

## DETERMINANTS OF CORPORATE GOVERNANCE QUALITY IN FINANCIAL INSTITUTIONS OF NEPAL

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### ABSTRACT

The study aims to empirically examine the determinants of corporate governance standard in financial institutions of Nepal. The governance quality is measured using a broad corporate governance index. The impact of internal corporate governance mechanisms; board composition, ownership structure, remuneration, disclosure practices, and shareholders' rights protection on corporate governance quality is assessed employing pooled and fixed effects panel data models. The data for the study comprises of 31 A-class financial institutions in Nepal for the period 2010-2014. The study results reveal that financial institutions in Nepal have satisfactory level of compliance with the regulatory provisions related to corporate governance practices. Differences have been found in corporate governance practices adopted by state-owned, joint venture and private banks. Foreign ownership is found to enhance corporate governance quality while state ownership is found to hinder improvement in governance. The banks in Nepal exhibit compliance behavior for regulatory corporate governance provisions. Voluntary adoption of best corporate practices is low. Overall, the findings demonstrate that board size, director independence, board diversity, remuneration, disclosure and ownership are key mechanisms that impact corporate governance practices adopted by the banks. Ownership concentration in form of higher promoter ownership is found to be detrimental for raising standards of corporate governance.

**KEYBOARD:** Corporate governance, ownership structure, board composition, disclosure, remuneration, shareholders rights.

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