





“Corporate governance mechanisms and firm value in emerging markets: Evidence from the banking sector of Bangladesh”

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CORPORATE GOVERNANCE MECHANISMS AND FIRM VALUE IN EMERGING MARKETS: EVIDENCE FROM THE BANKING SECTOR OF BANGLADESH

Abstract

This study, grounded in agency theory, stewardship theory, and resource dependency theory, examines the influence of corporate governance on firm value within the banking sector of Bangladesh. This research analyzes annual panel data from 22 commercial banks spanning the period from 2014 to 2023, investigating the impact of governance structures, specifically board composition, ownership structure, and audit committee characteristics, on firm value using Tobin's Q, market capitalization, and the market-to-book value of equity measures. The Feasible Generalized Least Squares (FGLS) method is utilized for dynamic panel data estimation to address cross-sectional dependence, heteroscedasticity, and autocorrelation, with robustness evaluated via the Panel-Corrected Standard Errors (PCSE) approach. Overall findings reveal that increased managerial ownership, gender-diverse boards, and an independent audit committee director correlate positively with firm value. Specifically, institutional ownership exhibits a positive correlation with Tobin's Q and the market-to-book value of equity, whereas foreign ownership and larger boards positively affect Tobin's Q and market capitalization. In contrast, board size adversely impacts the market-to-book value of equity, while frequent board meetings correlate with a diminished Tobin's Q. The audit committee size and meeting frequency have no statistically significant effect. These findings provide significant insights for regulators and policymakers, highlighting the necessity of inclusive governance, strategic ownership alignment, and independent oversight in enhancing the value of banks in emerging economies, such as Bangladesh.

Keywords

ownership structure, board structure, audit committee structure, Tobin's Q, market capitalization, market-to-book value of equity, banking sector

JEL Classification

G21, G32, G34, C23

INTRODUCTION

Corporate governance (CG) has become increasingly significant worldwide, prompting many countries to adopt and implement its principles. As a fundamental aspect of corporate operations, it enhances oversight through transparency, accountability, and ethical conduct within organizations (Onguka et al., 2021). The financial collapses of major U.S. corporations, including WorldCom, Enron, and Adelphia, have heightened awareness of governance deficiencies. As a result, investors now prefer companies that adhere to the practice of strong corporate governance. The effective application of corporate governance fosters investor confidence, which positively influences investment decisions and enhances firm valuation (Fatma & Chouaibi, 2023). Firm value represents the overall financial worth of a company, serves as a key indicator of investor confidence and business performance (Mili et al., 2025). Sound corporate governance is critical in enhancing both dimensions by improving oversight,

reducing agency problems, and encouraging prudent decision-making (Sarker & Hossain, 2024). A well-governed company benefits from improved supervision, leading to better performance and increased firm value.

The banking sector in Bangladesh fosters economic development, but governance issues include concentrated shareholdings and board structures, and uneven reporting requirements threaten stability and market value (Asphia & Srivastava, 2025). Strong corporate governance frameworks protect business value, boost investor trust, and boost Bangladesh's economic resilience in this setting of political volatility and institutional fragility. In Bangladesh, widespread corruption and weak financial controls have made fraud a persistent challenge in both public and private sectors, and traditional audits often fail to detect these issues, highlighting the need for improving transparency and restoring trust in financial systems. In 2018, the Corporate Governance Code was reformed in Bangladesh to enhance board oversight, ownership transparency, and audit quality in the banking sector (BSEC, 2018). In spite of regulatory efforts, the application of corporate governance practices continues to vary significantly among banks in the Bangladeshi banking sector. This variation in governance practices presents an opportunity to further evaluate how different governance mechanisms truly impact firm value.

1. LITERATURE REVIEW AND HYPOTHESES

A clear ownership structure, a well-organized board, and an effective audit committee are essential components of corporate governance, balancing oversight responsibilities with strategic decision-making to enhance firm value and protect shareholder benefits (Khan et al., 2013). Several foundational theories, such as agency, stewardship, and resource dependency theories, provide light on the relationship between corporate governance and the value of a firm (Jensen & Meckling, 1976; Donaldson & Davis, 1991; Akram & Haq, 2022). Jensen and Meckling (1976) developed agency theory to explain shareholder-manager disputes in dispersed ownership to improve corporate governance. Shleifer and Vishny (1997) show that reducing agency conflicts increases firm value, and corporate governance mechanisms enhance business performance by addressing such conflicts of interest. Independent directors must provide transparency, monitoring, and financial management to reduce these conflicts in business (Mang'Unyi, 2011).

According to the stewardship theory, internal directors and management increase shareholder value via strong financial performance (Salem et al., 2019). It suggests that insiders with more firm-specific knowledge may act in shareholders' interests (Donaldson & Davis, 1991). The theory of resource dependency asserts the significance of the board in

obtaining some essential resources such as capital, expertise, and strategic networks – vital for firm success (Akram & Haq, 2022). Board members often leverage external connections to support long-term goals, and external directors' networks can enhance performance (Salem et al., 2019). A robust governance framework thus promotes effective use of resources, boosting productivity and ultimately the firm value (Islam et al., 2022).

The ownership structure of a firm significantly affects value through shaping governance dynamics, decision-making, and shareholder alignment (Mang'Unyi, 2011). Among the three corporate governance factors, various dimensions are used to reflect ownership structure, such as ownership of managers (Sarker & Hossain, 2024), institutional ownership (McConnell & Servaes, 1990), and foreign ownership (Jebran & Chen, 2023). The ownership of a manager is frequently considered a strategy to mitigate agency conflicts within an organization, but larger management ownership may lead to reduced firm value (Shleifer & Vishny, 1989). Ifada et al. (2021) and Sarker and Hossain (2024) explore a beneficial association between managerial ownership and a firm's value, suggesting that higher managerial shareholding reflects a stronger alignment between executives and investors, which enhances firm value.

However, institutional investors, especially financial institutions, often enhance value through effective monitoring (McConnell & Servaes, 1990).

Yeh (2019) highlighted that institutional investors' improved business performance. Similarly, McConnell and Servaes (1990) and Mishra and Kapil (2017) discovered a favorable relation of institutional ownership with firm value, whereas Shah et al. (2025) report a negative correlation. Additionally, foreign investors possess superior monitoring abilities, access to large capital, and management expertise, which may increase operational efficiency and investment choices (Jebran & Chen, 2023). Ahmed and Iwasaki (2021), Khasawneh and Staytieh (2017), and Sarker and Hossain (2024) reveal a favorable relation of foreign investors with the firm value, whereas Aksan and Gantowati (2020) found no correlation.

The board ensures corporate governance by keeping management responsible to shareholders (Shleifer & Vishny, 1997). Executives are hired, evaluated, compensated, and fired to match company actions with shareholder value. According to resource dependency theory, a board's diverse talents and experience help firms to manage complicated business settings. Board structure includes size, meetings, and gender diversity, which are the dimensions of board structure. Sarker and Hossain (2024) and Onguka et al. (2021) found that larger boards increase business value. Oversized boards may inhibit communication and encourage free-riding, diminishing governance efficiency. Fatma and Chouaibi (2023) found an adverse effect on firm value. Rouf (2011) found no impact, indicating that board size does not necessarily affect business value.

However, according to Mishra and Kapil (2017), a greater number of board meetings may signal strong governance to the market, potentially leading to enhanced firm valuation. However, excessively frequent meetings may also reflect internal inefficiencies or unresolved boardroom conflict, which could adversely affect performance. Khanh et al. (2020) reveal a negative correlation, whereas an insignificant relation was found by Bhat et al. (2018) between board meetings and firm value. Moreover, Female directors play a vital role in building an inclusive organizational culture that attracts top talent, supports ethical decision-making, and strengthens stakeholder expectations (Grassmann, 2021). Empirical research has mostly identified that firm value is positively related to

gender diversity (Khanh et al., 2020; Grassmann, 2021). However, Bunyaminu et al. (2025) find a negative effect on firm value.

A well-structured audit committee confirms that corporate resources are utilized effectively, reducing agency costs and adopting better financial decision-making. In Bangladesh, corporate governance regulations mandate that publicly listed firms establish an audit committee to enhance transparency, responsibility, and accountability, which helps to shape a firm's economic strength and market reputation (Khan et al., 2013; Shamsuddin & Alshahri, 2022). Three aspects of an audit committee's structure are its size, independence, and meeting frequency. Larger audit committees, with their diverse skill, can heighten firm performance by providing stronger oversight. Although the audit committee positively affects firm value by confirming governance practices (Gill & Obradovich, 2012), Bunyaminu et al. (2025) find that increasing the committee size negatively impacts firm value in financial institutions, and Mili et al. (2025) indicate no significant effect.

Audit committee independence is essential for unbiased monitoring, enabling the committee to effectively provide oversight of executives and ensure accurate financial reporting and strategic consistency. Carcello and Neal (2003) concluded that audit committee independence positively affects corporate value, but Sarker and Hossain (2024) found no significant effect. According to Sundarasan et al. (2024), independent audit committees significantly improve firm value. Mili et al. (2025) assert that an independent audit committee is correlated with a lower probability of firm value. Whereas, Shamsuddin and Alshahri (2022) explored no significant impact. Besides, it is found that meeting frequency of audit committees increases internal controls and upholds transparency (Gerged & Agwili, 2020), whereas infrequent audit committee meetings might reduce executive control (Mili et al., 2025). The number of audit committee meetings was positively correlated with firm value (Gerged & Agwili, 2020); however, Mili et al. (2025) found no correlation between audit committee meetings and firm value.

Beyond corporate governance mechanisms, firm-specific factors contribute to a company's value.

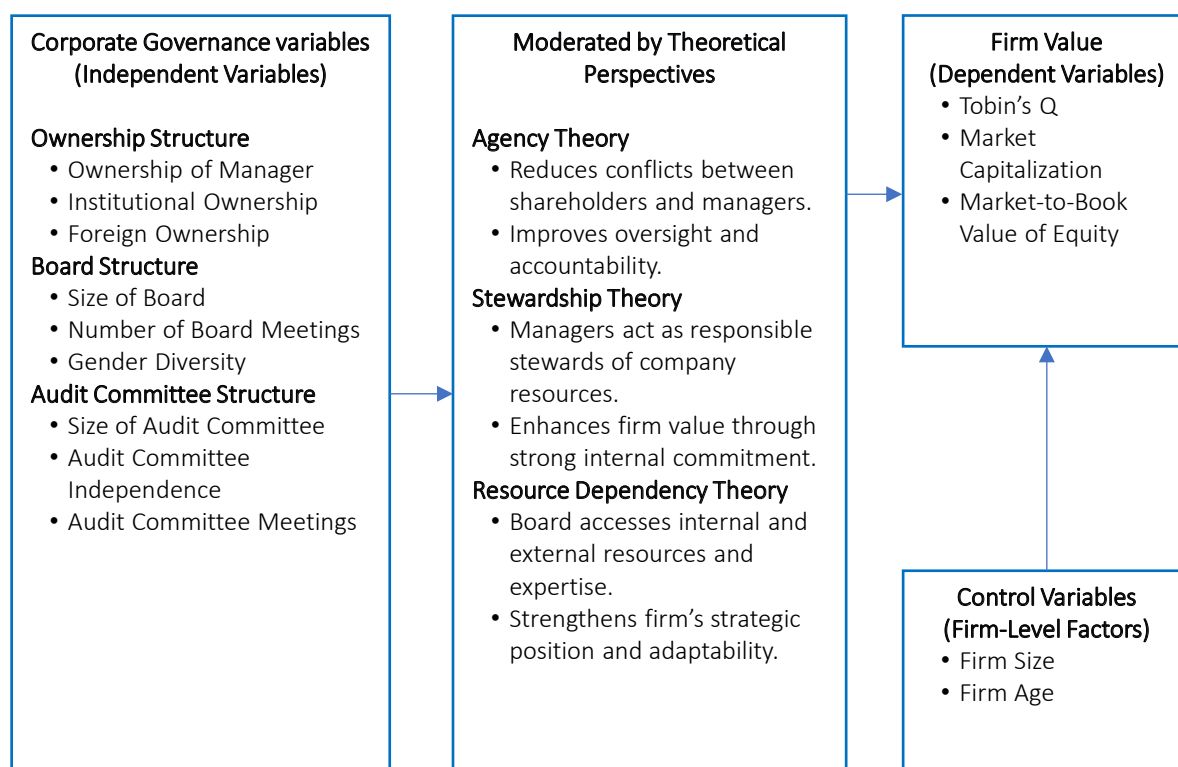


Figure 1. Theory-driven conceptual framework

The components of firm size and firm age show an essential influence on a firm's ability to generate value, operational efficiency, and endure external challenges. Big firms typically enjoy economies of scale and stronger negotiation positions, which help increase firm value; conversely, smaller firms might face challenges due to financial resource limitations and market volatility (Chakraborty & Maruf, 2023). Firm age reflects organizational maturity and accumulated experience; older firms typically possess established operational structures, reputation, and customer loyalty, which support consistent value creation (Sarker & Hossain, 2024). On the other hand, younger companies may be considered more hazardous due to their operational track record and unproven performance (Grassmann, 2021). Consequently, firm-specific factors are critical internal determinants that influence the valuation of a firm and its long-term sustainability.

Researchers from several nations, such as Bhat et al. (2018) in Pakistan, Fatma and Chouaibi (2023) in Europe, Black et al. (2010) in Korea, and Mishra and Kapil (2017) in India, conducted many explorative studies highlighting the significance of

corporate governance on firm value. Studies were also conducted in several different industries in Bangladesh to examine the relation between corporate governance and firm value: for instance, Sarker and Hossain (2024) focused on the manufacturing sector, while Rouf (2011) explored non-financial firms; Uddin et al. (2021) focused on 12 economic sectors in Bangladesh excluding the banking sector; and Mili et al. (2025) concentrated on companies within the fuel and power sector. Khan and Siddiqua (2015) examined the financial sector in Bangladesh, which includes banks, but focused exclusively on the effect of family ownership over a limited period from 2010 to 2012. A noteworthy gap exists in the literature regarding the association between firm value and corporate governance, particularly within the Bangladeshi banking sector.

Therefore, this study aims to address that gap by evaluating the influence of corporate governance on firm value in the Bangladeshi banking sector, incorporating firm-specific factors as control variables. Based on these perspectives, the following hypotheses are proposed, and the conceptual framework linking corporate governance to firm value are summarized in Figure 1.

- H_1 : *Managerial ownership significantly influences firm value.*
- H_2 : *Institutional ownership significantly influences firm value.*
- H_3 : *Foreign ownership significantly influences firm value.*
- H_4 : *Board size significantly influences firm value.*
- H_5 : *Board meeting significantly influences firm value.*
- H_6 : *Gender diversity significantly influences firm value.*
- H_7 : *Audit committee size significantly influences firm value.*
- H_8 : *Audit committee independence significantly influences firm value.*
- H_9 : *Audit committee meetings significantly influence firm value.*

2. METHODOLOGY

2.1. Sample selection and data processing

To determine how corporate governance affects company value, this research examined 220 firm-year observational data from 22 Dhaka Stock Exchange (DSE)-listed banks (Appendix 1) from 2014 to 2023. The study's sample selection included banks' listing years and data availability. First, all 36 DSE banks were considered. The study excludes banks listed after 2014 to provide a balanced longitudinal dataset, which produces an unbiased estimate (Hasan & Farha, 2025). Additional banks with missing or erroneous study duration or fluctuating data are eliminated from the samples. This condition eliminates 14

banks from the original pool. In the end, 22 banks are considered for comprehensive and accurate data to accomplish the study. Table 1 describes sample selection. Following Fatma and Chouaibi (2023), this study uses secondary databases to gather corporate governance, firm value, and other firm-specific data from bank annual reports.

2.2. Key variables and measurement

The firm value is measured by considering Tobin's Q, market capitalization, and market-to-book value of equity following Sundarasan et al. (2024), Chakraborty and Maruf (2023), and Uddin et al. (2021). The corporate governance mechanisms are considered independent variables focusing on three dimensions: ownership structure (managerial, foreign and institutional ownership), board structure (board size, gender diversity and meetings), and audit committee structure (committee members, independence and meetings), consistent with Mishra and Kapil (2017), Bhat et al. (2018) and Shamsuddin and Alshahri (2022). Control variables include firm-specific factors, i.e., firm age and firm size, following Sarker and Hossain (2024). Table 2 summarizes the key variables of the study.

2.3. Econometric model of data analysis

This study employs panel data analysis as the dataset incorporates both company-specific and time-specific characteristics. Prior to estimation, diagnostic tests are conducted to ensure the model's appropriateness and to obtain reliable and consistent estimates. Multicollinearity is assessed using the variance inflation factor (VIF), heteroscedasticity through the Breusch-Pagan test, autocorrelation via the Wooldridge test, and cross-sectional dependence using Pesaran's CD test (Bala et al., 2024; Hasan, 2024; Uddin et al., 2021). The results indicate no multicollinearity; however, first-order autocorrelation, heteroscedasticity, and cross-sectional depen-

Table 1. Sample selection process of banks listed on the Dhaka Stock Exchange

Description	Number of Banks
Banks listed on the Dhaka Stock Exchange till 31 st August 2024	36
Banks listed after 2014 (excluded)	6
Banks with incomplete or missing data (excluded)	8
Total sample size (after exclusions) used in the study	22

Note: This table presents the steps followed to determine the final sample of 22 banks included in the study.

Table 2. Variables and measurements

Variables	Definition and Measurement	Reference
Dependent Variables: Firm Value		
Tobin's Q	Indicates the firm's growth prospects by comparing its market value with the estimated cost to replace its assets, which is measured using the following formula $Tobin's Q = \frac{Market Value of Equity + Book Value of Total Liabilities}{Book Value of Total Asset}$	Gill and Obradovich (2012), Khasawneh and Staytieh (2017)
Market Capitalization	Represents the natural log of market capitalization, which is computed using the following formula: $Market Capitalization = \log(Stock Price \cdot Number of Outstanding Shares)$	Qasem et al. (2025)
Market-to-book Value of Equity	Determines a firm's valuation through the market-to-book value of equity ratio as computed using the following formula $Market to Book Value of Equity = \frac{Market Value of Equity}{Book Value of Equity}$	Kaniz and Mohiuddin (2020), Uddin et al. (2021)
Independent Variables: Corporate Governance Variables		
Managerial Ownership	The proportion of shares is kept by the CEO, directors, and their close family members relative to the total outstanding shares	Ifada et al. (2021)
Institutional Ownership	The percentage of a company's stock held by institutions relative to the total outstanding shares	Mishra and Kapil (2017)
Foreign Ownership	Foreign ownership as a proportion of total outstanding shares.	Khasawneh and Staytieh (2017)
Board Size	This is the natural logarithm of the board's director count	Abdelbadie and Salama (2019)
Board Meetings	The natural logarithm of how many meetings the board has had in total	Bhat et al. (2018)
Board Gender Diversity	The proportion of female directors on the company's board	Gerged and Agwili (2020)
Audit Committee Size	Natural logarithm of audit committee members	Bunyaminu et al. (2025)
Audit Committee Independence	Number of members in the audit committee's independence	Sundarasan et al. (2024)
Audit Committee Meetings	Natural log of audit committee meeting count	Marie et al. (2021)
Control Variables: Firm-Specific Variables		
Firm Size	The total amount of the assets of the company is expressed as a natural logarithm	Kaniz and Mohiuddin (2020)
Firm Age	The natural logarithm of the number of years since the company's inauguration year	Chakraborty and Maruf (2023)

Note: This is the summary table for key variables, including firm value, three dimensions of corporate governance factors, and control factors of this study.

dence are present. Accordingly, the feasible generalized least squares (FGLS) method is applied to produce efficient and unbiased estimates (Hasan et al., 2025a; Bala et al., 2024; Hasan et al., 2024a). FGLS is particularly effective for balanced panel data, as it directly addresses these common data issues while ensuring unbiased and consistent estimates (Chatha et al., 2025; Hasan et al., 2024b). The regression equation employed in this study is specified as follows:

$$\begin{aligned}
 Tobin's Q_{it} = & \beta_0 + \beta_1 MO_{it} + \beta_2 IO_{it} \\
 & + \beta_3 FO_{it} + \beta_4 LNBS_{it} + \beta_5 LNBM_{it} \\
 & + \beta_6 BGD_{it} + \beta_7 LNACS_{it} + \beta_8 ACI_{it} \\
 & + \beta_9 LNACM_{it} + \beta_{10} LNSIZE_{it} \\
 & + \beta_{11} LNAGE_{it} + \varepsilon_{i,t},
 \end{aligned} \tag{1}$$

$$\begin{aligned}
 LNMCAPI_{it} = & \beta_0 + \beta_1 MO_{it} + \beta_2 IO_{it} \\
 & + \beta_3 FO_{it} + \beta_4 LNBS_{it} + \beta_5 LNBM_{it} \\
 & + \beta_6 BGD_{it} + \beta_7 LNACS_{it} + \beta_8 ACI_{it} \\
 & + \beta_9 LNACM_{it} + \beta_{10} LNSIZE_{it} \\
 & + \beta_{11} LNAGE_{it} + \varepsilon_{i,t},
 \end{aligned} \tag{2}$$

$$\begin{aligned}
 MBVE_{it} = & \beta_0 + \beta_1 MO_{it} + \beta_2 IO_{it} \\
 & + \beta_3 FO_{it} + \beta_4 LNBS_{it} + \beta_5 LNBM_{it} \\
 & + \beta_6 BGD_{it} + \beta_7 LNACS_{it} + \beta_8 ACI_{it} \\
 & + \beta_9 LNACM_{it} + \beta_{10} LNSIZE_{it} \\
 & + \beta_{11} LNAGE_{it} + \varepsilon_{i,t}.
 \end{aligned} \tag{3}$$

Here, three regression equation models are developed for three firm value measures: the first one is Tobin's Q, the second is *LNMCAP*, which indicates the market capitalization, and the third is *MBVE*, which denotes the market-to-book value of equity. Besides, the corporate governance parameter *MO* indicates managerial ownership, *IO* indicates institutional ownership, and *FO* indicates foreign ownership. *LNBS* denotes board size, *LNBM* indicates board meetings, and *BGD* refers to board gender diversity. In audit committee composition, *LNACS* indicates audit committee size, *ACI* indicates independence of the audit committee, and *LNACM* indicates audit meeting frequency. Finally, *LNSIZE* stands for firm size, *LNAGE* represents firm age, and ε_{it} is the error term for firm *i* at time *t*.

3. RESULTS

3.1. Descriptive statistics

Table 3 presents the descriptive statistics for firm value measures, corporate governance parameters, and control variables, using data from 22 listed banks over the period 2014 to 2023, based on 220 observations. Tobin's Q has a 1.0604 mean value, where the standard deviation is 0.9616, showing a moderate variation in market-based firm value over the period. The mean of Tobin's Q is closely aligned with the outcomes of Sundarasan et al. (2024). The mean of the logarithmic market

capitalization is BDT 9,9087 million, suggesting relatively consistent firm sizes among the sampled companies. In comparison, Qasem et al. (2025) explored a higher mean of 13.30, considering a large sample of 29 companies from the Malaysian capital market. Similarly, the average value of the market-to-book value of equity is 1.6270, which specifies that overall, firms are valued above their book equity. This finding is marginally less than the value found by Kaniz and Mohiuddin (2020).

Regarding ownership structure, the average managerial ownership is 31.71%, while institutional ownership is, on average, at 22.42%, with standard deviations of 15.31 and 12.64, respectively. This suggests that managers tend to hold larger and more concentrated stakes in firms, whereas institutional ownership is more moderate and varies across companies, possibly due to differing investment strategies and regulatory constraints, consistent with the outcomes of Uddin et al. (2021). The foreign ownership structure is found to be low at 5.21% with a high standard deviation of 15.17%, suggesting that foreign investors stay careful or selective in their participation, which is also observed by Black et al. (2010). The mean of the logarithmic board size is 2.61 members with low variation, which suggests that firms prefer smaller, more manageable boards to ensure effective governance, supported by Abdelbadie and Salama (2019). It is found that the logarithmic value of board meetings is held approximately 2.89 times annually, usually holding between two and three meetings.

Table 3. Descriptive statistics

Variables	Obs.	Mean	Std. dev.	Min	Max
Tobin's Q	220	1.0604	0.9616	0.1101	13.5168
Market Capitalization (BDT Million)	220	9.9087	0.7819	7.5600	12.0700
Market-to-Book Value of Equity	220	1.6270	1.4030	0.0612	10.8002
Managerial Ownership (%)	220	31.7106	15.3093	0.1400	71.6900
Institutional Ownership (%)	220	22.4221	12.6437	0.0000	53.8500
Foreign Ownership (%)	220	5.2124	15.1682	0.0000	87.0000
Board Size	220	2.6136	0.4883	2.0000	3.0000
Board Meetings	220	2.8920	0.3112	2.0000	3.0000
Gender Diversity (%)	220	10.3044	9.9863	0.0000	42.8600
Audit Committee Independence	220	1.9261	0.7012	0.0000	3.0000
Audit Committee Size	220	1.5000	0.5127	0.0000	2.0000
Audit Committee Meeting	220	2.0341	0.4262	1.0000	3.0000
Firm Size (BDT Million)	220	15.5242	0.0369	15.3280	15.6570
Firm Age (Year)	220	3.1705	0.4950	2.0000	4.0000

Note: This table summarizes the descriptive figures for all variables, showing the count of observations, mean values, standard deviations, and their minimum and maximum ranges. The dataset consists of annual observations of 22 publicly listed banks in Bangladesh, spanning 2014 to 2023.

Table 4. Correlation matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) Tobin's Q	1.0000	-	-	-	-	-	-	-	-	-	-	-	-	-
(2) Market Capitalization	0.1496*	1.0000	-	-	-	-	-	-	-	-	-	-	-	-
(3) Market-to-Book Value of Equity	0.0119	0.3743***	1.0000	-	-	-	-	-	-	-	-	-	-	-
(4) Managerial Ownership	-0.1438	-0.1377*	0.1832**	1.0000	-	-	-	-	-	-	-	-	-	-
(5) Institutional Ownership	-0.1080	0.1294	0.2485***	-0.2022**	1.0000	-	-	-	-	-	-	-	-	-
(6) Foreign Ownership	0.4075***	0.2493***	-0.0634	-0.2867***	-0.3096***	1.0000	-	-	-	-	-	-	-	-
(7) Board Size	-0.0991	-0.2545***	-0.1613*	0.1821*	-0.0441	-0.2130**	1.0000	-	-	-	-	-	-	-
(8) Board Meetings	-0.2128**	-0.0912	0.1570*	-0.1474*	0.0110	-0.0760	-0.1256	1.0000	-	-	-	-	-	-
(9) Gender Diversity	0.0665	0.1735*	0.3796***	-0.0963	0.3238***	0.1394*	-0.1642*	0.0356	1.0000	-	-	-	-	-
(10) Audit Committee Size	-0.0955	-0.2000**	-0.0588	0.2103**	-0.1764*	-0.1503*	0.5022***	-0.0895	-0.2146**	1.0000	-	-	-	-
(11) Audit Committee Independence	0.0502	0.3051***	0.2709**	0.0079	0.0166	0.0478	0.2833***	-0.0106	0.1548*	0.2623***	1.0000	-	-	-
(12) Audit Committee Meeting	-0.0268	0.0205	-0.0729	-0.2567**	0.1516*	0.2293**	-0.0187	0.0710	0.1994**	-0.0261	0.1614*	1.0000	-	-
(13) Firm Size	-0.4195***	0.2139**	-0.1563*	0.1622*	0.1942**	0.1052	-0.0008	-0.2060**	0.0763	0.0826	-0.1122	0.1791*	1.0000	-
(14) Firm Age	-0.0795	0.0813	-0.0562	-0.0035	0.0970	0.0426	-0.0569	-0.1395	0.0411	0.0901	-0.0623	0.1077	0.4189*	1.0000

Note: Statistical significance: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. This table displays the Pairwise Correlation Matrix, highlighting the correlations between examined variables, and covers the timeframe from 2014 to 2023, using annual data of 22 publicly listed banks in Bangladesh.

The gender diversity on boards is 10.30% which indicates a lower presence of females in corporate boards, and some firms have no female directors at all. This output is aligned with the outcomes of Abdelbadie and Salama (2019).

Concentrating on the presence of audit committees, the average number of independent audit committee directors is 1.93, suggesting that companies commonly maintain a reasonable level of independent oversight. These consequences are consistent with the Corporate Governance Guidelines-2012 (BSEC, 2012), which asserts that firms should hold one independent director among their board members. The average logarithmic value of an audit committee consists of approximately 2 members, and an average of 2 audit committee meetings is held annually. These outcomes contrast with those of Marie et al. (2021). Company-specific elements such as firm size and firm age show mean values of BDT 15.5242 million and 3.1705 years, respectively, which suggest minimal variation in firm size within the sample and the inclusion of relatively mature firms. This consistency is related to the outcomes of Mishra and Kapil (2017).

3.2. Correlation matrix

Table 4 exhibits the pairwise correlation matrix. The correlation analysis reveals that foreign ownership is positively correlated with Tobin's Q, which highlights that greater foreign investor firms tend to exhibit higher market valuation (Sarker & Hossain, 2024). In contrast, Tobin's Q is negative with board meetings, suggesting that excessive meetings may signal internal inefficiencies or reactive oversight rather than proactive strategic planning (Khanh et al., 2020). Among control variables, firm size is also negatively correlated with Tobin's Q, which aligns with the outcomes of Mishra and Kapil (2017). Market capitalization shows a strong positive correlation with foreign ownership, gender diversity, and audit committee independence. Independent audit committees may reflect adherence to good governance practices, while gender diversity on boards can signal openness, innovation, and broader perspectives. In contrast, market capitalization is negative with managerial ownership, board size, and audit committee size, implying that overly large

boards or concentrated internal control may not favor firm expansion. Firm size is positive and significant with market capitalization, affirming that big firms naturally hold better market value (Chakraborty & Maruf, 2023). Market-to-book value of equity is positively associated with institutional ownership, managerial ownership, board meetings, gender diversity, and audit committee independence, indicating that firms with committed ownership and inclusive governance are viewed more favorably by investors regarding future growth and value. Gender-diverse boards bring broader decision-making perspectives that can enhance firm value, as noted by Fatma and Chouaibi (2023). Conversely, the market-to-book value of equity shows negative correlations with board size and firm size, demonstrating that businesses with small boards and small overall size may be perceived as more efficient and capable of faster growth, making them more attractive to investors (Kaniz & Mohiuddin, 2020).

3.3. Regression analysis using panel data

Table 5 shows three models representing different values of firm indicators. The results reveal that managerial ownership significantly affects firm value, supporting hypothesis H_1 . It shows that managerial ownership has a positive and significant influence on Tobin's Q ($\beta = 0.00371$, $p < 0.05$), market capitalization ($\beta = 0.0152$, $p < 0.01$), and market-to-book value of equity ($\beta = 0.0215$, $p < 0.01$). However, institutional ownership is significant with firm value, supporting hypothesis H_2 . Results show that institutional ownership positively correlated with Tobin's Q ($\beta = 0.0135$, $p < 0.10$) and market-to-book value of equity ($\beta = 0.00866$, $p < 0.10$), but is insignificant for market capitalization. Hypothesis H_3 confirms that foreign ownership significantly improves Tobin's Q ($\beta = 0.0428$, $p < 0.01$) and market capitalization ($\beta = 0.0064$, $p < 0.05$), while it does not affect the market-to-book value of equity. Foreign investors bring higher expectations of transparency and efficiency.

Moreover, the board size is found to be significant with the firm value, which establishes hypothesis H_4 . It shows that board size is positively and significantly related to Tobin's Q ($\beta = 0.553$, $p < 0.05$) and market capitalization ($\beta = 0.0408$, $p < 0.05$), but

Table 5. FGLS regression result of the relationship between corporate governance parameters and firm value

Variables	Model 1	Model 2	Model 3
	Tobin's Q	Market Capitalization	Market-to-Book Value of Equity
Managerial Ownership	0.00371* (2.51)	0.0152** (2.66)	0.0215** (2.98)
Institutional Ownership	0.0135* (2.53)	0.00805 (1.82)	0.00866* (2.06)
Foreign Ownership	0.0428*** (9.28)	0.0064** (2.89)	0.00110 (0.25)
Board Size	0.553** (2.91)	0.0408** (2.50)	-0.339* (-2.29)
Board Meetings	-0.132* (-1.99)	-0.0714 (-0.65)	-0.118 (-0.78)
Gender Diversity	0.00842* (2.06)	0.00781* (2.18)	0.0232*** (3.75)
Audit Committee Size	0.0619 (0.64)	-0.0559 (-0.87)	-0.193 (-1.72)
Audit Committee Independence	0.0850* (2.02)	0.147** (3.27)	0.326** (2.92)
Audit Committee Meeting	-0.410 (-1.75)	-0.0341 (-0.58)	-0.0179 (-0.11)
Firm Size	-21.31*** (-7.45)	2.729* (2.14)	-1.023 (-0.62)
Firm Age	0.378** (2.89)	0.200* (1.98)	0.257 (1.02)
Constant	329.5*** (7.43)	-34.20 (-1.09)	16.17** (2.64)
Wald Chi ²	267.37***	62.23***	59.93***
Observations	220	220	220

Notes: Statistical significance: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Figures in parentheses indicate robust standard errors. This Table exhibits the outcomes of the FGLS panel data model, based on yearly data from 22 publicly scheduled banks in Bangladesh collected from 2014 to 2023.

negatively with the market-to-book value of equity ($\beta = -0.339$, $p < 0.10$). However, board meetings have a significant and negative relationship with Tobin's Q ($\beta = -0.132$, $p < 0.05$), indicating that frequent meetings could signal inefficiencies or reactive governance, while their effects are insignificant on market capitalization along with the market-to-book value of equity, which weakly supports H_5 . Gender diversity positively and significantly correlated with the value of the firm, supporting hypothesis H_6 , confirming that all three methods of firm value Tobin's Q ($\beta = 0.00842$, $p < 0.10$), market capitalization ($\beta = 0.00781$, $p < 0.10$), and market-to-book value of equity ($\beta = 0.0232$, $p < 0.01$) have a positive association with gender diversity.

The audit committee size does not exhibit any significant impact on firm value, suggesting that hypothesis H_7 is not accepted. In contrast, the independence of audit committee shows a positive and significant

impact on Tobin's Q ($\beta = 0.0850$, $p < 0.10$), market capitalization ($\beta = 0.147$, $p < 0.05$), and the market-to-book value of equity ($\beta = 0.326$, $p < 0.05$), which supports the hypotheses H_8 that independence of audit committee helps to improve financial health and investors' expectation. Therefore, the hypothesis H_9 that audit committee meetings influence firm value is not proven by the analysis, which found no significant influence of audit committee meetings on a firm's value. Additionally, the control variable, firm size, exhibits a negative relation with Tobin's Q ($\beta = -21.31$, $p < 0.001$) but a positive association with the market capitalization ($\beta = 2.729$, $p < 0.05$), signifying that bigger firms may possess lower market efficiency but higher absolute value. Also, firm age exhibits a positive impact on both Tobin's Q ($\beta = 0.378$, $p < 0.01$) and market capitalization ($\beta = 0.200$, $p < 0.05$), indicating that more established firms benefit from market recognition, operational maturity, and reputational strength.

Table 6. PCSE regression result of the relationship between corporate governance and firm value

Variables	Model 1	Model 2	Model 3
	Tobin's Q	Market Capitalization	Market-to-Book Value of Equity
Managerial Ownership	0.0180* (2.30)	0.0004* (2.16)	0.0249*** (3.57)
Institutional Ownership	0.0212** (3.16)	0.00538 (1.66)	0.0200* (2.19)
Foreign Ownership	0.0338* (2.13)	0.00847*** (3.39)	0.00284 (0.50)
Board Size	0.0409*** (3.32)	0.2060* (1.99)	-0.435** (-2.59)
Board Meetings	-0.770*** (-4.13)	-0.0941 (-0.91)	0.2550 (1.45)
Gender Diversity	0.00677** (2.86)	0.0018* (2.30)	0.0277* (1.98)
Audit Committee Size	0.0627 (0.58)	-0.1700 (-1.62)	-0.0709 (-0.64)
Audit Committee Independence	0.0711* (2.11)	0.263*** (3.44)	0.448*** (3.80)
Audit Committee Meeting	-0.0675 (-0.43)	-0.0598 (-0.74)	-0.0593 (-0.45)
Firm Size	-36.36*** (-7.64)	2.627** (2.66)	-5.069 (-1.91)
Firm Age	0.646*** (3.51)	0.0461* (2.51)	0.0746 (0.71)
Constant	564.7*** (7.69)	-30.51* (-2.02)	78.27* (1.99)
Wald Chi ²	94.13***	48.03***	29.17**
Adj R ²	0.7092	0.9225	.2474
Observation	220	220	220

Notes: Statistical significance: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Figures in parentheses indicate robust standard errors. This table exhibits the findings from the PCSE panel data model, based on yearly data from 22 publicly listed Bangladeshi banks for 2014 to 2023.

3.4. Robustness analysis

This section shows the robustness analysis using the Panel Corrected Standard Errors (PCSE) method to validate the outcomes of the regression analysis Section 3.3, following Bala et al. (2024). This PCSE method is effective when the panel data has cross-sectional dependence and heteroscedasticity to ensure the reliability and consistency of variables (Chatha et al., 2025; Hasan et al., 2025b). By performing the PCSE method, it is found that the results of PCSE (Table 6) align perfectly with the outcomes of the Feasible Generalized Least Squares (FGLS) model (Table 5), which ensures the reliability of the findings of FGLS regression.

4. DISCUSSION

This study investigates hypotheses about how corporate governance characteristics affect firm value.

Firm value is positively correlated with ownership structure. Managerial ownership shows a consistently positive and substantial effect on firm value, which is aligned with Ifada et al. (2021) and strengthened agency theory, which emphasizes equity shares' role in aligning shareholders' and management's interests (Jensen & Meckling, 1976), and the stewardship theory views managers as naturally committed to the firm's success (Donaldson & Davis, 1991). Institutional ownership explores a favorable relation with Tobin's Q, indicating the contribution of institutional investors through active monitoring and governance oversight. This result aligns with Mishra and Kapil (2017), who support the notion that institutional investors assist as an effective internal control mechanism. Additionally, institutional ownership is significantly and positively correlated with the market-to-book value of equity. However, this finding contrasts with Uddin et al. (2021), who report no

significant influence of institutional ownership on firm value. Foreign ownership also significantly improves Tobin's Q and market capitalization. Foreign investors play a crucial part in improving firm value by exerting strong oversight, leveraging their financial strength, and contributing strategic expertise, which supports the resource dependency theory (Akram & Haq, 2022). These results are consistent with Khasawneh and Staytieh (2017).

Board structure shows a significant relation with the firm value. Board size has a significant and positive relation with Tobin's Q and market capitalization, indicating that larger boards enhance firm value through better managerial oversight (Gerged & Agwili, 2020). This supports agency theory, as greater board size increases accountability and mitigates managerial self-interest (Onguka et al., 2021). Moreover, the negative relation of board size to the market-to-book value of equity suggests potential inefficiencies in larger boards regarding strategic decision-making. Board meeting frequency is adversely associated with Tobin's Q, suggesting that a higher number of meetings may indicate managerial inefficiencies rather than deliberate efforts to enhance firm performance (Bunyaminu et al., 2025). Gender diversity has a positive relation with firm value, as greater female representation improves decision-making and fosters innovation (Fatma & Chouaibi, 2023). This aligns with resource dependency theory, highlighting diversity as a strategic resource and a signal of corporate responsibility (Islam et al., 2022)

Among audit variables, firm value is positively impacted by audit committee independence. Financial accounts are more independent and trustworthy when audited by independent committees, which boosts investor confidence and company value (Sundarasan et al., 2024). However, firm value shows an insignificant relation with the audit committee members and meeting frequency, which supports the outcomes of Mili et al. (2025) and Shamsuddin and Alshahri (2022). The presence of additional members or increased meeting frequency does not necessarily ensure effective oversight; rather, the level of engagement and the proficiency of the audit committee play a more significant role in impacting firm value. The size of a firm shows a notable negative correlation with Tobin's Q, indicating that bigger firms might face valuation discounts because of bureaucratic inefficiencies or the perceptions held by investors (Mishra & Kapil, 2017). On the other hand, the positive correlation with market capitalization arises from the fact that larger companies typically possess a higher total market value due to their size, assets, and established presence in the market (Chakraborty & Maruf, 2023). However, the age of a firm has a positive impact on Tobin's Q, indicating that older firms enjoy advantages from enhanced reputations and increased operational maturity, thereby improving their valuation, which is aligned with Sarker and Hossain (2024). Moreover, the market capitalization is also affected by firm age, a conclusion that contrasts with Chakraborty and Maruf (2023).

CONCLUSION

This study is conducted to identify how corporate governance parameters affect a firm's value in the Bangladeshi banking sector. For that, 22 listed banks are selected from the DSE over the years from 2014 to 2023. The study finds that audit committee independence, management ownership, and gender diversity boost firm value. Institutional ownership positively affects Tobin's Q and market-to-book value of equity, while foreign ownership and board size positively affect Tobin's Q and market capitalization. Furthermore, board meetings adversely impact Tobin's Q, while board size negatively influences the market-to-book value of equity. However, the findings indicate that the value of the firm is not significantly impacted by audit committee meetings or size.

This study has major implications for Bangladeshi decision-makers, regulators, and bank management. The benefits of audit committee independence, managerial ownership, gender diversity, and institutional ownership highlight the need for aligned interests, inclusive leadership, and effective supervision systems. Regulators should encourage greater management ownership as well as institutional and foreign investor participation to strengthen governance. Findings on board size and meetings highlight the need to prioritize governance quality over structural metrics. Similarly, the insignificant effect of

audit committee size and meetings suggests that member competence and active involvement matter more than numbers or frequency. Bangladesh Bank and the Bangladesh Securities and Exchange Commission (BSEC) can improve the Corporate Governance Code – 2018 by clarifying ownership rules, emphasizing board expertise, and audit committee responsibilities to enhance bank value.

The study acknowledges several limitations. First, the research findings are limited to the banking sector. While this study focuses on stock-exchange-listed banks, it might be expanded in the future to cover other parts of the financial industry, including insurance firms and non-bank financial institutions (NBFIs), to enhance the acceptability of the results. Second, this study concentrates on particular governance elements linked to ownership structure, board characteristics, and the audit committee. Future studies can incorporate additional internal and external governance mechanisms to provide deeper insights into how diverse governance factors impact firm value. Moreover, future studies could consider both macroeconomic and firm-level variables to develop the concept of the factors that affect firm value.

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APPENDIX A

Table A1. List of sample banks

No.	Company Name	Listing Year	No.	Company Name	Listing Year
1	AB Bank PLC	1983	12	EXIM Bank PLC	2004
2	Bank Asia PLC	2004	13	Eastern Bank PLC	1993
3	Brac Bank PLC	2007	14	Al-Arafah Islami Bank PLC	1998
4	City Bank PLC	1986	15	Mutual Trust Bank PLC	2003
5	Dhaka Bank PLC	2000	16	Shahjalal Islami Bank PLC	2007
6	IFIC Bank PLC	1986	17	Standard Bank PLC	2003
7	Islami Bank Bangladesh PLC	1985	18	Trust Bank PLC	2007
8	Jamuna Bank PLC	2006	19	Uttara Bank PLC	1984
9	One Bank PLC	2003	20	Mercantile Bank PLC	2004
10	Prime Bank PLC	2000	21	Premier Bank PLC	2007
11	United Commercial Bank PLC (UCB)	1986	22	Dutch-Bangla Bank PLC	2001