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Nexus between Corporate Governance Measures and Firm Performance: Evidence from a Fastest Growing Economy

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Abstract: This research strived to examine the impacts of corporate governance practices on firm performance in Bangladesh. The study used data from DSE-listed manufacturing firms from 2007 to 2020 to run a panel regression model with Tobin's Q and ROA to catch the effects of CG norms on firm performance. Board size, firm age, and ownership concentration positively and significantly affect firm performance. However, gender diversity, CEO duality, financial leverage, SEC guidelines, and firm size have a negative affinity for performance, and all are significant except CEO duality. The study extends the literature by feeding new academic insights and answering the questions on the logical grounds of why and why not hypotheses are accepted. No prior literature focused on the impacts of CG norms on firm performance in light of the mandatory CG guidelines 2012. Hence, the results have led to an academic debate on the effectiveness of the CG guidelines.

Keywords: Bangladesh, CEO duality, corporate governance, financial performance, SEC guidelines.

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INTRODUCTION

The mounting speed of globalization and the fast-changing business environment have created an urge to know corporate governance (Bufarwa et al., 2020). Corporate governance (CG) is now an essential and highly debated research area (Jahid et al., 2020). It has witnessed an additional concern of corporate stakeholders in the universal market setting (Young & Thyil, 2014). It includes a broad range of statutes and systems followed by executives to accomplish corporate financial goals. Scholars observed from various viewpoints applying various analytical lenses. For example, Sir Adrian Cadbury viewed it from a directional perspective, and he described it as a system by which corporations are governed and regulated (Cadbury, 1992), while Shleifer & Vishny (1997) highlighted the link viewpoint and considered it a means of dealing with how corporate fund providers convince them of receiving a fair profit on both own and loan capital. Other researchers (Letza et al., 2004; Maniruzzaman, 2023) preferred CG from a more comprehensive outlook to include different stakeholders in corporate goals. Letza et al. (2004) described the CG as links between management, BOD, stockholders, and additional stakeholders. Agency theory is the principal basis of CG (Jackson, 2013), which suggests stocks should be scattered widely and managers' duties should be separated from owners (Kapopoulos & Lazaretou, 2007).

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Jensen & Meckling (1976) found a 'master-servant' frame and insisted on accepting the power link, where the master specifies tasks for the servant (Rashid, 2015). The power connection is, thus, an approved affinity between the master and the servant, where the servant is chosen by the former and allows the servant to exercise authority to make decisions (Shankman, 1999). However, it is highly doubtful that agents will ever work for the maximum benefit of the master (Jensen & Meckling, 1976). Dalton et al. (1998) opined that the agents work for their interests instead of stockholders' interests as they get control over the company. The principal-agent attachment makes shareholders losers because of agents' steadfast inclination to maximize their benefits (Hendry, 2005; Laskar et al., 2022). Hence, there should be a balance of power between owners and agents with institutional control over the agents so that they cannot tune out the system (Jensen & Meckling, 1976; Shleifer & Vishny, 1997). Agency costs occur due to the abuse of managers' power and to check the abuse (Jensen & Meckling, 1976).

Many questionable corporate failures have occurred in Europe and the USA, which have sparked the previous debate on holding back the conflicts between stockholders and management and planning sound CG practices of sustainable industrial development. An increasing call for a sound CG mechanism has gained momentum due to the above occurrences. Recent studies on CG in emerging markets reveal (Pucheta-Martínez & Gallego-Álvarez, 2020; Ciftci et al., 2019; Uribe-Bohorquez et al., 2018; Ararat et al., 2021; Roy, 2017; Ducassy & Guyot, 2017; Lozano et al., 2016) that firms with more effective CG mechanisms may avail greater access to low-cost finance, control agency conflicts, ensure high operational and financial performance and, in turn, can protect shareholders interest. It is also evident that the CG mechanism is less effective when a country experiences a weak governance system (Maniruzzaman & Hossain, 2019a; Rashid, 2018). Sound CG mechanisms lead to higher productivity, profitability, and value, and these, in turn, make a firm more attractive to investors. Moreover, relevant information should be passed to the stakeholders to ensure good governance and transparency (Hasan et al., 2013).

Bangladesh is an emerging economy located in the South Asia region. South Asia is sitting at the top of the economic growth, having an average growth rate of 7–8 percent in the last 30 years, which is three times or more than that of the EU economies and about twice the global average (Islam et al., 2020). Though the economy of Bangladesh is growing rapidly, its CG is at an early stage, and some forces like legal, political, and socio-economic factors and different actors influence the CG code (Piesse et al., 2012). Wang & Chen (2016) noted that emerging economies are significantly unique in their institutional, regulatory, and legal environment.

Moreover, Bangladesh has experienced many corporate collapses over two decades and two major stock market crashes, one in 1996 and another in 2010–2011.The collapse of the stock market caused colossal losses for small investors that showed the absence of firm-level good governance and the failure of the regulatory bodies (Maniruzzaman & Hossain, 2019b; Ferdous, 2018). CG knowledge becomes crucial in emerging economies since it helps develop CG mechanisms that allow firms a wide passage to cheap finance, alleviate agency conflicts and dependable achievement, and promote a positive outlook of the corporate stakeholders (Ararat et al., 2021).

A few studies (Ferdous, 2018) have shown the status of CG in Bangladesh based on some compulsory administrative requirements, for example Sobhan, 2016 and Sobhani et al., 2009. Hasan et al. (2013) found that most of the companies in Bangladesh have concentrated ownership, and as such, dominant families or a group manage those firms. In these circumstances, management is nothing but an extension of dominant owners, which results in CEOs, administrative managers, and board chairs being from the dominant stockholder groups in most Bangladeshi firms. Even in most cases, the founding family takes the lead in all areas of governance and management. A former finance minister in Bangladesh opined that there is no CG in Bangladesh, only family governance. It is evident (Farooque et al., 2007) that, on average, the top five shareholders own more than

50 percent of the equity capital of a firm. Many scholars (Khan et al., 2013) mentioned that the ownership designs of 219 DSE-listed companies revealed that the leading three shareholders held about one-third of the total stocks. The ratio becomes large in land and buildings, oil and energy, engineering, textile, pharmaceuticals, and chemicals. Hasan et al. (2014) mentioned that the common stock ownerships of the top 5 and 10 stockholders are around half and three-fourths sequentially. The largest equity holder owns around one-fourth of the equity, and the industrial group holds comparatively more than the bank and non-bank finance companies (Ferdous, 2018). The concentration of ownership to a small group has a decisive influence on firm performance in Bangladesh as they have more dominance over management and an incentive to monitor the affairs of managers and hence reduce agency conflicts (Hasan et al., 2013). The bi-directional association between proprietorship concentration and firm performance supports the crucial role of the founder family or the top shareholder in Bangladesh. The dominant presence of large shareholders, external CG devices, such as institutional investors, FL, and regulatory requirements could influence firm performance. Bangladeshi firms fail to ensure standard CG practices analogous to the developed world.

In 2006, BSEC, a regulator of the Stock Market under the aegis of the Ministry of Finance in Bangladesh, issued the Corporate Governance Notification (CGN) on a 'comply or explain' basis. It is more known as the CG Code of Best Exercises, which acts as a guideline for the firms in Bangladesh to adopt CG practices. CGN required listed firms to select independent directors at a ratio of 1:10**,** in line with the Anglo-American style till 2012. CGN was first revised in 2012 and again in 2018 to make it mandatory for listed firms to appoint independent directors in a ratio of 1:5. It is worth mentioning that CG devices work well in Anglo-American countries since their jurisdiction is highly conditional upon the clarity of the enforcement of laws. However, the CG code is less effective in emerging economies like Bangladesh as the vital organizational power cannot control firms to ensure compliance (Hasan et al., 2013).

The paper applies the lens of agency theory to explain the links between CG devices and corporate financial performance. The purpose of CG devices is to lessen the agency cost emerging due to the divorce of ownership from management (Rashid Khan et al., 2020) since agents are sometimes viewed with opportunistic behavior to exploit personal benefits at the owners' expense (Hasan et al., 2014). There are two kinds of CG devices, outside and inside, to address agency dilemmas (Jensen, 1986). Inside CG devices include the board size, board freedom, audit committee size, CEO/Chairman duality, female directorship, and ownership structure (Agrawal & Knoeber, 1996). However, outside CG devices contain institutional ownership, financial leverage, and governing guidelines (Bushman & Smith, 2001). The common belief is that those devices can protect and control the operations of a firm and strengthen the discipline in control and ownership. Farinha (2003) continued with the prior findings and attached features, such as reliability, safety investigators, distribution system, and liability management as inside devices.

Usually, the influence of CG devices on corporate financial performance is diverse and inducive around the globe. Thus, evidence has not yet established a link between sound CG applications and corporate financial performance (Heracleous, 2001). Realizing the critical combination and impact of CG devices on financial performance, the following section presents a complete and thorough analysis. This study uses the structure of the agency hypothesis and the notion of agency dilemma as the foundation, including how CG devices perform the task of managing these difficulties and the impact of these devices on corporate financial success—the subsequent sections exhibit the survey and discuss different CG devices associated with this research.

Board size has a part in leading and guiding managers (Detthamrong et al., 2017). A comprehensive board is more viable for adequate access to diverse resources than an undersized board. BOD's diverse learning can develop better decision-making ability, which, in turn, produces better firm performance. But, the observed

results on the connection between board size and performance are diverse. Yermack (1996) noted a negative relationship between board size and firm performance in a sample of 452 big industrial companies in the USA from 1984 to 1991. Hasan et al. (2013) noted that firm financial performance increases with board size for complex firms. Jackling & Johl (2009) uncovered that board size impacted performance in Indian firms. Eisenberg et al. (1998) reported a negative connection between board size and firm performance in a sample of firms in Finland. Mak & Kusnadi (2005) found a hostile relationship between board size and company performance, estimated by the Q ratio on a sample of Malaysian and Singaporean corporations. From the perspective of the agency hypothesis, a large board is suitable for monitoring managers as many individuals will examine the administration's activities that help decline agency costs emerging from the breakup between management and shareholders and thus improve firm performance (Rashid, 2018). It is a notion that board size is connected positively with corporate performance.

The agency hypothesis suggests that independent directors' roles are vital in increasing firm performance (Leung et al., 2014). Independent members (also understood as external members on board) play a critical part in overseeing corporate management affairs (Detthamrong et al., 2017). Therefore, board autonomy can entice fund providers (Muniandy & Hillier, 2015). Earlier research that examined board freedom and company performance noted assorted outcomes. However**,** Agrawal & Knoeber (1996) have uncovered a negative impact of board freedom on firm value, measured by Tobin's Q, in the USA. Contrarily, Jackling & Johl (2009) found that board autonomy has influenced the financial performance of Indian firms. Also, Muniandy & Hillier (2015) reported that board freedom impacted corporate financial performance in South African companies. From Malaysia's perspective, Haniffa & Hudaib (2006) found that board freedom cannot influence firm performance. Based on the approval of the literature, having talented and competent independent members on the corporate boards would enhance corporate financial performance. Independence in the corporate boards can direct creativity and originality. However, most corporate boards are composed of male members only. There is a debate about adding women to corporate boards to obtain diverse outlooks that might improve corporate performance (Detthamrong et al., 2017). Many studies have empirically investigated the impact of female members on corporate boards. Erhardt et al. (2003) examined the connection between gender diversity of corporate boards (the percentage of women compared to men on boards) and corporate performance. The authors observed that board diversity has a positive impact on firm performance. Carter et al. (2002) uncovered that board diversity leads to improved economic value for a sample of US firms. García-Meca & Sánchez-Ballesta (2009) showed that board gender assortment enhances the financial performance of banks in the UK, Germany, France, Italy, the Netherlands, Spain, Sweden, Canada, and the US. Hutchinson et al. (2015) also uncovered that gender variety in the corporate board is linked positively with corporate performance. Rose (2007) found an insignificant connection between women on corporate boards and the financial performance of publicly traded companies in Denmark.

The BSEC Code on CG 2018 made it mandatory that the Chairperson of the Board and the Chief Executive Officer (CEO) of corporate entities shall be separate people. Consistent with the BSEC Code of CG, we claim that CEO/Chair duality might influence corporate performance. More precisely, we anticipate that non-CEO/Chair duality firms are more profitable than firms with CEO/Chair duality. However, CEO/Chair duality can enhance the swiftness of decision-making, which is essential in rapidly transforming market conditions (Detthamrong et al., 2017). Rash decisions may be substandard or even badly chosen in some cases. CEOs/Chair duality can lead to more command over their enterprises, which reduces firm value. Besides, CEO duality is one of the leading reasons for the failure of firms, for example, Enron and WorldCom. Earlier research that studied CEO duality's effect on performance exhibited contradicting results. Boyd (1995) found that other factors, like

environmental issues, further moderated the impact of leadership duality on firms' financial performance. Haniffa & Hudaib (2006) found a negative association between CEO duality and performance in Malaysian firms. Hasan et al. (2013) found a negative association between CEO duality and the financial performance of Hong Kong firms during 1995–1998. Similarly, Bhagat et al. (2010) showed a negative relationship between CEO/Chair duality and US firms.

The agency hypothesis suggests ownership detachment from control creates options for management to make decisions for their interests that might hurt firm performance (Detthamrong et al., 2017). Managerial interest impacted by ownership of stock may enhance corporate financial performance. The dominating shareholders have strong motivations to scrutinize the activities of managers to boost corporate value (Hasan et al., 2013). Concentrated ownership can help lessen agency conflicts between shareholders and managers (Rashid, 2018). The concentration of ownership leads to a boost in managerial supervision and thus enhances firm performance (Agrawal & Knoeber, 1996). Ducassy & Guyot (2017) observed that concentrated ownership reduces the owner-manager agency problem but might cause principal-principal conflicts. The negative consequence of massive family dominance can be even more when family members hold executive positions. In the above case, the main agency issue is not the managers-shareholders' problem but the risk of intrusion by the dominant or controlling shareholders at the expense of minority shareholders. A study on a sample of Thai firms (Wiwattanakantang, 2001) found that concentrated ownership is associated positively with corporate performance. Hasan et al. (2014) also found that family ownership had a significant negative impact on board independence and its size but a positive impact on dominant personality. But, Prowse (1999) found that the concentration of ownership does not impact corporate performance in Japanese firms. Mak & Kusnadi (2005) reported a similar result for firms in Malaysia and Singapore.

Modigliani & Miller (1958) demonstrated that corporate capital structure is irrelevant when finding a company's value. However, Roberts & Sufi (2007) suggested that debt capital can enhance a firm financial performance by inducing more careful supervision by creditors. Literature on corporate finance reported assorted outcomes about the influence of financial leverage on corporate performance, i.e., Financial Leverage (FL) has no positive or insignificant effect on corporate financial performance (Chang et al., 2019; Hsu et al., 2021; Prashar & Gupta, 2021). Antoniou et al. (2008) observed a negative affinity between FL and firm performance. Cai & Zhang (2011) pointed out that a shift in FL affects stock prices negatively. Vithessonthi & Tongurai (2014) affirmed that the FL of Thai companies is negatively associated with corporate financial performance. The proof is compatible because the expenses of economic misery are more than the usefulness of financing. Contrarily, Margaritis & Psillaki (2010) found a positive influence of FL on corporate financial performance. Also, Berger & di Patti (2006) showed that a high Fl or a lower debt-equity ratio is related to more satisfactory corporate financial performance. However, Connelly et al. (2012) found no association between FL and company financial performance. If the use of debt in the capital structure can influence creditors to monitor the activities of firms, then higher FL would be more likely to be used in projects with sound fundamentals by rigorous investment screening, and they do better than the companies with lower FL (Detthamrong et al., 2017).

The Asian Financial Crisis of 1997–1998 forced numerous trouble-prone nations to focus on designing more sound CG practices (Detthamrong et al., 2017). Those countries have been trying to lessen their financial vulnerability and enhance CG practices. In such a situation, companies promote a culture of awareness, clarity, and responsibility, leading to long-term value creation and sound financial health. In addition, the literature needs to be more detailed on the links between CG and firm value in the context of developing countries like Bangladesh. Against the above backdrop, the present study attempts to develop hypotheses on the association between CG and corporate financial performance.

METHODS

The present study has used secondary data extracted from annual reports under the scope of the study. Internal monitoring mechanisms with a few other factors and industry-specific regulations can impact managerial discretions that, in turn, influence corporate performance (Booth et al., 2000). The efficacy of CG mechanisms may need to be stronger where the regulatory interventions are more stringent, particularly in the financial sector and public utilities. Moreover, this research has been planned to study enterprises in the manufacturing sectors as the regulatory interventions in these sectors are lenient, which facilitates quick appraisal of the effects of CG mechanisms on corporate financial performance. The study followed the DSE industry classification to select manufacturing companies from 2007 to 2020 for fourteen years. The period is significant because the market regulatory body (BSEC) promulgated the CG codes in 2006 on a 'comply or explain' basis. The Commission promulgated revised CG codes on July 03, 2012, on a 'comply' basis. It is wise to empirically test the effects of adopting the CG guidelines by the listed companies- splitting the study period into 2007 to 2013 and 2014 to 2020.

Initially, we found 150 manufacturing companies listed on DSE, but the annual reports are available for 82 companies. Firms under the study covered approximately 68 percent of the market capitalization of all manufacturing companies in 2020. We argue that the sample companies are representative as Chauhan et al. (2016) conducted a study with a sample representing, on average, 55.49 percent of the market capitalization of all manufacturing companies in 2013. For worthwhile analysis, this study skips some firm-year observations with the negative book value of equity (Elkamhi et al., 2012; Khan et al., 2022).

The study has three variables of interest. The independent variables include board size, independence, female directorship, CEO duality, ownership concentration, financial leverage, and SEC guidelines. The dependent variable is the firm performance, which can be measured by Tobin Q and ROA (Tshipa et al., 2018), while the company's age and size are the control variables.

The current research has developed subsequent panel regression models to analyze the connection between various CG variables and corporate performance:

Model-1: $QR_{it} = \alpha + \beta_1 \times BS_{it} + \beta_2 \times ID_{it} + \beta_3 \times WD_{it} + \beta_4 \times DUAL_{it} + \beta_5 \times OC_{it} + \beta_6 \times LEV_{it} + \beta_j Control_{it} + \varepsilon_{it}$

Model-2: $ROA_{it} = \alpha + \beta_1 \times BS_{it} + \beta_2 \times ID_{it} + \beta_3 \times WD_{it} + \beta_4 \times DUAL_{it} + \beta_5 \times OC_{it} + \beta_6 \times LEV_{it} + \beta_j Control_{it} + \varepsilon_{it}$

Where:

A	Intercept.
QR	Tobin's Q-Ratio is a widely used proxy for a market measure of performance.
ROA	Return on assets- proxy for accounting measure of performance.
BS	Board size.
ID	Board Independence
WD	Gender diversity
DUAL	CEO/ Chair duality/Leadership Structure
OC	Ownership concentration
SG	BSEC guidelines
LEV	Leverage
Others	Control variables: firm age, firm size, BSEC guidelines, and dummy variables for each of the nine industry classifications with dummy variables for each of the twelve years.
ε	Error term.

RESULTS AND DISCUSSION

Descriptive Statistics demonstrates mean, median, SD, maximum, and minimum to know the nature of data before running the regression (see Table 1). The table presents descriptive statistics for the pooled cross-sectional data. Besides, the correlation matrix (see Table 2) for the dependent and independent variables reveals no multicollinearity problem, as the correlations are low between the variables. Gujarati (1995) mentions that if the correlation between the variables remains under .80, it indicates that there is no multicollinearity problem.

Table 1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
QR	1148	.17	4.51	1.1208	.34491
ROA	1148	-.40	.76	.0904	.10451
BS	1148	.00	14.00	7.1581	1.85464
ID	1148	.00	5.00	1.0944	.80029
WD	1148	.00	5.00	.8267	.80593
DUAL	1148	.00	1.00	.7823	.41289
OC	1148	.00	6.00	2.6042	1.46101
DR	1148	.00	4.48	.6053	.39737
LA	1148	.00	3.71	2.8571	.62710
FS	1148	2.08	10.73	6.8339	1.49732
SG	1148	.00	1.00	.5000	.50025

Source: Authors' calculation.

Table 2 Correlations Matrix for all Variables of the Study

	QR	ROA	BS	ID	WD	DUAL	OC	DR	FS	LA	SG
QR	1										
ROA	.532**	1									
BS	.186**	.135**	1								
ID	.211**	.173**	.217**	1							
WD	-.119**	-.039	.066*	.069*	1						
DUAL	-.235**	-.034	.033	.118**	.159**	1					
OC	.106**	.268**	.119**	.424**	.046	.258**	1				
DR	-.026	-.327**	-.035	-.170**	-.156**	-.127**	-.193**	1			
FS	-.353**	-.007	.263**	.050	-.010	.184**	.135**	-.196**	1		
LA	.033	.127**	.060	.150**	.000	.138**	.174**	.006	.081*	1	
SG	-.014	-.036	.023	.394**	.081*	.147**	.189**	-.074*	.186**	.374**	1

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Authors' calculation

In this study, EViews 12 is used to analyze the panel data. The Breusch-Pagan LM test distinguishes between ordinary least squares and random effects. In contrast, the F-test (Redundant fixed effects test) distinguishes between fixed effects and ordinary least squares. The Hausman test statistics uses chi-square distribution was also used to pick between fixed and random effects, indicating that the fixed effects model is preferable for concluding the proposed hypotheses at a 95% confidence level (Kumar et al., 2021). The fixed effects model is more attractive to the assumption because it reflects unobserved or individual heterogeneity (Wichianrak et al., 2021). The study used two fixed effects models to show the relationship between explanatory variables and corporate financial performance. The results of the fixed effect model are shown in Table 3. The adjusted R-squared of all models demonstrates that the proposed model has greater descriptive power. At the same time, the F-statistic explains the assumptions, and the Durbin-Watson values validate the models' validity (Ode-Ichakpa et al., 2020). Most corporate governance literature demonstrates that business performance can be quantified in accounting measures (ROA and ROE) and market-based measures (Tobin's Q). Table 3 shows the regression model results for ROA (return on asset) and the regression model for Tobin's Q.

Table 3 Results of Fixed Effects Model

	Model-1 (Tobin's Q)			Model-2 (ROA)				
	Beta	T	Sig	Beta	T	Sig	Collinearity Statistics	
							Tole.	VIF
(Constant)		15.163	.000***		-.328	.743		
BS	.262	9.080	.000***	.107	3.551	.000***	.771	1.296
ID	.153	4.788	.000***	.083	2.470	.014**	.632	1.582
WD	-.122	-4.447	.000***	-.067	-2.325	.020**	.856	1.168
DUAL	-.093	-3.023	.003***	-.007	-.225	.822	.672	1.489
OC	.163	5.280	.000***	.274	8.480	.000***	.675	1.481
DR	-.116	-4.252	.000***	-.340	-11.891	.000***	.864	1.157
LA	.078	2.458	.014**	.195	5.876	.000***	.640	1.563
FS	-.415	-13.812	.000***	-.100	-3.162	.002***	.710	1.409
SG	-.061	-1.900	.058*	-.169	-5.027	.000***	.623	1.606
a. Dependent Variable: Q-ratio				a. Dependent Variable: ROA				
R^2 = .684				R^2 = .623				
Durbin-Watson = 1.584				Durbin-Watson = 1.625				
F-stat = 57.464				F-stat = 48.132				
F-sig = .000[b]				F-sig = .000[b]				

Note: Significant at * P < 0.10; ** p<.05 and*** P < 0.01
Source: Authors' calculation

Leaning on the market-based measure (Tobin's Q), Table 3 reveals that CG mechanisms, such as board size (beta value .262 and p-value .000), board independence (beta value .153 and p-value .000), ownership concentration (beta value .163 and p-value .000), and firm age (beta value .078 and p-value .014) are positively associated. In contrast, some other CG mechanisms, precisely gender diversity (beta value -.122 and p-value .000), CEO duality (beta value -.093 and p-value .003), FL (beta value -.116 and p-value .000),

SEC guidelines (beta value -.061 and p-value .058), and firm size (beta value -.415 and p-value .000) are negatively associated. These findings also show that all the CG mechanisms are statistically significant at a 1% level except SEC guidelines, which is significant at a 5% level.

Table 3 reveals that board size (beta value .107 and p-value .000), board independence (beta value .083 and p-value .000), ownership concentration (beta value .274 and p-value .000), and firm age (beta value .195 and p-value .000) are positively associated with firm performance measured as ROA, where all the links are statistically significant at 1% level. However, other CG devices, such as gender diversity (beta value -.067 and p-value .020), CEO duality (beta value -.007 and p-value .822), FL (beta value -.340 and p-value .000), SEC guidelines (beta value -.169 and p-value .000), and firm size (beta value -.100 and p-value .000) are negatively associated with ROA and are statistically significant except CEO duality.

The 1997–1998 Asian Financial Crisis and many questionable corporate failures in Europe and the USA forced most crisis-hit countries to focus on designing better CG practices (Detthamrong et al., 2017). They tried to reduce their vulnerability to economic shocks and improve their CG practices. Firms must create a conscious and transparent culture for creating long-term value and sound financial health. Thus, the term CG has witnessed a concern for corporate stakeholders in the current global market setting. CG forms a broad spectrum of statutes and systems that companies follow to achieve success and accomplish corporate financial goals. Against the above backdrop, the study has developed some hypotheses regarding the relationship between CG and financial performance. The literature review on the affinity between corporate performance and CG traits, more specifically, the board size, board independence, gender diversity, leadership structure, directors' shareholdings, and financial leverage, has shown mixed results.

This study has used multiple regression models to examine the association between CG mechanisms and firm financial performance. The analysis uses data extracted from the annual reports of DSE-listed firms in Bangladesh from 2007 to 2020**,** a period of fourteen years. This study is based on the premise of agency theory and used two established performance measures of the corporate finance literature, Tobin's Q (market-based performance measure) and ROA (accounting-based performance measure), which are used to measure corporate financial performance. Besides, this paper investigates the effects of firm-level corporate governance structure, such as board size, board independence, gender diversity, CEO duality, directors' ownership, BSEC guidelines, and financial leverage, on corporate financial performance based on Q-ratio and ROA. Besides, the study has reviewed the effects of firm age and size on financial performance. Two multiple regression models, one for Q-ratio and the other for ROA (see Table 3), have been developed to catch the effects of CG structure on corporate financial performance. Hypotheses designed for the study are not in line with the actual results. Some are accepted, but others are rejected at diverse levels of significance. This study strives to answer questions referring to the logical grounds of why and why no hypotheses are accepted. The study has developed, in total, six hypotheses and tested them by producing multiple regression models. The first hypothesis assumes a positive relationship between the board size and the firm's financial performance based on market and accounting measures. The results of the regression models (Model-1 and Model-2) in Table 3 showed that board size is positively associated with Q-ratio and ROA. Moreover, the results are statistically significant at the 1% level. This positive association signifies that board size has a vital role in improving the ability of directors to supervise and control the activities of managers (Detthamrong et al., 2017). A large board is more likely to provide better access to various resources than a small board. A corporate board with diverse experience and knowledge would probably have more effective learning and sensible decision-making ability, resulting in better firm performance. Thus, the more directors a board has, the more surveillance ability it has. These findings support the findings of some earlier studies (Rashid, 2015; Jackling & Johl, 2009). They argued that

a large board could watch the actions of managers more, which could reduce agency costs arising due to the separation of management from ownership, which, in turn, improves firm performance. However, some prior studies (Cheng et al., 2008; Haniffa & Hudaib, 2006) differ from this conclusion.

The second hypothesis sets a positive relationship between board freedom and firm performance. The findings match the assumption well, as multiple regression models reveal that independent directors are positively and significantly associated with both Q-ratio and ROA at the 1% level (see Table 3). The result indicates that board freedom of publicly traded manufacturing companies in Bangladesh is positively associated with their performance. This result is because independent directors, also known as outside directors, play a vital role in watching management affairs (Detthamrong et al., 2017; Haniffa & Hudaib, 2006). As such, an increased level of board independence may attract more investors (Muniandy & Hillier, 2015). Nevertheless, Haniffa & Hudaib (2006) found that board independence does not affect firm performance.

The third hypothesis assumes a positive association between women's participation in the boardroom and corporate performance. The results from the multiple regression models, one for Q-ratio and the other for ROA, show that women's participation in the board is negatively associated with firm financial performance, and the results are statistically significant at 1% and 5%. These results imply that women's presence in the boardroom reduces financial performance in manufacturing firms in Bangladesh. This result does not support the findings of some prior studies (Hutchinson et al., 2015; Solakoglu & Demir, 2016) as they noticed that gender diversity positively impacts firms' financial performance.

The fourth hypothesis views a negative affinity between leadership structure and firm financial performance. The findings from both models (see Table 3) reveal that the association between CEO/Chair duality and performance based on Q-ratio and ROA is negative. Moreover, the findings based on ROA are statistically insignificant. These findings support the theoretical premises of the agency theory as it presumes that the monitoring abilities of the company are enhanced if the positions of chairperson and CEO are two separate individuals, which derives the improved firm performance. Dalton et al. (1998) noted that CEO duality shows the poor quality of governance systems. Besides, agency theory depicts that CEO duality is not fair for a company as it comprises the monitoring and control of the CEO (Peng et al., 2007). In contrast, the stewardship theory proposes that CEO duality may be good for the company because of the unity of command it presents and enables the CEO to apply prudence and quick action for its interest. CEO/Chair role duality is recognized as a poor practice because it makes the CEO more authoritarian and powerful, which may drive him to exercise opportunistic behavior through information asymmetry.

This research has also explored the impacts of concentrated ownership on the financial performance of firms using multiple regression models. The findings based on Tobin's Q and ROA show that the relationship between concentrated ownership and corporate financial performance is positive and significant at the 1% level. This result also signals a substantial impact of ownership concentration on the firm value in the manufacturing companies in Bangladesh.

This result is also in line with the results of some prior studies, such as Maniruzzaman & Hossain (2019b), Maury (2006) , and Wiwattanakantang (2001). However, other studies, such as Mak & Kusnadi (2005) and (Prowse, 1992), report a negative association between concentrated ownership and corporate financial performance. The control of owners is weak due to poor monitoring of shareholders when ownership is scattered. The tiny shareholders are likely to be disinterested in monitoring because they bear all monitoring costs but enjoy a small part of the benefits, which drives no monitoring efforts (Hasan et al., 2013). In concentrated ownership, most shareholders can significantly monitor management affairs (Hasan et al., 2014). Most countries around the globe use ownership concentration practices (La Porta et al., 2000). Also, in Bangladesh, family houses

and institutions as founders have dominant ownership of companies. A former finance minister of Bangladesh opined that there is no CG in Bangladesh, only family governance. Thus, ownership concentration is a vital internal CG mechanism that enables the owners to oversee and control corporate management to protect the interests of stockholders (Madhani, 2017).

While measuring the impact of financial leverage on firm performance, the study has used both Q-ratio and ROA and found that the relationship between FL and financial performance is negative and significant at the 1 percent level, which `signals that FL affects firm performance negatively in Bangladesh. Some earlier studies noticed a negative relationship between FL and financial performance (Chechet & Olayiwola, 2014). This research also supports agency theory as the relative cost of debt and equity is considered in planning the capital structure (Chechet & Olayiwola, 2014). The 1 percent decline in equity to total capital can result in a 10% overall increase in the profitability for US firms except for the extreme scenarios, where high leverage may result in firms' bankruptcy (Berger & di Patti, 2006). The study of Margaritis & Psillaki (2010) also supported the relevance of the agency theory. We have found that capital structure is negatively related to return on assets and capital employed. However, some prior studies have found a positive association between FL and financial performance (Fosu, 2013).

After studying the association between the SEC revised guidelines and firm financial performance using the Q-ratio and ROA, we have observed that the affinity is negative and significant (see Table 3). Thus, the SEC revised guidelines have no positive influence on financial performance. CG guidelines can play a significant role in disciplining a firm to evolve competitively in the marketplace (Hasan et al., 2013). If adopted, the CG guidelines issued by government agencies and other international bodies help all countries attract foreign investments**.** Besides, it augments the protection of the investors and safeguards them from corporate scandals. Thus, there is no one-size-fits-all approach to attaining an effective governance system (Bhagat et al., 2010; Black et al., 2014). The governance practices vary across nations (Anderson & Gupta, 2009) because of the institutional development background of the country (Peng et al., 2021). Hence, the regulatory bodies have implemented the governance code based on the best international practices that suit their socioeconomic and cultural context. We know that BSEC issued the Corporate Governance Notification (CGN) in 2006 on a comply or explain basis and then made it mandatory in 2012 to ensure good governance at firm-level management. The empirical results show that the revised CG guidelines of 2012 have failed to add value to corporate board attributes and, thus, firm performance as measured by Tobin's Q and ROA. We have not found any prior study in corporate governance literature that focuses on the effects of corporate governance mechanisms on firm performance in light of the revised CG guidelines. Hence, we have conducted this study, and the empirical results have led us to an academic debate on the effectiveness of the mandatory CG guidelines 2012.

The findings based on Q-ratio and ROA (see Table 3) have shown that the relationship between a firm's age and financial performance is positive and statistically significant at the 1% level, which suggests that a firm's age has a significant positive impact on its financial performance. It is a general premise that older firms have better financial performance because of their experiences and the benefit of learning by doing (Saha & Maji, 2022; Tshipa et al., 2018). Also, younger firms are prone to "liabilities of newness" that refer to several poorly understood factors leading to higher failure rates (Sobhan, 2016). Aging can also harm financial performance because of the inertia effects that could lead a firm to become inflexible and unresponsive to the rapidly changing business environment in which it operates (Solakoglu & Demir, 2016). Besides, the findings based on the Q-ratio reveal that the affinity between firm size and financial performance is negative and statistically significant at the 1 percent level, which signals that firm size has negatively impacted performance. This finding supports several past studies, for example Maniruzzaman & Hossain (2019b) and Haniffa & Hudaib (2006), which found a

negative affinity between firm size and firm financial performance. Besides, this finding does not support some past studies, such as Carter et al. (2002) and Yermack (1996).

CONCLUSION

The study investigated the relationship between corporate governance measures and firm performance in Bangladesh using data from DSE-listed manufacturing firms over a 14-year period (2007–2020). The findings reveal that board size, board independence, ownership concentration, and firm age positively influence firm performance, while gender diversity, CEO duality, financial leverage, firm size, and SEC guidelines demonstrate negative effects, albeit with varying significance levels. This research enriches the literature by evaluating the effectiveness of Bangladesh's revised corporate governance guidelines (2012), highlighting the nuanced impact of governance mechanisms in an emerging market context. By bridging a critical research gap, the study contributes to the academic discourse on corporate governance's role in enhancing firm performance and provides actionable insights for policymakers and corporate managers seeking to refine governance practices in developing economies. Due to data limitations, we could not study the auxiliary aspects of CG, such as insider ownership, CEO's salary and nomination and compensation committee of the board of directors. We also could not include bank financial institutions. In addition, social, economic, technological, legal, and political environmental issues are all equally significant. However, the research findings would help the policymakers, regulators, and corporate managers in emerging markets like Bangladesh.

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