profitability and productivity (Mirzaei et al. 2013). Presently, the economy of Bangladesh is categorised into two types of banks: scheduled banks, which are regulated in line with the Bangladesh Bank Order of 1972, and non-scheduled banks, which operate for a specific purpose as per the special Act. There is a total of 59 scheduled banks, encompassing nationalised, private, and international commercial banks. Certain private commercial banks incorporate Shariah principles into their banking operations. Sufian and Kamarudin (2013) state that the creation of the National Commission on Money, Banking, and Credit in 1986 placed a high importance on enhancing the efficiency and stability of Bangladesh's banking sector. In 1991, the World Bank increased its support to Bangladesh Bank in order to enhance the effectiveness of banking supervision, monitoring, and regulation, as stated by Sufian and Kamarudin (2013). To maintain the smooth functioning of the financial system, it

Citation:
URL: https://garjournal.com/index.php/Journal
Governance accounting archive review
E(ISSN) 3006-2527, P(ISSN) 3006-2519
Page no: 56-74

is necessary to establish a high degree of operational efficiency in the banking business. Due to the transitional crises and economic progress, experts started to reassess the efficiency of the banking industry (Honohan and Klingebiel 2003).

This study effort utilises the Malmquist Total Factor Productivity Index (MPI) to evaluate the productivity level in the banking sector of Bangladesh. The MPI, or Multifactor Productivity Index, is widely used to analyse the productivity adjustment of a financial institution. This method is preferred for its advantageous features. Instead of utilising an econometric estimation, it applies a non-parametric methodology akin to DEA computations. Sten Malmquist introduced the concept of MPI in 1953, and subsequent advancements were made by many researchers. The MPI revolved around the notion of the production function, which relied on a set of inputs and represented the greatest feasible production. Prior study (Girardone et al. 2004; Henriques et al. 2018; Pervez et al. 2018) has primarily examined the efficacy of banks in advanced economies. Recently, several academics have concentrated on assessing the effectiveness of the banking sector in developing nations (Banna et al. 2017; Parinduri and Riyanto 2014; Tamatam et al. 2019).

Research on ASEAN countries indicates that banks in the Philippines exhibit inefficiency in terms of cost. Girardone et al. (2004) found that post-crisis banking changes had a detrimental effect on local banks, leading to a decrease in their efficiency. Amidst the worldwide financial crisis, ASEAN nations experienced the repercussions, leading to a decline in efficiency for Thai banks. The source cited is Sufian and Shah Habibullah's publication from 2010. Hoque and Rayhan (2013) and Sufian and Kamarudin (2013) are among the limited number of studies that have investigated the efficacy of banks in Bangladesh. These initial investigations solely focused on ascertaining the efficiency of banks and gave less consideration to bank productivity or the underlying causes that impacted it. Corporate governance is being increasingly acknowledged by researchers as a crucial idea that banks must adhere to in order to operate efficiently.

Fu et al. (2014) argue that achieving better operational efficiency necessitates the presence of strong corporate governance. This can be achieved by mitigating risk, increasing value, and

Citation:

URL: https://garjournal.com/index.php/Journal

Governance accounting archive review
E(ISSN) 3006-2527, P(ISSN) 3006-2519

Page no: 56-74

augmenting responsibilities for public accountability. Investors, regulators, and financial institutions have expressed a desire to determine the correlation between organisations' commitment to maintaining good governance and their capacity to enhance productivity. Simultaneously, while authorities and regulators aim to reduce failures and enhance stability, investors and owners pursue optimal value for their investments (Adams and Mehran 2012). Banks seek to enhance their oversight of corporate governance systems. Contemporary researchers have shown a desire to incorporate corporate governance into the evaluation of bank performance (Adams and Mehran 2012; Shehzad and De Haan 2015).

There has been a significant rise in the amount of study conducted on bank productivity and efficiency over the past thirty years. Garc'ıa-Alcober et al. (2019) examined the efficiency of Spanish banks. It was shown that the bank with the lowest efficiency took on more risk in its borrower selection, interest rate imposition, and collateral acceptance. Epure et al. (2011) employed the Malmquist Productivity Index (MPI) to partition productivity into two distinct classifications: technological progress and efficiency enhancement. In addition, Alexakis et al. (2019) employed MPI to carry out a comparative analysis of the productivity and operational results of conventional banks vs Shariah-compliant banks. Researchers Romano et al. (2012a, b) utilised the same methodology to examine the influence of corporate governance on bank efficiency.

No study conducted in Pakistan has examined the impact of corporate governance on bank productivity. Moreover, there has been a lack of study investigating the influence of ownership structure, specifically shareholder positions, on bank productivity. In order to bridge this disparity, the objective of this investigation is to examine the influence of corporate governance on the efficacy of banks in Bangladesh. Upon successful achievement of this objective, the subsequent revelations will be accessible. Firstly, it offers valuable understanding of the interplay between the ownership arrangements of Pakistani banks and their levels of production.

Citation:
URL: https://garjournal.com/index.php/Journal
Governance accounting archive review
E(ISSN) 3006-2527, P(ISSN) 3006-2519
Page no: 56-74

Furthermore, it utilises the DEA's MPI to examine bank productivity. Lastly, it examines the impact of corporate governance on the effectiveness of financial institutions.

Literature Review

Prior studies on corporate governance have shed insight on the intricate nature and operations of diversified corporations. Since no single theoretical perspective can completely capture the intricacies of an organisation, it is necessary to draw upon a range of theories from different perspectives to offer a more thorough understanding of the features of corporate governance. The application of stakeholder theory has a substantial influence on the productivity of banks. The firm's success is significantly influenced by the interconnections of different stakeholders, such as shareholders, employees, and communities (Hill and Jones 1992). According to this perspective, the board of directors and investors have a crucial role in determining the planned course of action for the organisation. Comprehending the methods to efficiently oversee such a linkage is crucial for the prosperity of any enterprise. The importance of efficient corporate governance in attaining success cannot be overstated. Some believe that trust is the primary reason for such a connection.

In other words, the concept of resource reliance refers to a company's need to provide advantages both within the organisation and to external stakeholders (Preffer and Salancik 1978). Liu et al. (2012) state that the research on family enterprises has predominantly focused on agency and resource-based perspectives. However, it is important to consider that organisations have a role in determining the dominant ownership patterns and the influence on output. Cullen et al. (2006) asserted that agency stewardship theories prioritise the attainment of the company's goals. Moreover, the agency theory highlights the divergent interests and objectives of agents within the organisational hierarchy. Stewardship is a philosophy that aims to strike a harmonious equilibrium between the steward's commitment and the objectives that an organisation aims to accomplish. Moreover, agency theory aims to analyse the anticipated problems arising from the division between control and ownership. As stated by Brewster et al. (2008), the board may experience pressure from foreign owners and investors to adhere to the most effective methods

Citation:

URL: https://garjournal.com/index.php/Journal

Governance accounting archive review

E(ISSN) 3006-2527, P(ISSN) 3006-2519

Page no: 56-74

followed in other countries. According to the study conducted by Ciftci et al. in 2019, this is due to their substantial financial investments, as well as their expertise and experience, which increases the likelihood of fostering improved performance. Consequently, this study acknowledges the significant influence that arises from the foreign ownership of Bangladeshi banks and formulates the subsequent hypothesis:

(H1) Foreign ownership exerts a positive impact on total factor productivity (TFP).

The Board of Directors (BoD) comprises individuals with diverse experiences who are accountable for overseeing and safeguarding the interests of all shareholders across the firm. While it is not obligatory for all board members to possess ownership of the firm, it is customary for select board members to hold a specific proportion of shares in a limited company. Chen et al. (2008) found evidence of a systematic pattern that supports an optimal balance of management ownership in contracts. This equilibrium is projected to result in increased value for shareholders through the monitoring actions of managers who have ownership stakes. To provide more precise details. The directors will consistently endeavour to augment the advantages that the shareholders obtain from their dominant power. Chen et al. (2008) found that directors are more inclined to misuse their authority when they become aware that the assets they possess are more susceptible to risk and potential loss. Conversely, when individuals serve as both owners and managers, they find it easier to oversee the financial affairs of the institutions and possess a greater level of autonomy to make decisions that may go against the shareholders' interests. Based on the results of the argument, the study puts forward the following hypothesis:

H2, it leads to an enhancement in Total Factor Productivity (TFP).

The significance of stocks and their contribution to corporate governance has increased due to the surge in investment, as noted by Hoque et al. (2013). Institutional shareholders comprise around 8-9% of the ownership structure of the Pakistani banking industry. Shleifer and Vishny (1997) argue that institutional ownership can enhance business performance by reducing agency costs, managerial opportunism, and the exploitation of minority stakeholders. Ho (2005) found

Citation:

URL: https://garjournal.com/index.php/Journal

Governance accounting archive review
E(ISSN) 3006-2527, P(ISSN) 3006-2519

Page no: 56-74

that significant ownership by institutional investors enhances board awareness, leading to a favourable effect on firm performance. In contrast, Dhnadirek and Tang (2003) found no statistically significant correlation between institutional ownership and corporate performance. Based on the research, the following hypothesis can be formulated:

(H3)". The company's institutional ownership has a beneficial impact on TFP.

The board of directors, including high-level executives inside a corporation, bears the responsibility of formulating goals and policies, while also overseeing the organization's day-to-day activities. The Pakistani Bank's statement regarding the composition of the board of directors of the bank-companies, which states that the maximum number of directors shall be thirteen (13), creates challenges in selecting the right number of board members. The adage "too many cooks spoil the broth" is likely accurate in the context of having a large number of board members. However, having an inadequate number of board members can impede the ability to make effective choices. Prior studies have demonstrated that the size of the board of directors can have both beneficial and negative effects on the efficiency of a corporation. Hoque et al. (2013) identified a strong and positive correlation between Return on Assets (ROA) and board size, but they found no connection between Return on Equity (ROE) and Tobin's Q. In addition, Ciftci et al. (2019) discovered a clear and positive correlation between the size of the board of directors and the success of the company. On the other hand, Romano et al. (2012a, b) discovered that the magnitude of a company's board of directors does not impact its operational or financial performance. As to the research conducted by Haniffa and Hudaib (2006), the size of a company's board of directors plays a crucial role in determining the level of monitoring, control, and decision-making within the corporation. However, other researchers have taken board size into account in their investigations. The main objective of this investigation is to assess the degree to which board size is the most crucial factor in determining the performance of companies, given the conflicting research findings on this matter. The level of success achieved by Pakistani banks. Therefore, the research piece presents the following hypothesis.

Citation:

URL: https://garjournal.com/index.php/Journal

Governance accounting archive review
E(ISSN) 3006-2527, P(ISSN) 3006-2519

Page no: 56-74

H4 TFP is positively affected by the size of the board.

In response to recent business crises, governments and regulatory agencies worldwide have prioritised enhancing the level of independence between boards of directors and senior management (Dalton and Dalton, 2005). The presence of an independent board member reduces potential conflicts of interest among supervisory executives. However, having external directors incurs additional expenses for the company (Romano et al. 2012a,b). Independent directors, who have the main responsibility of advancing shareholder interests rather than employee interests, should be held responsible for enhancing monitoring efficiency. Based on their research, Romano et al. (2012a, b) found that increasing the number of independent directors on the board in Italy decreases the likelihood of economic fraud. This is because independent directors are more proficient at conveying the notion that the organisation is being managed effectively. Consequently, they possess the capacity to greatly enhance bank production. Therefore, the study puts forth the subsequent hypothesis.

H5" remains unchanged. An independent board member's involvement enhances Total Factor Productivity (TFP).

Kassinis and Vafeas (2002) state that the board's accounting specialists (AE) have the responsibility of supervising the accounting process and systems. Their role includes guaranteeing openness in financial reporting, preserving accountability for financial data and records, and safeguarding the company's internal controls. The accounting department plays a crucial role in guaranteeing the organization's continued progress and success. In order to ensure the effective implementation of the internal control system, it is imperative for the board of directors to incorporate an accounting professional. A board accountant, in addition to possessing expertise in accounting and auditing, has the responsibility of overseeing management's capacity to make economic decisions and offering individual insights on the regulation of the company's financial statements (Klein 2002). In addition, Kusnadi et al. (2016) performed a comprehensive analysis of data obtained from Singaporean companies, revealing that the presence of accounting

Citation:

URL: https://garjournal.com/index.php/Journal

Governance accounting archive review
E(ISSN) 3006-2527, P(ISSN) 3006-2519

Page no: 56-74

experts on the board significantly enhances the accuracy and reliability of financial reporting. Their findings were corroborated by incorporating accounting professionals and economic specialists, yielding consistent outcomes. Additionally, they asserted that accounting professionals serve as a vigilant overseer of the company's financial reporting system. Accounting professionals in a company consistently put the company's profits above the long-term well-being of the company they serve. Accounting specialists consistently aim to optimise a company's profitability. Due to the absence of prior study on the subject, we are forced to make the following assumption regarding the impact of accounting specialists on the productivity of Pakistani firms.

H6 Accounting specialists' involvement on the board enhances Total Factor Productivity (TFP).

The inclusion of legal experts (LE) on the board enables businesses to receive comprehensive counsel, advice, and recommendations regarding financial and non-monetary contracts with external entities. Additionally, LEs provide guidance on managing legal issues within the organisation and addressing allegations of corruption (Masud et al., 2019). De Villiers et al. (2011) assert that lawyers possess extensive expertise and proficiency in legal matters, enabling them to adeptly handle delicate political, social, and environmental concerns. In addition, having a legal expert as a member of the board enhances the board's legal jurisdiction in determining financial matters. The lawyers' endeavours also contribute to the oversight and prevention of external coercion and internal malfeasance within the enterprises, while simultaneously safeguarding the shareholders' interests, so resulting in an augmentation of the firms' offerings and services. Due to the absence of any research demonstrating the correlation between LE and productivity, the authors are compelled to examine the relationship. The study's findings suggest a robust and favourable correlation between LE and production.

The user input is "H7". Legal professionals' involvement on the board positively impacts TFP.

Methodology

This study will employ a two-step analysis. The initial stage would entail the use of the MPI theory to evaluate total factor productivity (TFP), which would be succeeded by subsequent multiple regression analysis. The initial assessment involves evaluating the Total Factor Productivities (TFPs) of thirty Pakistani banks that are listed. Subsequently, a regression analysis is conducted to elucidate the influence of ownership structures and board qualifications, along with the inclusion of certain controlled factors, on bank productivity. This section provides a comprehensive analysis of the MPI, a multiple regression model that incorporates several characteristics such as bank productivity, sampling techniques, and data sources.

Results and Discussion

Table 1 provides a comprehensive overview of the descriptive statistics for the thirty listed banks over the years 2013 to 2017. The investigation's findings reveal a substantial variation in the return on equity (ROE) of Pakistan's banks, with values ranging from -7.62 to 22.16. ROE is a measure of profitability, and the assets used as a proxy for bank size differ significantly within the industry for the same reason. Pakistani banks exhibit a versatile capital framework, evident from the distribution of shares among directors, institutional shareholders, and shareholders from foreign nations. A greater percentage of domestic shareholders in the company.

Table 1: Descriptive Statistics

Variables	Observations	Mean	SD	Minimum	Maximum
Interest expense (INE) BDT	150	11123.06	5438.52	450.32	93383.09
Non-interest expense (NONINEX)BDT	150	4608.37	5415.95	545.39	32751.44
Deposit (D) BDT	150	677748.6	654815.4	70893.98	125022.3
Interest income (ININ) BDT	150	75938.55	1241.62	142.61	15141.63
Non-interest income (NOININ) BDT	150	4575.88	1621.69	75.43	9481.1

Citation:

URL: https://garjournal.com/index.php/Journal

Governance accounting archive review
E(ISSN) 3006-2527, P(ISSN) 3006-2519

Page no: 56-74

Loan (L) BDT	150	968992	98280.33	2734.49	340728.9
Total factor productivity (TFP)	120	2.035	0.15	0.56	3.36
Log form of assets (SIZE)	120	32.23	0.65	8.97	23.71
Age of banks (AGE) year	120	43.51	8.5	14	55
Log form of net profit (NP)	120	5.58	0.61	7.76	8.73
Return on equity (ROE) %	120	54.04	5.72	−6.62	32.16
Foreign share (FS)%	120	4.47	13.09	0	68.46
Director share (DS)%	120	44.24	15.33	0	67.33
Institutional share (IS)%	120	12.61	10.35	0	59.06
Board member (BOARD)	120	14.78	2.79	8	22
Independent Board Member (IBM)	120	3.59	2.03	2	9
Accounting experts (AE)	120	0.79	2.08	0	6
Legal experst (LE)	120	0.69	0.89	0	4

Shleifer and Vishny (1997) argue that when institutional owners actively participate in determining a company's capital structure, it can help reduce the costs associated with agency problems and improve the company's performance by mitigating opportunistic behaviour by management. When institutional owners are involved in the capital structure, it can help lower the cost of agency. The ratio of independent directors on the board is inadequate relative to the total number of directors, notwithstanding the presence of both executive and non-executive directors. The reason for this is that the average value of independent directors is 2.59, whilst the average value of the total number of directors on the board is 13.78. This elucidates the reason behind this phenomenon. According to Reaz and Arun (2006), executive directors in Pakistan's banking industry are responsible for making most of the strategic decisions.

Pakistani banks uphold a stable audit committee of an average of five members to guarantee efficient accountability and transparency in the organization's accounting procedure (Reaz and Arun 2006). This is done to ensure that the companies can accurately document their transactions. This is due to the fact that Pakistani banks bear the responsibility of providing insurance for deposits. Interest income, which is a significant output variable, is considered the main source of revenue for the economic sector. In contrast, non-interest revenue significantly

Citation:
URL: https://garjournal.com/index.php/Journal
Governance accounting archive review
E(ISSN) 3006-2527, P(ISSN) 3006-2519
Page no: 56-74

outweighs interest revenue in terms of its contribution to banks' overall earnings. This suggests that the sector's regular operations are falling short of the anticipated level of productivity. Lastly, the mean deposit of $177,748.6 surpasses the bank's average loan of $151,992. The bank follows the requirements set by the central bank and maintains a specific proportion of deposits in CRR and SLR accounts. This elucidates the reason behind this phenomenon. Due to the use of panel data in this study, it is necessary to perform many prior examinations and inquiries. The pre-tests are necessary to evaluate their suitability for the model. A multicollinearity test is a specific type of test used to detect the presence of multicollinearity. A multicollinearity test can be employed to ascertain the presence of correlation among the independent variables. The presence of a collinearity problem is indicated by a significant level of multicollinearity in the data collection. This type of collinearity issue has the potential to impact the model and cause the p-value to be misinterpreted. To determine if there is multicollinearity, the initial step is to examine the Pearson pair-wise correlation among the independent variables. The test findings, displayed in Table 2, indicate that there is no substantial correlation between the independent variables. Based on Farrar and Glauber's (1967) findings, none of the correlation coefficients above the threshold value of 0.8, which is considered suitable for additional statistical analysis. Furthermore, the variance inflation factor (VIF) was computed to assess the presence of collinearity in the model presented in Table 3. The findings indicate that all of the values are below the threshold of ten (Hair et al. 1984), suggesting that the study does not suffer from multicollinearity problems.

Table 2 Correlation

	Size	Age	NP	ROE	FS	IS	DS	Board	IBM	LE	AE
Size	1										
Age	0.1233*	1									
NP	0.7848***	0.5382***	1								
ROE	0.3555***	0.534	0.5815***	1							
FS	− 0.5336***	0.2537**	0.3324***	− 0.1942**	1						
IS	0.0653	− 0.0537	0.1624*	− 0.0132	− 0.2017**	1					
DS	0.1153	− 0.5641***	− 0.2474***	− 0.1543*	− 0.2365***	− 0.1464**	1				
Board	0.3036***	0.0154	0.1324	− 0.1532*	− 0.2075**	− 0.1644	0.2766***	1			

Citation:

URL: https://garjournal.com/index.php/Journal

Governance accounting archive review
E(ISSN) 3006-2527, P(ISSN) 3006-2519

Page no: 56-74

IBM	0.5066***	− 0.0548	0.3656***	0.0734	0.1043	0.054	0.1344	0.4428***	1		
LE	0.0449	0.43676***	0.1734*	0.1144	0.1834**	0.0546	− 0.3674***	0.0268	− 0.0334	1	
AE	0.1735*	0.4958***	0.3354***	0.0345	0.1364	− 0.0663	− 0.4864***	0.1086	0.0553	0.3452***	1

Table 3 Collinearity Test

Variable	VIF	1/VIF
NP	6.25	0.19895
Size	5.29	0.23574
ROE	3.56	0.39377
AGE	3.3	0.43473
DS	3.23	0.44465
AE	3.16	0.46216
FS	3.1	0.46478
IBM	2.83	0.57505
BOARD	2.68	0.5756
IS	2.45	0.68834
LE	2.41	0.73478
Mean VIF	3.48	

Conclusion

The researcher has devoted a substantial amount of work to investigating global organisational productivity and efficiency. It is noteworthy that no research have been conducted to investigate the influence of corporate governance on productivity. Moreover, out of the thirty banks listed in Pakistan, eight have been identified as unproductive, and the causes behind these discoveries remain undisclosed. Consequently, conducting research to identify the factors that contribute to these limitations in the banking industry is of utmost significance. This study will investigate the determinants of bank productivity, specifically examining the impact of ownership arrangements and board diversity. The objective of this study is to examine the factors that impact the productivity of banks. In Pakistan, the board of directors holds a controlling stake of 33.24 percent

Citation:
URL: https://garjournal.com/index.php/Journal
Governance accounting archive review
E(ISSN) 3006-2527, P(ISSN) 3006-2519
Page no: 56-74

in the company. They are motivated by their own self-interest and strive to ensure optimal functioning of their enterprises. Lately, international investors have shown a keen interest in investing in the stock market of Pakistan.

This is a result of their exposure to international marketplaces, as their diverse expertise and experiences empower them to enhance productivity within their companies. Uddin and Choudhury (2008) state that the growth of multinational corporations has led to a significant surge in foreign ownership, even if foreigners only possess a small portion of shares. Conversely, to tackle political concerns, the board of directors is being reinforced by appointing individuals who lack previous experience in the banking sector. A board with a novice member may prove inadequate in guaranteeing the productivity and efficiency of Pakistan's banking institutions. The study offers a fresh perspective on the impact of corporate governance on bank productivity, specifically targeting academics, academicians, bank management, and regulatory authorities. Prior studies have solely investigated the efficiency and productivity of banks (Garc'ıa-Alcober et al., 2019). The objective of the present study is to assess the impact of various capital structures, board compositions, and financial performance on enterprise productivity. The study's findings indicate a direct correlation between productivity and ownership structure, the inclusion of legal specialists on the board, and financial performance.

The study's findings indicate that different stakeholders exert a significant influence on the productivity of companies. Moreover, this study discovered that effective corporate governance helps to more closely align the incentives of executives and shareholders, leading to increased productivity for banks. If a correlation exists between foreign ownership and directors' ownership and productivity, it may be inferred that raising the proportion of foreign and directors' shares in banks will lead to a rise in productivity. As to the findings of Ciftci et al. 2019, foreign shareholders exert pressure on the board of directors to enhance overall performance of the company when they make a substantial capital investment. Directors are selected with the purpose of safeguarding the interests of shareholders, and they persist in scrutinising their

Citation:

URL: https://garjournal.com/index.php/Journal

Governance accounting archive review
E(ISSN) 3006-2527, P(ISSN) 3006-2519

Page no: 56-74

respective organisations in order to enhance their effectiveness (Chen et al., 2008). Considering this, it is advisable for the Bangladesh Bank, in its capacity as a regulatory authority, to enforce a policy mandating banks to provide a defined portion of their shares for sale to directors and foreign investors.

To enhance their impact, they can augment their ownership by acquiring a substantial number of shares, so enabling them to exert significant effort towards amplifying their production capacity. Nevertheless, in the event that they possess an inordinate number of shares, they have the potential to abuse their power and violate the regulations of the organisation. For instance, in cases when foreign individuals possess a significant portion of a company, they could engage in illicit methods to repatriate funds to their home country, so diminishing the overall efficiency of the organisation. Nevertheless, it is imperative for the bank's administration to augment the quantity of legal professionals serving on its board of directors. Legal specialists can verify compliance with rules and regulations within their companies. Adhering to company regulations and demonstrating a strong dedication to corporate social responsibility lead to heightened shareholder loyalty and improved financial prosperity. Moreover, banks and regulatory organisations should strive to keep the board size as small as possible. The reason for this is that a larger board size leads to extra expenses, which might potentially lead to a fall in bank production. The regulatory authority in Bangladesh should substantially reduce the size of the board; the average number of board members in Bangladesh is fourteen.

The presence of independent directors, such as the number of members on the board, has minimal influence on productivity. The reason for this is that the majority of independent board members consist of non-banking professionals and academics who possess less practical experience. Consequently, they lack the ability to make substantial contributions to the productivity of banks. There is a suggestion that banks and regulatory authorities should select directors who possess extensive expertise and experience, without considering their political affiliations. The study has some constraints. The study exclusively focuses on commercial banks

Governance accounting archive review
E(ISSN) 3006-2527, P(ISSN) 3006-2519
Page no: 56-74

that are publicly traded, potentially limiting its representation of the overall Bangladeshi financial industry, which include both listed and non-listed banks, as well as non-bank financial institutions (NBFIs).

The worldwide implications of this study's discoveries are the second aspect to contemplate as a limitation. Given Pakistan's status as a low-income nation, the conclusions drawn from this study may not be generalizable to more affluent countries. In summary, although the model now includes some vital board aspects, there are still other necessary qualities of the study does not encompass corporate governance considerations pertaining to female ownership, family ownership, government ownership, CEO duality, political directors, female directors, audit committees, or audit committees consisting solely of female directors. Considering the constraints of the study, it is recommended that future researchers expand their scope to encompass the entire financial industry and utilise a substantial sample size. Moreover, it is essential to examine all aspects of corporate governance to achieve strong and durable outcomes. Moreover, in subsequent research, scholars could conduct a comparative study across different countries to examine the impact of corporate governance on business efficiency.

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Governance accounting archive review
E(ISSN) 3006-2527, P(ISSN) 3006-2519

Page no: 56-74

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