

Board Governance and Financial Performance: Evidence from Listed Commercial Banks in Uganda

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ABSTRACT

This study examined the effect of board governance on financial performance among listed commercial banks in Uganda. Specifically, it investigated how key governance dimensions, such as strategic leadership, board structure, board independence, and accountability, influence financial outcomes, including profitability, liquidity, earnings per share, and non-performing loans. Guided by agency, stewardship, and resource dependence theories, the study adopted a positivist approach using an explanatory sequential mixed-methods design. Quantitative data were collected from 353 shareholders through structured questionnaires, while qualitative insights were obtained from semi-structured interviews with board members and executives. Descriptive statistics, Pearson correlation, and multiple regression analyses were employed to evaluate the relationships between board governance and financial performance. Results revealed that board governance positively and significantly influences financial performance ($r = 0.721$, $p < 0.01$; $R^2 = 0.740$), with strategic leadership and financial supervision showing the strongest effects, while board independence and stakeholder representation exhibited gaps. The findings support the premise that effective governance mechanisms enhance oversight, mitigate managerial opportunism, and improve resource allocation, thereby promoting profitability and institutional stability. The study provides empirical evidence for policymakers, regulators, and bank executives seeking to strengthen board governance structures and enhance financial sector performance in emerging markets.

KEYWORDS: Board Governance, Financial Performance, Listed Commercial Banks, Uganda, Strategic Leadership, Board Independence.

1. INTRODUCTION

Corporate governance continues to occupy a central position in contemporary financial management scholarship, particularly within the banking sector, where governance failures can generate systemic instability and erode investor confidence. In highly leveraged and interconnected financial systems, the quality of board oversight directly influences risk-taking behaviour, capital structure decisions, and long-term value creation (Adams & Mehran, 2023; Erkens et al., 2022). Listed commercial banks operate under stringent prudential regulation and heightened market scrutiny, conditions that amplify the strategic importance of effective board governance. Within

such environments, governance mechanisms extend beyond compliance requirements and function instead as institutional safeguards that shape financial resilience and performance sustainability.

The regulatory reforms that followed successive global financial disruptions exposed structural weaknesses in board monitoring, executive accountability, and risk oversight within banking institutions. International standard-setting bodies, including the Basel Committee on Banking Supervision, subsequently revised governance principles to emphasize board independence, financial

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expertise, risk governance capacity, and strengthened audit oversight (Basel Committee on Banking Supervision, 2023). These reforms repositioned boards of directors as pivotal actors in safeguarding depositor interests, maintaining capital adequacy, and promoting financial stability. As a result, the governance–performance relationship has evolved into a dominant research stream within corporate finance and banking literature.

Theoretically, the linkage between board governance and financial performance is grounded in multiple complementary perspectives. Agency theory remains foundational, positing that conflicts arising from the separation of ownership and control necessitate effective monitoring structures to mitigate managerial opportunism (Jensen & Meckling, 1976). In banking institutions, where opacity and risk complexity are pronounced, board independence and oversight mechanisms are considered critical in reducing agency costs and constraining excessive risk-taking (Adams & Mehran, 2023). However, governance effectiveness cannot be explained solely through monitoring logic. Stewardship theory suggests that executive leadership may align naturally with organizational objectives, implying that boards should balance control functions with strategic advisory roles (Davis et al., 1997). Complementarily, resource dependence theory conceptualizes the board as a strategic resource provider, offering expertise, reputational capital, and access to external networks that enhance organisational competitiveness (Hillman et al., 2009). Recent governance scholarship increasingly integrates these perspectives to explain heterogeneous performance outcomes across institutional contexts (Erkens et al., 2022).

Empirical findings on board governance and financial performance remain nuanced and context sensitive. Recent studies indicate that board independence enhances financial reporting quality and risk-adjusted performance, particularly in regulated industries (Nguyen et al., 2021; Adams & Mehran, 2023). Conversely, excessive independence without sufficient firm-specific expertise may weaken strategic decision-making capacity (Erkens et al., 2022). Board size similarly presents trade-offs: smaller boards are associated with improved coordination efficiency, while larger boards may contribute broader knowledge diversity and regulatory compliance capabilities in complex institutions such as banks (Fernandes et al., 2021). Growing evidence also links gender and professional diversity to improved risk governance and more prudent financial policies, although institutional and cultural factors moderate these effects (Post & Byron,

2015; Pletzer et al., 2019; Nguyen et al., 2021). Collectively, these findings underscore that governance-performance dynamics are contingent upon regulatory architecture, market development, and institutional maturity.

The banking sector provides a distinctive empirical setting for examining these relationships. Unlike non-financial corporations, banks operate as financial intermediaries exposed to credit, liquidity, and operational risks that can propagate through the broader economy. Consequently, financial performance in banking institutions is evaluated not only in terms of profitability but also through efficiency and stability metrics such as Return on Assets (ROA), Return on Equity (ROE), and capital adequacy measures. Board governance structures influence strategic risk tolerance, capital allocation, and compliance decisions, thereby directly shaping these performance indicators (Adams & Mehran, 2023; BCBS, 2023).

Despite the expansion of governance reforms and empirical inquiry, consensus remains limited regarding which specific board characteristics most consistently enhance financial performance among listed commercial banks, particularly within emerging and frontier markets. Much of the recent high-impact literature remains concentrated in developed financial systems, thereby restricting the generalizability of conclusions across diverse regulatory and institutional settings (Erkens et al., 2022). This gap calls for contextually grounded empirical investigations capable of disentangling how board independence, board size, board diversity, meeting frequency, and audit committee effectiveness jointly influence financial outcomes in regulated banking environments.

Against this backdrop, the present study examines the relationship between board governance and financial performance among listed commercial banks. By integrating agency, stewardship, and resource dependence perspectives within a contemporary financial management framework, the study contributes to evolving debates on governance effectiveness in the banking sector. More specifically, it seeks to clarify whether board-level governance mechanisms function as strategic drivers of profitability and shareholder value creation under conditions of regulatory complexity and market uncertainty. In doing so, the study provides evidence relevant to regulators, institutional investors, and policymakers seeking to strengthen governance architectures and enhance financial sector stability.

2. STATEMENT OF THE PROBLEM

Board governance has assumed heightened prominence in corporate finance and banking research, particularly in the wake of recurrent financial crises that exposed deficiencies in board oversight, risk governance, and executive accountability within financial institutions. In response, international regulatory authorities such as the Basel Committee on Banking Supervision have strengthened governance frameworks emphasizing board independence, financial expertise, accountability structures, and enhanced risk oversight (Basel Committee on Banking Supervision, 2023). These reforms are founded on the premise that effective board configurations improve monitoring quality, constrain excessive managerial risk-taking, and ultimately enhance financial performance. Consequently, board governance mechanisms are widely perceived as critical instruments for promoting shareholder value and ensuring institutional stability in listed commercial banks.

However, despite this regulatory emphasis and strong theoretical grounding, empirical evidence linking board governance to financial performance remains inconsistent and context-dependent. While some studies report positive relationships between board independence and profitability or risk-adjusted returns (Adams & Mehran, 2023), others identify nonlinear or insignificant effects influenced by institutional and market conditions (Erkens et al., 2022). Similar divergences appear regarding board size, diversity, meeting frequency, and audit committee effectiveness. These mixed findings are particularly consequential in the banking sector, where financial performance, often measured through Return on Assets (ROA) and Return on Equity (ROE), is shaped by regulatory intensity, capital adequacy requirements, and complex risk exposures. Given the concentration of prior research in developed economies, there remains insufficient context-specific evidence to determine whether particular board governance consistently drives financial performance in listed commercial banks.

This unresolved ambiguity necessitates rigorous empirical investigation to clarify the governance performance relationship and inform both academic debate and regulatory policy.

2.1. PURPOSE OF THE STUDY

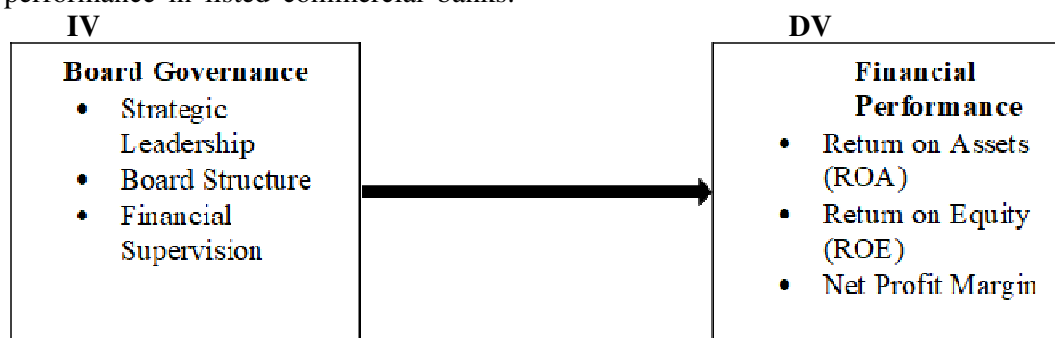
The purpose of this study was to examine the effect of board governance on financial performance among listed commercial banks in Uganda. Specifically, the study aimed to investigate how key governance dimensions, including strategic leadership, board structure, and financial supervision.

influence financial outcomes such as profitability, liquidity, earnings per share, and non-performing loans.

3. CONCEPTUAL FRAMEWORK

This conceptual framework is grounded in Agency Theory as advanced by Jensen and Meckling (1976), which posits that conflicts arise in corporations due to the separation of ownership and control. In listed commercial banks, shareholders delegate decision-making authority to managers, creating potential agency problems such as excessive risk-taking, earnings manipulation, or inefficient resource allocation. The board of directors, therefore, functions as a critical internal governance mechanism responsible for monitoring management, safeguarding shareholders' interests, and ensuring strategic alignment. Within this study, board governance constitutes the independent variable, while financial performance represents the dependent variable.

Board governance is conceptualized as a multidimensional construct comprising strategic leadership, board structure, accountability, and board independence. Strategic leadership refers to the board's capacity to define long-term direction, approve corporate strategy, oversee risk appetite, and ensure that management decisions align with institutional objectives. In banking institutions where financial intermediation exposes firms to credit, liquidity, and operational risks, strategic oversight is essential for balancing profitability and stability.



Source: Adapted from Jensen & Meckling (1976); Basel Committee on Banking Supervision (2023); Adams & Mehran (2023)

Board structure captures the composition and configuration of the board, including size, diversity of expertise, committee arrangements, and the presence of specialized oversight structures such as audit or risk committees. A well-structured board enhances monitoring efficiency, facilitates informed decision-making, and strengthens internal control systems. Accountability reflects the mechanisms through which the board ensures transparency, accurate financial reporting, executive supervision, and compliance with regulatory standards. Strong accountability frameworks reduce information asymmetry and enhance investor confidence, particularly in publicly listed banks subject to market scrutiny.

Board independence refers to the extent to which non-executive and independent directors participate in governance processes. Independent directors are expected to provide objective judgment, minimize managerial dominance, and strengthen oversight quality. Greater independence enhances the board's ability to challenge executive decisions, constrain opportunistic behaviour, and promote prudent risk management practices.

Financial performance, the dependent variable, is measured using banking-specific indicators, including profitability (Return on Assets and Return on Equity), liquidity, earnings per share, and non-performing loans. Profitability measures reflect operational efficiency and shareholder value creation. Liquidity indicates the bank's ability to meet short-term obligations and manage funding risks. Earnings per share signal market performance and investor returns, while non-performing loans reflect asset quality and credit risk exposure. Together, these indicators provide a comprehensive assessment of both financial sustainability and risk management effectiveness.

The framework assumes a direct relationship between board governance and financial performance. Effective governance mechanisms enhance strategic decision-making, strengthen risk oversight, reduce agency costs, improve financial reporting quality, and ensure regulatory compliance. These improvements are expected to translate into higher profitability, stronger liquidity positions, improved shareholder returns, and lower credit risk. Conversely, weak governance structures may result in poor monitoring, excessive risk-taking, and deteriorating financial outcomes.

Overall, the conceptual framework proposes that variations in board governance dimensions significantly influence the financial performance of listed commercial banks in Uganda. It provides a structured lens through which the governance-performance relationship can be empirically tested, offering insights relevant to regulators, investors, and policymakers seeking to enhance banking sector stability and shareholder value.

4. RESEARCH METHODOLOGY

This investigation was grounded in a positivist philosophical stance and employed an explanatory sequential mixed methods design to examine the relationship between board governance and financial performance among listed commercial banks in Uganda. The methodological choice was intentional and theoretically informed. By beginning with a quantitative phase, the study sought to rigorously test hypothesized relationships between board characteristics, shareholder engagement, and financial performance in a manner consistent with empirical traditions in corporate governance and financial management research (Jensen & Meckling, 1976; Pfeffer & Salancik, 1978). Complementary qualitative insights were incorporated to provide contextual explanations of governance processes and institutional challenges, an approach recommended for producing nuanced and contextually sensitive scholarship in emerging market settings (Creswell & Creswell, 2023; Edmondson & McManus, 2022).

Quantitative data were gathered using structured questionnaires administered to a stratified random sample of shareholders, while purposively selected board members and executives participated in semi-structured interviews to capture insights on governance mechanisms, risk oversight, and strategic decision-making. Measures of board governance were adapted from validated frameworks in corporate governance literature and included board independence, size, diversity, meeting frequency, audit committee effectiveness, and shareholder engagement. Financial performance was operationalized using profitability and risk-based indicators, including Return on Assets (ROA), Return on Equity (ROE), Earnings per Share (EPS), Non-Performing Loans (NPL), liquidity ratios, and EBITDA margin. All quantitative items were measured on five-point Likert scales to enhance reliability and comparability across responses. Documentary analysis of financial statements, corporate governance disclosures, and regulatory filings supplemented primary data, providing further evidence of board practices and institutional accountability.

Following data collection, statistical analyses were conducted using SPSS. Descriptive statistics were first generated to provide an overview of response distributions and central tendencies. Pearson correlation analysis

was applied to determine the strength and direction of relationships between board governance variables and financial performance, followed by multiple regression models to assess predictive capacity while controlling for contextual factors such as bank size, age, and regulatory environment. Mediation analysis was also performed to evaluate the role of shareholder engagement in influencing the board governance financial performance relationship (Baron & Kenny, 1986). Qualitative data from interviews and documents were analyzed thematically to uncover patterns related to governance challenges, strategic oversight, and institutional constraints that extended beyond numerical indicators.

To ensure methodological rigor, content validity was strengthened through expert review and pilot testing, while reliability was confirmed using Cronbach's alpha, with coefficients exceeding the widely accepted threshold of 0.70 (Hair et al., 2022). Exploratory factor analysis was conducted to verify the structural coherence of board governance constructs. Ethical approval was secured before data collection, and participants were assured of voluntary participation, informed consent, confidentiality, and anonymity in accordance with established ethical standards for social science research (Kothari et al., 2014). By integrating statistical robustness with qualitative contextualization, the methodological framework was designed to generate credible, generalizable, and contextually grounded findings capable of contributing meaningfully to contemporary debates in corporate governance and financial management scholarship.

5. RESULTS AND DISCUSSIONS

Response Rate

Table 1 presents the distribution of questionnaires in this study conducted among selected listed commercial banks. A total of 377 questionnaires were distributed to a stratified sample of shareholders to ensure representative coverage across different shareholding categories.

Table 1: Questionnaire Distribution and Response Rate

Category	Frequency (n)	Percentage (%)
Questionnaires Distributed	377	100
Questionnaires Returned (Valid)	353	93.6
Not Returned / Incomplete	24	6.4

Source: Field Data (2025)

The analysis presented in Table 1 demonstrates that the study attained a notably high response rate, indicating substantial engagement from shareholders of the selected listed commercial banks and the relevance of the research topic. Out of the 377 questionnaires disseminated to the stratified shareholder sample, 353 were completed and considered valid for subsequent analysis, corresponding to a response rate of 93.6%. Conversely, twenty-four questionnaires were either unreturned or incomplete, representing 6.4% of the total administered instruments. This response rate surpasses the generally accepted benchmark of 70% in survey-based social science research, suggesting that the collected data are robust, representative, and suitable for rigorous statistical and inferential analyses (Baruch & Holtom, 2008; Babbie, 2020).

Descriptive Analysis of Board Governance and Financial Performance among Selected Commercial Banks.

The study collected data on board governance and financial performance from a stratified sample of shareholders and senior executives of the selected listed commercial banks. The analysis focused on key governance dimensions, including board independence, board size, board diversity, frequency of board meetings, and audit committee effectiveness, alongside financial performance indicators such as profitability, liquidity, earnings per share, and non-performing loans. The descriptive statistics summarized respondents' perceptions, highlighting the prevailing governance patterns and their perceived effects on financial outcomes. These findings provide an empirical foundation for further inferential analyses and offer insights into how board governance mechanisms may shape financial performance in the context of listed commercial banks operating in emerging markets. Table 2 presents a detailed overview of respondents' views on the relationship between board governance and financial performance.

Table 2: Respondents' Perceptions of Board Governance and Financial Performance (n = 353)

No	Statement	SD	D	N	A	SA	Mean	Std. Dev
Strategic Leadership								
1	We have an appropriate strategic plan	5%	12%	18%	40%	25%	3.05	0.815
2	Board members regularly meet	3%	8%	20%	45%	24%	3.13	0.604
3	There is a procedure for vetting leaders	4%	10%	22%	40%	24%	3.12	0.702
4	We undertake a periodic review of the budget	0%	0%	1%	10%	89%	4.89	0.507
5	Management adheres to accountability procedures set by law	4%	5%	12%	41%	38%	4.12	0.692
Board Structure								
6	Our board members are independent of management	21%	33%	15%	22%	9%	1.99	0.975
7	All stakeholders are appropriately represented on the Board	10%	15%	20%	35%	20%	3.20	0.832
8	The Board has collective responsibility	3%	10%	15%	45%	27%	3.95	0.815
9	The board periodically provides oversight of the work done by management	5%	8%	12%	50%	25%	3.55	0.748
10	The board is composed of experienced members	2%	7%	15%	48%	28%	3.80	0.710
Financial Supervision								
11	The bank has financial and accounting policies that guide management in its operation	1%	5%	10%	50%	34%	4.10	0.693
12	Books of accounts are subjected to external audits	0%	4%	11%	49%	36%	4.15	0.678
13	We have strong internal control systems	1%	5%	12%	47%	35%	4.08	0.689
14	The commercial bank has approved credit policies	2%	6%	13%	46%	33%	4.00	0.710
15	All financial transactions of our bank are properly documented	0%	3%	10%	48%	39%	4.20	0.650
Average							3.52	0.734

Key: SA = Strongly Agree, A = Agree, N = Neutral, D = Disagree, SD = Strongly Disagree

Source: Primary Data (2025)

The overall descriptive analysis of board governance and financial performance among the selected commercial banks revealed an average mean score of 3.52 with a standard deviation of 0.734, indicating that, on average, respondents moderately agreed that board governance positively influences financial performance. This suggests a general perception among shareholders and senior executives that governance mechanisms are functioning adequately to support organizational performance, though variations exist across specific governance dimensions.

The highest mean scores were observed in strategic leadership practices, particularly for periodic budget review (M = 4.89, SD = 0.507) and proper adherence to accountability procedures (M = 4.12, SD = 0.692). These results indicate strong alignment of management with strategic planning and legal accountability requirements, reflecting a robust oversight environment. High scores in these areas justify the view that well-structured strategic leadership enhances financial discipline and supports effective resource allocation, consistent with agency theory, which emphasizes the role of monitoring mechanisms in reducing managerial opportunism.

Moderate mean scores were recorded for several aspects of board structure and strategic leadership, including board regular meetings (M = 3.13, SD = 0.604), procedures for vetting leaders (M = 3.12, SD = 0.702), collective board responsibility (M = 3.95, SD = 0.815), and board experience (M = 3.80, SD = 0.710). These results suggest that while board members participate actively and share responsibilities, there remain areas for enhancing inclusivity and governance consistency. Moderate perceptions of these practices indicate that board processes are recognized as important but may require further formalization or reinforcement, aligning with

stewardship theory, which highlights the significance of shared accountability and leadership competence for organizational performance.

The lowest mean scores were associated with board independence from management ($M = 1.99$, $SD = 0.975$) and stakeholder representation on the board ($M = 3.20$, $SD = 0.832$). These findings suggest that respondents perceive limitations in the autonomy of board members and in inclusive representation, potentially constraining the board's ability to exercise effective oversight. Low scores in these dimensions highlight a governance gap that may influence financial risk exposure and decision-making quality, reinforcing prior literature that links limited board independence to higher agency costs and suboptimal financial outcomes in emerging markets.

Overall, these findings corroborate existing theoretical and empirical evidence indicating that robust board governance particularly in strategic leadership and financial supervision, contributes positively to financial performance, while deficiencies in board independence and stakeholder representation may undermine governance effectiveness. The results provide empirical support for regulatory frameworks, such as those recommended by the Basel Committee on Banking Supervision (2023), which emphasize board structure, accountability, and oversight as key determinants of organizational stability and value creation in listed commercial banks.

Correlation Results: Board Governance and Financial Performance

A Pearson correlation analysis was conducted to examine the strength, direction, and statistical significance of the relationship between Board Governance and Financial Performance among listed commercial banks. The analysis used data collected from 353 respondents, including senior executives, board members, and shareholders.

Table 3: Correlation Results on Board Governance and Financial Performance

Correlations	Board Governance	Financial Performance
Board Governance	1	
Sig. (2-tailed)	–	
N	353	
Financial Performance	0.721**	1
Sig. (2-tailed)	0.000	–
N	353	353

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

Source: Primary Data (2025)

The results, summarized in Table 3, indicate a strong and positive relationship between Board Governance and Financial Performance ($r = 0.721$, $p < 0.01$). This suggests that higher levels of board governance, including strategic leadership, accountability, and board structure, are associated with improved financial outcomes in listed commercial banks.

The observed positive association aligns with agency theory, which emphasizes that effective board governance reduces managerial opportunism and strengthens oversight mechanisms, thereby enhancing organizational performance (Jensen & Meckling, 1976). Strong governance practices, particularly in strategic leadership, accountability, and board processes, create a monitoring environment that supports financial discipline, resource allocation, and value creation.

These findings corroborate prior empirical studies indicating that well-structured board governance contributes significantly to financial performance in the banking sector (Adams & Mehran, 2023; Erkens et al., 2022). Furthermore, the strength of the correlation highlights the importance of board effectiveness as a key determinant of organizational stability and shareholder value, consistent with recommendations by the Basel Committee on Banking Supervision (2023).

Overall, the results provide robust empirical support for the premise that enhancing board governance mechanisms is crucial for improving financial performance in listed commercial banks.

INFERENCE ANALYSIS

The Effect of Board Governance and Financial Performance in Listed Commercial Banks.

Multiple regression analysis was conducted to assess the effect of Board Governance on Financial Performance in listed commercial banks. The results (Table 4) show that governance practices, including strategic leadership, accountability, board structure, and independence, significantly explain variations in financial performance, highlighting their critical role in shaping outcomes.

Table 4: Model Summary on Board Governance and Financial Performance in the Listed Commercial Banks.

Model Summary				
Model	R	R Square	Adjusted R-Square	Std. Error of the Estimate
1	.721 ^a	.740	.681	.21343

a. Predictors: (Constant), Board Governance,

Source: Primary Data (2025)

The Model Summary results, summarized in Table 4, indicate a strong positive relationship between Board Governance and Financial Performance among listed commercial banks. The model produced an R value of 0.721, suggesting a substantial correlation between the predictor (Board Governance) and the outcome variable (Financial Performance). The R² value of 0.740 indicates that approximately 74% of the variance in financial performance is explained by board governance, while the adjusted R² of 0.681 accounts for potential model overfitting, confirming the robustness of the predictive relationship. The standard error of the estimate (0.21343) reflects a low level of unexplained variability, further supporting the reliability of the model.

These findings underscore the critical role of governance practices, including strategic leadership, accountability, board structure, and independence in shaping financial outcomes. The results provide empirical support for agency theory, which posits that effective governance mechanisms reduce managerial opportunism, enhance oversight, and improve resource allocation (Jensen & Meckling, 1976). They also align with regulatory guidance from the Basel Committee (2023), emphasizing that strong and independent boards are pivotal for sustainable value creation and financial stability in the banking sector.

Table 5: ANOVA Results on the Effect of Board Governance and Financial Performance in the Listed Commercial Banks.

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.532	1	27.532	137.210	.000 ^b
	Residual	42.231	351	.120		
	Total	69.763	352			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Board Governance

Source: Primary Data (2025)

The ANOVA results in Table 5 assess the overall significance of the regression model, examining the effect of Board Governance on Financial Performance in listed commercial banks. The model yielded an F-value of 137.210 with a p-value of 0.000, indicating that the regression model is statistically significant at the 1% level. This demonstrates that board governance, including strategic leadership, accountability, board structure, and independence, collectively have a significant predictive effect on financial performance.

The high F-value and significant p-value confirm that the variation in financial performance explained by board governance is unlikely due to chance, reinforcing the model's reliability. These results provide empirical support for the theoretical expectation, rooted in agency theory, that effective board governance enhances oversight, mitigates managerial opportunism, and improves organisational financial outcomes (Jensen & Meckling, 1976).

Table 6: Regression Coefficients on the Effect of Board Governance and Financial Performance in the Listed Commercial Banks.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.678	.342		1.786	.000
	Board Governance	.423	.135	.419	5.243	.000

a. Dependent Variable: Financial Performance

Source: Primary Data 2025

The regression coefficients presented in Table 6 provide detailed insights into the predictive effect of Board Governance on Financial Performance in listed commercial banks. The unstandardized coefficient (B = 0.423, SE = 0.135) indicates that a one-unit increase in board governance encompassing strategic leadership, accountability, board structure, and independence is associated with an increase of 0.423 units in financial performance, holding other factors constant. The corresponding standardized coefficient ($\beta = 0.419$) shows a

moderate to strong relative influence of board governance on financial performance, allowing for comparison across variables.

The t-value of 5.243 and a p-value of 0.000 indicate that this relationship is statistically significant at the 1% level, confirming that the effect of board governance on financial performance is not due to random variation. Similarly, the model constant (intercept) has a significant effect ($B = 0.678$, $t = 1.786$, $p = 0.000$), indicating that even in the absence of board governance, there is a baseline level of financial performance.

These results support the study's hypothesis (H_1), which posited that Board Governance has a significant positive effect on Financial Performance in listed commercial banks. The findings are consistent with agency theory (Jensen & Meckling, 1976), suggesting that effective governance mechanisms through enhanced oversight, accountability, and strategic leadership reduce managerial opportunism and improve resource allocation, thereby enhancing financial outcomes.

In practical terms, the coefficients justify that strengthening board governance structures will likely yield measurable improvements in the financial performance of listed commercial banks, emphasizing the importance of policy and regulatory frameworks that promote board independence, accountability, and strategic decision-making, in line with Basel Committee recommendations (2023).

CONCLUSION

The study examined the effect of Board Governance on Financial Performance in listed commercial banks, drawing on data from 353 shareholders and senior executives. The descriptive analysis indicated that, on average, respondents moderately agreed that board governance positively influences financial performance, with the highest scores observed in strategic leadership and financial supervision. However, deficiencies were noted in board independence and stakeholder representation, suggesting areas for governance improvement. Pearson correlation analysis revealed a strong positive relationship between board governance and financial performance ($r = 0.721$, $p < 0.01$), while multiple regression analysis demonstrated that governance practices collectively explain 74% of the variance in financial performance ($R^2 = 0.740$), with a statistically significant effect ($B = 0.423$, $t = 5.243$, $p < 0.01$). These findings provide robust empirical support for the study hypothesis (H_1) and align with agency theory, indicating that effective board governance mitigates managerial opportunism, strengthens oversight, and enhances resource allocation. Overall, the results underscore the critical role of well-structured and accountable boards in promoting financial stability, value creation, and sustainable performance in the banking sector, consistent with Basel Committee recommendations.

6. RECOMMENDATIONS

Based on the study's findings, the following recommendations are proposed to enhance the impact of Board Governance on listed commercial banks:

1. Strengthen Board Independence: Banks should ensure that board members operate with autonomy from management to provide unbiased oversight and reduce potential conflicts of interest.

2. Enhance Stakeholder Representation:

Inclusion of diverse stakeholder groups on the board can improve decision-making, accountability, and transparency in strategic and operational governance.

3. Promote Strategic Leadership Practices:

Boards should prioritize periodic budget reviews, adherence to accountability procedures, and alignment with long-term strategic objectives to support effective financial planning and resource allocation.

4. Regular Training and Capacity Building:

Continuous professional development for board members can enhance governance competencies, ensure compliance with regulatory standards, and foster ethical leadership.

5. Strengthen Financial Supervision

Mechanisms: Banks should maintain robust internal controls, conduct regular external audits, and enforce comprehensive financial policies to improve monitoring and safeguard organizational performance.

By implementing these recommendations, the listed commercial banks can reinforce effective governance practices, enhance financial performance, and achieve sustainable value creation for shareholders and other stakeholders.

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