Jahangirnagar University Journal of Business Research (JUJBR), Vol. 25, No. 01, June, 2025
ISSN 1681-9748

Company Performance & Corporate Governance in Emerging Economy – Evidence from Textile Industries of Bangladesh

JUJBR

Mst. Maksuda Begum [*]
Farha Tammi Meem [**]

Abstract: *This research investigates the effect of corporate governance practices in improving business performance in Bangladesh's textile industry, aiming to identify best practices and enhance Bangladeshi firms' competitiveness. The research used data from randomly selected 25 textile establishments registered on Dhaka Stock Exchange (DSE) to analyze the association in the middle of corporate governance practices and company performance for the period 2012 to 2023. The study used longitudinal cross-sectional panel data set of Bangladeshi textile businesses, analyzed using multiple discriminant regression (FGLS). The findings imply that performance of corporation is significantly effected by corporate governance (Proportion of outside directors, Board size, Square of board meetings, Audit committee) and firm-level variables (Firm age, Leverage, Firm Size, Business Skill). Corporate leaders, investors, legislators, and other stakeholders can exercise these understandings to improve corporate governance standards and ensure that businesses function with integrity and efficiency. Robust corporate governance attributes, for instance an independent board, effective audit committee members, and shareholder rights protection are critical to improving firm performance and long-term success. This emphasizes the need of upholding corporate governance laws and regulatory requirements that promote transparency, responsibility, and stakeholder protection for investors, corporate management, company owners, and policymakers alike. A well-managed textile sector, Bangladesh's largest export earner and key employer, can boost investor confidence, fascinate foreign direct investment (FDI), and subsidize to long-term financial advancement.*

Keywords: *Corporate Governance, Company Performance, Outside Directors, Board Size, Audit Committee*

1. Introduction

Recent high-profile scandals like Adelphia, Enron, and WorldCom have drawn a lot of attention to corporate governance, which has led to new U.S. regulations like the Sarbanes-Oxley Act of 2002, which is regarded as the most comprehensive corporate governance law in the last 70 years (Byrnes et al.,

[*] Assistant Professor, Department of Accounting & Information Systems, Jagannath University, E-mail: begummmaksuda@yahoo.com

[**] Senior Officer, Finance & Accounts, Walton Digi-tech Industries Ltd.

DOI: https://doi.org/10.53461/jujbr.v25i01.87

2003). Importantly, if improved corporate governance is linked to improved business performance, then companies with better corporate governance ought to outperform those with inferior governance (Buallay et al., 2017).

However, in recent years corporate failures and frauds has also been raised in relation to developing nations like Bangladesh (Arora & Sharma, 2016). The relationship between corporate governance and firm success is complex and not always perfectly linear (Bhagat & Bolton, 2007). Nevertheless, Several scholarly research as Demsetz & Villalonga (2001), and Bhagat & Black (2001) have found a favorable correlation between corporate governance and business performance. Good corporate governance practices help contest managers' and shareholders' interests, increasing business value and profitability. These practices include ownership structure, transparency, board independence, and board size. The reason for their conclusions are the acceptance of establishing rigorous and trustworthy measures of corporate governance (Mashayekhi & Bazaz, 2008).

Moreover, Ahmed & Hamdan (2015), Arora & Sharma (2016), Buallay et al. (2017), and Kajola (2008) employ various metrics of financial performance (ROE, ROA, EPS) and corporate governance (board structure, ownership concentration) to assess the link between the two. Some studies delve into corporate governance within a particular context. Ciftci et al. (2019) examines family-controlled businesses in Turkey, while Kyereboah-Coleman et al., (2007) focuses on African firms. These studies consider how corporate governance interacts with unique characteristics of the chosen setting. Larcker et al., (2007) acknowledged the difficulty of precisely measuring corporate governance. Their study explores ways to identify underlying characteristics within a vast set of governance variables. Similarly, Hermuningsih et al. (2020) proposed a new measure of corporate governance efficiency to address inconsistencies in prior research. A few studies have objectives beyond the performance-governance relationship. Yusoff & Alhaji (2012) examined the impact of recent corporate governance reforms on Malaysian companies' financial health.

Sarker & Hossain (2023) says Bangladesh, a developing nation, has seen numerous business collapses and scams over the past 20 years, including the fall of Adamjee Jute Mills Corporation Ltd in 2002, the Hallmark scandal in 2012, the share market downturns in 2010, and others. The necessity to improve and restructure the corporate governance system in order to increase the value of the firms has been highlighted by the failures of corporations as a result of inadequate systems. Kyereboah-Coleman (2007) identifies that the past 20 years of global privatization, the reform of pension funds and the rise in private savings, the 1980s takeover wave, the 1980s deregulation and integration of capital markets, the 1997 East Asia Crisis, and the spate of recent corporate scandals are some of the factors contributing to the growing significance of corporate governance. Corporate governance research has primarily been conducted in developed economies, primarily in the United States and the United Kingdom. Now that developing nations are aware that the idea promotes

DOI: https://doi.org/10.53461/jujbr.v25i01.87

sustainable growth, they are adopting it more and more. According to a number of studies Gompers et al. (2003); Kang and Shivdasani (1995); Berkman et al. (2009); and Bhagat and Black (2001) accounting fraud is more likely to occur in companies with weak governance structures than in those with strong governance. According to Core et al. (1999), companies with inadequate governance structures face more problems and their managers receive greater personal benefits, which reduces the firm's value. Increased domestic investor trust in a firm, reduced capital costs, simpler access to stock markets, and more dependable funding sources are all benefits of implementing a good corporate governance structure (Sarker & Hossain, 2023). This study looks into how effective governance practices can boost economic growth and enhance business success. Through the development of best practices and regulations, this research aids in identifying efficient mechanisms for these contexts and, in the end, boosts the competitiveness of Bangladeshi firms by promoting an honest and transparent business environment that draws in investment and strengthens the economy of the country.

While most studies have focused on developed economies, often overlooking firm-level governance practices, and many prior investigations have used limited governance variables, this study aims to fill these gaps by providing a focused, firm-level analysis of how corporate governance structures affect the performance of textile firms in Bangladesh, employing a broader range of governance metrics and longitudinal panel data. As a result, it adds context-specific evidence that is both practically relevant and theoretically rich to the corporate governance discourse in emerging economies.

The textile sector is a critical component of Bangladesh's economy, contributing significantly to GDP, employment, and export revenues (Bhattacharjee, 2022). However, difficulties such as financial mismanagement, a lack of transparency, and lax regulatory compliance frequently impede long-term growth. The study on the influence of corporate governance on company performance in Bangladesh's textile sector is significant for a variety of stakeholders as the critical role of corporate governance in ensuring long-term success, financial resilience, and sustainability in Bangladesh's textile industry, benefiting firms, investors, policymakers, and the broader economy.

The research aims to explore the connection between corporate governance practices and a company's performance in Bangladesh, a developing nation. Focusing specifically on the textile industry, the study investigates how well companies adhere to good governance principles and how this compliance is associated with their financial soundness. This analysis can provide valuable insights for both Bangladeshi textile firms seeking to improve and for understanding the role of corporate governance in emerging economies.

The remainder of the chapter is as follows: The "Literature Review" segment provides a review of prior literature on the research topic; "Conceptual Framework" describes the framework of the models; "Research Design & Methodology" describes the procedure used for sample selection and data

DOI: https://doi.org/10.53461/jujbr.v25i01.87

collection; "Analysis and Findings" reports the results and further analysis, “Limitation and Future Study” segment outlines the limitations of the study and further direction for future research; and the "Conclusions" segment include the recommendations.

2. Literature Review

The literature review here is consist of two parts. The theoretical background is the first section, which focuses on theories that are directly related to the topic. The empirical evidence section that follows emphasizes relevant studies, possible explanations, and the formulation of hypotheses.

2.1 Theoretical Background

2.1.1 Resource Dependency Theory

This theory focuses on acquiring resources for a company's survival and growth (Kyereboah-Coleman et al., 2007). A hypothesis suggests that a board's primary function is to network with other organizations to gain access to crucial resources. The composition of the board (executive vs. non-executive directors) might be less important in this perspective. Effective corporate governance, as emphasized by this theory, also acknowledges the need to protect all stakeholders, not just shareholders.

2.1.2 Agency Theory

This idea, introduced by Jensen and Meckling (1976) proposes that excellent corporate governance rules reduce disputes between managers and shareholders, resulting in improved performance. Strong boards are viewed as a critical tool for achieving this equilibrium. According to this hypothesis, concentrated control, in which a few shareholders own a large percentage of the company, allows for better management oversight (Buallay et al., 2017).

2.2 Empirical Review

Governance attributes of corporations (board size, board independence, board activity, audit committee) and firm-level variables (firm age, firm size, business skill, and leverage) were found as factors impacting corporate soundness in randomly selected Bangladeshi listed textile enterprises. Furthermore, Appendix 1 contains a selection of the studies reviewed for this study.

2.3 Hypothesis Development

The explanatory variables and their anticipated link to the performance indicators of the company are deliberated in this section.

2.3.1 Board size and Firm Performance

The study explores the debate on board size and its effect on company success. Proponents of smaller boards argue they're more efficient, harder for CEOs to control, and lead to better decision-making due to easier communication. Conversely, those favoring larger boards believe they reduce the chance of directors shirking responsibilities (free-riding) (Larmou & Vafeas, 2010). To

DOI: https://doi.org/10.53461/jujbr.v25i01.87

examine this, the study employed the total number of directors as board size measurement, expecting a negative correlation with performance (larger board's equal worse performance) and even considers the squared value of board size to seizure the influence of minor size variations. Therefore, the study tests the hypothesis below:

H_1: Ceteris paribus, board size is positively related to firm performance.

2.3.2 Board independence and Firm Performance

Independent directors of a board are seen as a way to bridge the gap between management and shareholder interests. The more independent directors (outsiders), the greater the perceived independence. However, some studies suggest a pessimistic link between company performance and board independence. Despite this, companies are adding non-executive directors to improve performance, so this research expects a positive impact (Fuzi et al., 2016). To measure this, they calculate the proportion of independent directors by dividing the number of such directors by the total board size. They even factor in the square of this proportion to account for the influence of minor variations in the percentage of independent directors. The study tests the hypothesis below:

H_2: Ceteris paribus, board independence is positively related to firm performance.

2.3.3 Board activity and Firm Performance

The total number of board active meetings held annually is employed by this study as a delegation of board activity, and the squared assessment is also put into consideration to account for the effects of even small changes in meeting frequency. Regular meetings are thought to increase performance because they keep directors focused on their responsibilities to the company and the interests of shareholders (Buchdadi et al., 2019). However, some contend that the small amount of time allotted for substantive discussion and the related expenses (director compensation and management time) may make these meetings ineffective. Thus, we seek to investigate the hypothesis below:

H_3: Ceteris paribus, board activity is positively related to firm performance.

2.3.4 Audit committee and Firm Performance

Studies by Anderson et al. (2004) and Klein (2002) show that more independent audit committees are linked to both lower earnings management and reduced debt financing costs for companies (Kajola, 2008).

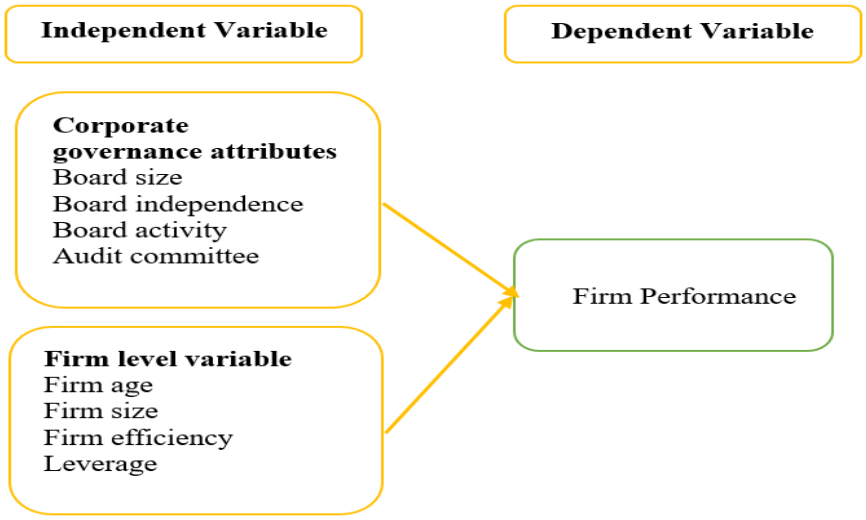
H_4: Ceteris paribus, audit committee is positively related to firm performance.

3. Conceptual model development

This study's data analysis methods includes dependent and independent variables. This study employs three dependent variables, eight independent variables. As a result, the conceptual exemplary of this study is as follows:

DOI: https://doi.org/10.53461/jujbr.v25i01.87

Figure 1: Conceptual Model



Source: Authors Construction

4. Research Design & Methodology

This part dives into how information is gathered, picked the companies involved, and designed the model to analyze the connection between how a company is run (corporate governance) and how well it performs (firm performance). It also addresses challenges they faced in making their calculations.

4.1 Data

Data from the audited financial records of businesses registered in the Dhaka Stock Exchange (DSE) was employed in this inquiry. A sample of firms was chosen by combining random sampling, in which the researcher has complete control over sample selection, with non-probability sampling, which first finds firms having the necessary information. In the end, twenty-five textile companies were randomly selected as the sample, listed in the Dhaka Stock Exchange used for twelve years, exactly from the year 2012 to 2023. Tables 01, 02 & 03 discuss how these variables were constructed for the empirical analysis. To investigate the links, the study used panel data estimates and then analyzed them using panel methodologies such fixed and random effects approaches.

4.2 Variable Descriptions

Table 1: Dependent variables description

Variable	Full Form	Description/ measurement	References
PERF_1	Return on assets	$\frac{\text{Profit after tax}}{\text{total assets}}$	Ahmed & Hamdan (2015)

DOI: https://doi.org/10.53461/jujbr.v25i01.87

PERF_2	Return on equity	$\frac{\text{Profit after tax}}{\text{Paid-up equity capital + reserves and funds}}$	Buallay (2017)
PERF_3	Market Capital	Natural log of market value	Chen et al. (2005)

Source: Authors Construction

Table 2: Independent variables description

Variable	Full Form	Description/ measurement	References
BS	Board size	Square of number of directors on board	Arora & Sharma (2016)
PO	Proportion of outside directors	Square of number of non-executive independent directors on board / Total board size.	Buallay (2017)
BM	Square of board meetings	Square of frequency of annual meetings	Kajola (2008)
AC	Audit committee	The composition of the audit committee, that is, outside as a proportion of the total member for firm i in time t.	Marashdeh (2014)

Source: Authors Construction

Table 3: Firm level variable description

Variable	Full Form	Description/ measurement	References
Age	Firm age	Present year to Incorporation year	Mashayekhi & Bazaz (2008)
Lev	Leverage	Long term term/Total assets	(Mashayekhi & Bazaz (2008)
Size	Firm Size	Natural log of assets	(Alabdullah et al. (2018)
SK	Business Skill	Turnover/Total assets	Clarke et al. (2011)

Source: Authors Construction

4.3 Empirical models

The following is the model of economic which was employed in this study and that was consistent with the majority of the literature:

Basic Model:

$$PERF_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 PO_{it} + \beta_3 BM_{it} + \beta_4 AC_{it} + \beta_5 Age_{it} + \beta_6 Lev_{it} + \beta_7 Size_{it} + \beta_8 SK_{it} + \varepsilon_{it} \cdots\cdots\cdots\cdots (2)$$

DOI: https://doi.org/10.53461/jujbr.v25i01.87

Model-1:

$$PERF\_1_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 PO_{it} + \beta_3 BM_{it} + \beta_4 AC_{it} + \beta_5 Age_{it} + \beta_6 Lev_{it} + \beta_7 Size_{it} + \beta_8 SK_{it} + \varepsilon_{it} \cdots\cdots\cdots (1)$$

Model-2:

$$PERF\_2_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 PO_{it} + \beta_3 BM_{it} + \beta_4 AC_{it} + \beta_5 Age_{it} + \beta_6 Lev_{it} + \beta_7 Size_{it} + \beta_8 SK_{it} + \varepsilon_{it} \cdots\cdots\cdots (2)$$

Model-3:

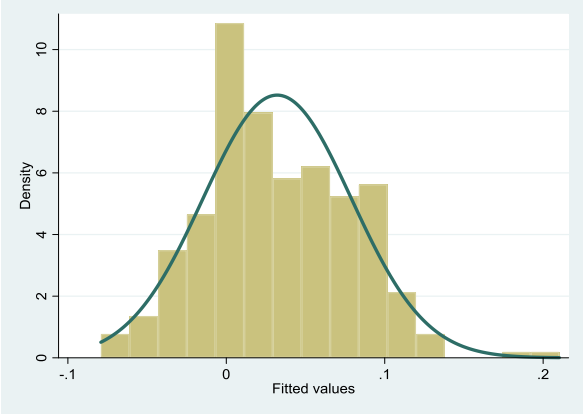
$$PERF\_3_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 PO_{it} + \beta_3 BM_{it} + \beta_4 AC_{it} + \beta_5 Age_{it} + \beta_6 Lev_{it} + \beta_7 Size_{it} + \beta_8 SK_{it} + \varepsilon_{it} \cdots\cdots\cdots (3)$$

Where, $PERF_{it}$ = Performance of entity i at time t, β_0 = Intercept (constant term), BS_{it} = Board Size, PO_{it} = Proportion of outside directors, BM_{it} = Board Meeting, AC_{it} = Audit Committee, Age_{it} = Age of the firm, Lev_{it} = Leverage, $Size_{it}$ = Firm Size, SK_{it} = Business Skill, ε_{it} = Error term (captures unobserved influences).

5. Analysis and Findings

5.1 Jarque-Barre (JB) test for normality

The Jarque-Barre (JB) analysis checks if the variables follow a pattern is normal. The value of the null hypothesis (H0) suggests that the facts has a usual distribution, while the other possibility demonstrates that the dataset is not normal.



Source: Author's Construction

Chart 1: Normality test for the dataset from the year 2012 to 2023

The information displayed in Chart 1 has a normal distribution with a one percent (%) significance level. The kurtosis and skewness showing the normal distribution indication. Again, the JB test, confirms the residuals ϵ_{it} from the basic model to assess whether they follow a normal distribution, as assumed by OLS regression. And finally found a normal distribution.

DOI: https://doi.org/10.53461/jujbr.v25i01.87

5.2 Univariate Analysis

The descriptive statistics for each variable utilized in the study are displayed in Table no. 4 below.

Table 4: Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Standard deviation
PERF_1	286	-0.128	0.132	0.021	0.054
PERF_2	286	-0.440	0.229	0.036	0.125
PERF_3	286	7.966	9.828	9.069	0.537
BS	286	25.00	100.00	54.537	23.199
PO	286	0.111	1.000	0.371	0.244
BM	286	0.000	361.00	82.220	88.880
AC	286	3.000	4.000	3.505	0.501
AGE	286	9.000	41.00	24.416	9.027
LEV	286	0.009	0.888	0.309	0.281
SIZE	286	8.109	10.212	9.357	0.501
SK	286	-1.421	0.201	-0.039	0.319

Source: Authors Construction

Where, $PERF_{it}$ = Performance of entity i at time t, β_0 = Intercept (constant term), BS_{it} = Board Size, PO_{it} = Proportion of outside directors, BM_{it} = Board Meeting, AC_{it} = Audit Committee, Age_{it} = Age of the firm, Lev_{it} = Leverage, $Size_{it}$ = Firm Size, SK_{it} = Business Skill, ε_{it} = Error term (captures unobserved influences).

Table 4 shows the statistical information produced using the winsorizing process. Winsorization is a technique for reducing the influence of extreme values (outliers) by replacing them with values from a specific percentile. Parameters were winnorized at the one percent and 99 percent levels. Table 4 also demonstrates summary information of the statistical measures for the variables. There have been 448 observations. The studied firms' mean ROA is 0.021, mean ROE is 0.036, and their mean MCap is 9.069. Of the 25 companies included in this analysis, the average board size is 54, and roughly 37% of the directors are outside the company. Additionally, the results show that, the studied organizations held average 82.220 meetings, and audit committee of the firms are held by the 4 persons on an average. Whereas, the average value of AGE, LEV, SIZE, and SK is 24.416, 0.309, 9.357, and -0.039 respectively.

DOI: https://doi.org/10.53461/jujbr.v25i01.87

5.3 Bivariate Analysis

Table 5: The correlation among variables

Variables	PERF_1	PERF_2	PERF_3	BS	PO	BM	AC	AGE	SK	LEV	SIZE
PERF_1	1.000										
PERF_2	0.716	1.000									
PERF_3	0.351	0.150	1.000								
BS	0.040	0.118	0.363	1.000							
PO	0.060	0.106	0.107	0.173	1.000						
BM	0.103	-0.031	0.104	0.054	0.066	1.000					
AC	0.106	-0.039	0.286	0.009	-0.058	0.002	1.000				
AGE	-0.352	-0.175	-0.496	-0.17	0.036	-0.097	-0.151	1.000			
LEV	0.707	0.656	0.302	0.088	0.060	-0.001	0.099	-0.197	1.000		
SIZE	-0.175	0.047	-0.404	-0.16	0.054	-0.036	-0.271	0.226	-0.117	1.000	
SK	0.307	0.042	0.842	0.296	0.022	0.212	0.319	-0.292	0.286	-0.421	1.000

Source: Authors Construction

Legend: *** p<.01, ** p<.05, * p<.1; Where; $PERF_{it}$ = Performance of entity i at time t, β_0 = Intercept (constant term), BS_{it} = Board Size, PO_{it} = Proportion of outside directors, BM_{it} = Board Meeting, AC_{it} = Audit Committee, Age_{it} = Age of the firm, Lev_{it} = Leverage, $Size_{it}$ = Firm Size, SK_{it} = Business Skill, ε_{it} = Error term (captures unobserved influences).

The bivariate investigation is an apparatus for measuring the relation between two separate variables. Table 5 shows results correction analysis. Table 5 shows a positive connect of PERF with independent variables. Where PERF_1 has a positive connection with BS, PO, BM, AC, LEV, and SK with a value of 0.04, 0.060, 0.103, 0.106, 0.707 and 0.707. Again, the study found that PERF_2 has a positive connection with BS, PO, LEV, SIZE, and SK with a value of 0.118, 0.106, 0.656, 0.047, and 0.042. Further, PERF_3 has a positive relationship with BS, PO, BM, AC, LEV, and SK with a value of 0.363, 0.107, 0.104, 0.286, 0.302, and 0.842.

5.4 Test for Multicollinearity (Variance inflation factor), Autocorrelation, and Heteroskedasticity

Table 6: Variance inflation factor

	VIF	1/VIF
Size	1.582	.632
Lev	1.275	.784
AC	1.164	.859
BS	1.159	.863
AGE	1.149	.871
PM	1.118	.895
BM	1.068	.936
PO	1.052	.951
Mean VIF	1.196	.

Source: Author's Construction

DOI: https://doi.org/10.53461/jujbr.v25i01.87

Table 7: Wooldridge test for autocorrelation

F (1,24)	32.419
Prob > F	0.0000

Table 8: Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

chi^2 (1)	9.06
Prob > chi^2	0.0026

Where; $PERF_{it}$ = Performance of entity i at time t, β_0 = Intercept (constant term), BS_{it} = Board Size, PO_{it} = Proportion of outside directors, BM_{it} = Board Meeting, AC_{it} = Audit Committee, Age_{it} = Age of the firm, Lev_{it} = Leverage, $Size_{it}$ = Firm Size, SK_{it} = Business Skill, ε_{it} = Error term (captures unobserved influences).

Table 6, Variance inflation factors (VIF) results for entire of the coefficients of this model are less than 10, there is no multicollinearity (Gujarati, 2021).

Table 7, the test statistic (F-statistic) is 32.419, and the degree of freedom of the F-distribution is (1, 24). A very low p-value (0.000) offers strong evidence that the model contains first-order autocorrelation. As a result, the study employed first differencing to address this issue. The first differencing step is to subtract the prior value of a variable from the current value. Mathematically, $\Delta Y_t = Y_t - Y_{t-1}$. This is done for both of the dependent variables and the independent variables.

Tabletop 8, the outcomes of the investigation, the chi-squared test statistic is 9.06, with 1 degree of freedom. As a result, the study concludes that the model is highly heteroskedastic. As a result, the study must use FGLS to fix this issue.

5.5 Multivariate Analysis

Table 9: Result Hypothesis Testing

	Model-1		
ROA	**FGLS**	**FEM**	**REM**
BS	.004 ** (0.01)	0.001 (0.001)	0.003 (0.002)
PO	.014 (.009)	.015 (.015)	.012 (.012)
BM	0.015* (0.002)	0.006 (0.002)	0.007 (0.001)
AC	-.003 (.005)	-.002 (.009)	-.002 (.006)
SK	.108 *** (.007)	.081 *** (.009)	.093 *** (.008)
AGE	-.001 *** (0.001)	-.003 *** (.001)	-.002 *** (0.002)

DOI: https://doi.org/10.53461/jujbr.v25i01.87

LEV	-.007 (.009)	-.003 (.009)	-.003 (.009)
SIZE	-.005 (.005)	-.013 (.01)	-.005 (.007)
Constant	.014 (.05)	.211 (.095)	.117 * (.065)
Number of obs	286	286	286
F-test	41.869	20.318	-
Prob > F	0.000	0.000	0.000
R-squared	57.7%	42.1%	55.4%
Hausman (1978) specification test			
Chi-square test value	61.332		
P-value	0.000		

Source: Authors Construction

Legend: *** p<.01, ** p<.05, * p<.1; Where; $PERF_{it}$ = Performance of entity i at time t, β_0 = Intercept (constant term), BS_{it} = Board Size, PO_{it} = Proportion of outside directors, BM_{it} = Board Meeting, AC_{it} = Audit Committee, Age_{it} = Age of the firm, Lev_{it} = Leverage, $Size_{it}$ = Firm Size, SK_{it} = Business Skill, ε_{it} = Error term (captures unobserved influences).

Table 9 presents the empirical findings of the effects of Bangladeshi textile enterprises' governance features (Board independent directors, board size, board meetings, and audit committee) and firm level (business skill, leverage, dividend, firm size, and firm age) on performance. The proxy of performance clearly present an optimistic as well as significant association of board size with performance. It means, during study period, the sampled firms' executives and board chairs performed better in terms of profitability. This findings is consistent by way of prior experiential investigations (Sanda et al, 2005; Bokpin, Coleman, and Aboagye, 2006). Along with this, independence of board, and board meeting show positive connection of performance with them. The aforementioned means, during study period, board independence, and board meeting the more the practice of governance mechanism within the organization better the organization's performance. This outcome is line with Lin et al. (2014), and Koerniadi & Tourani-Rad (2012). Moreover, audit committee shows a negative association with performance (ROA). The analysis statistically originate no significant correlation amid the audit committee over performance indicator. Previous research by Mansi & Reeb (2004), Klein (2002) found positive correlation amid the audit committee over performance factors, contradicting this finding but align with (Kajola, 2008). Firm variable firm skill has a positive coefficient with the profitability and other firm level variables as leverage, age, and firm size has negative coefficient align with the conclusions of Olawale et al., (2017). The outcomes specify that effective governance in corporate has a considerable favorable influence on a company's pecuniary performance,

DOI: https://doi.org/10.53461/jujbr.v25i01.87

supporting the premise. Effective governance of corporation improves a business's pecuniary performance. Furthermore, Hausman test was conducted, and found that the fixed effects model was ultimately deemed suitable for the dataset.

5.6 Robustness Checking

Table 10: FGLS regression outcomes

	Model-2			Model-3		
	ROE	**FEM**	**REM**	**MCap**	**FEM**	**REM**
BS	.0107 * (0.001)	.001 (0.001)	0.003 (0.002)	.002 *** (.001)	-.001 (.001)	0.004 (.001)
PO	.034 (.023)	.023 (.042)	.02 (.029)	.164 *** (.057)	.095 (.076)	.126 * (.07)
BM	.0100 * (0.001)	.002 (0.001)	0.007 (0.003)	0.006 *** (0.0007)	0.003 (0.002)	0.003 (0.001)
AC	-.012 (.012)	-.059 ** (.025)	-.027 * (.015)	.004 (.029)	-.105 ** (.046)	-.042 (.039)
SK	.267 *** (.018)	.238 *** (.026)	.257 *** (.02)	.011 (.044)	.183 *** (.047)	.102 ** (.042)
AGE	-.001 ** (.001)	-.002 (.002)	-.002 * (.001)	-.013 *** (.002)	-.001 (.004)	-.008 *** (.003)
LEV	-.04 * (.022)	-.032 (.025)	-.034 (.023)	-.06 (.053)	-.024 (.045)	-.004 (.045)
SIZE	-.042 *** .014	-.014 (.028)	-.035 ** (.017)	-.818 *** (.033)	-.65 *** (.05)	-.748 *** (.042)
Constant	.468 *** (.128)	.397 (.268)	.467 *** (.162)	1.574 *** (.314)	3.278 *** (.481)	2.33 *** (.41)
Number of obs	286	286	286	286	286	286
F-test	29.210	19.219	-	152.137	39.947	-
Prob > F	0.000	0.000	0.000	0.000	0.000	0.000
R-squared	48.8%	40.7%	48.3%	83.3%	58.8%	81.0%
Hausman (1978) specification test						
Chi-square test value	8.468			16.158		
P-value	.0048			.0064		

Source: Authors Construction

Legend: *** p<.01, ** p<.05, * p<.1; Where; $PERF_{it}$ = Performance of entity i at time t, β_0 = Intercept (constant term), BS_{it} = Board Size, PO_{it} = Proportion of outside directors, BM_{it} = Board Meeting, AC_{it} = Audit Committee, Age_{it} = Age of the firm, Lev_{it} = Leverage, $Size_{it}$ = Firm Size, SK_{it} = Business Skill, ε_{it} = Error term (captures unobserved influences).

DOI: https://doi.org/10.53461/jujbr.v25i01.87

Studies by Foley et al. (2007), and Chung, Kim, Kim, and Zhang (2015) employ log-off as a proxy for corporate cash holdings. For robustness checking, the study conducted the analysis using the previously described alternative profitability measure. Table 10 displays the regression findings from the rest two (2) distinct models used to validate the baseline model and found a constant result. More clearly, all the independent variables are behaving just like main basic model. And confirm the more robustness of the analysis. Again in the test of hausman, the model of fixed effects was found as suitable for dataset. If findings are consistent across various tests and specifications, which gives strong proof that the findings are sound, improving the confidence of those reading them (e.g., academics, policymakers, practitioners).

6. Limitation and Future Study

Despite giving useful insights on the connection amid corporate governance as well as company performance in Bangladesh's textile industry, this research has limitations too. First, the study focuses solely on the textile industry, which perhaps limit the outcomes' applicability to other businesses in Bangladesh or emerging countries in general. Second, the reading is based on ancillary data from yearly reports and publicly available financial records, which may not account for qualitative components of corporate governance procedures such as boardroom dynamics, leadership style, or informal governance methods. Furthermore, using a specific set of governance factors (e.g. ownership concentration) may result in overlooking other important governance features, for example diversity in gender otherwise audit committee effectiveness.

Scholars are encouraged to widen the scope of analysis in the future to include other significant industries in Bangladesh, allowing for cross-sectional comparisons. Incorporating qualitative methodologies could also improve our understanding of governance processes in emerging markets. Longitudinal studies that span a longer time period and account for external shocks (e.g., COVID-19 or policy changes) might also be useful in capturing dynamic changes in governance-performance correlations. Finally, comparative studies of Bangladesh and other emerging economies may highlight the impact of institutional frameworks on corporate governance outcomes.

7. Conclusion

The profitability and sustainability of enterprises are greatly influenced by corporate governance, especially in developing countries such as Bangladesh. Even though there may not always be a clear association between governance of corporate and company performance, empirical data indicates the stable as well as long-term growth are dependent on sound governance procedures. Although research results can be conflicting, there is general agreement that strong governance frameworks are critical for reducing agency risks, increasing shareholder value, and building investor confidence. Finally, this reading tested the relationship in the middle of business performance over governance practices

DOI: https://doi.org/10.53461/jujbr.v25i01.87

of corporate in textile industries that are registered on the Dhaka Stock Exchange. The outcomes imply that, in this particular situation, variables like size, activity, or independence of board level might not have a major effect on business success. Leverage, however, has become a significant factor in determining how well a company performs; higher leverage is linked to lower returns on equity. In order to improve performance and long-term sustainability, textile firms and stakeholders can benefit greatly from these studies' insightful recommendations for improving corporate governance procedures and financial management techniques. Additional factors impacting business performance and their interactions with corporate governance mechanisms in various industrial and economic circumstances could be the subject of future research. With an emphasis on the Bangladeshi textile sector, this revision enhances the expanding body of investigation by analyzing connection of corporate governance standards and company success. The research objects to proposition actionable comprehensions for firms looking to improve their governance structures and for policymakers seeking to adoptive a translucent and conducive commercial atmosphere. Specifically, the research will analyze how well companies adhere to governance principles and how this adherence impacts their financial performance. Effective governance procedures have the potential to stimulate economic growth and move Bangladesh closer to sustainable development by encouraging honesty, openness, and accountability in business activities.

References

Ahmed, E., & Hamdan, A. (2015). The impact of corporate governance on firm performance: Evidence from Bahrain Bourse. *International Management Review*, *11*(2), 21.

Alabdullah, T. T. Y., Nor, M. I., Ahmed, E., & Yahya, S. (2018). The determination of firm performance in emerging nations: Do board size and firm size matter. *Management*, *5*(3), 57-66.

Arora, A., & Sharma, C. (2016). Corporate governance and firm performance in developing countries: evidence from India. *Corporate governance*, *16*(2), 420-436.

Azeez, A. A. (2015). Corporate governance and firm performance: evidence from Sri Lanka. *Journal of Finance and Bank Management*, *3*(1), 180-189.

Bhattacharjee, S. (2022). Interrelationship between corporate governance, human Resource management in textile industry of Bangladesh (Doctoral dissertation, © University of Dhaka).

Bhagat, S., & Black, B. (2001). The non-correlation between board independence and long-term firm performance. *J. CorP. l.*, *27*, 231.

Bhagat, S., & Bolton, B. (2008). Corporate governance and firm performance. *Journal of corporate finance*, *14*(3), 257-273.

Buallay, A., Hamdan, A., & Zureigat, Q. (2017). Corporate governance and firm performance: evidence from Saudi Arabia. *Australasian Accounting, Business and Finance Journal*, *11*(1), 78-98.

DOI: https://doi.org/10.53461/jujbr.v25i01.87

Buchdadi, A. D., Ulupui, I. G. K. A., Dalimunthe, S., Pamungkas, B. G., & Fauziyyah, Y. (2019). Board of director meeting and firm performance. *Academy of Accounting and Financial Studies Journal*, *23*(2), 1-7.

Chen, M. C., Cheng, S. J., & Hwang, Y. (2005). An empirical investigation of the relationship between intellectual capital and firms' market value and financial performance. *Journal of intellectual capital*, *6*(2), 159-176.

Ciftci, I., Tatoglu, E., Wood, G., Demirbag, M., & Zaim, S. (2019). Corporate governance and firm performance in emerging markets: Evidence from Turkey. *International Business Review*, *28*(1), 90-103.

Clarke, M., Seng, D., & Whiting, R. H. (2011). Intellectual capital and firm performance in Australia. *Journal of intellectual capital*, *12*(4), 505-530.

Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a stewardship theory of management. *Academy of Management review*, *22*(1), 20-47.

Demsetz, H., & Villalonga, B. (2001). Ownership structure and corporate performance. *Journal of corporate finance*, *7*(3), 209-233.

Fariha, R., Hossain, M. M., & Ghosh, R. (2022). Board characteristics, audit committee attributes and firm performance: empirical evidence from emerging economy. *Asian Journal of Accounting Research*, *7*(1), 84-96.

Fuzi, S. F. S., Halim, S. A. A., & Julizaerma, M. K. (2016). Board independence and firm performance. *Procedia Economics and Finance*, *37*, 460-465.

Hermuningsih, S., Kusuma, H., & Cahyarifida, R. A. (2020). Corporate governance and firm performance: An empirical study from Indonesian manufacturing firms. *The Journal of Asian Finance, Economics and Business*, *7*(11), 827-834.

Imam, M. O., & Malik, M. (2007). Firm performance and corporate governance through ownership structure: Evidence from Bangladesh stock market. *International Review of Business Research Papers*, *3*(4), 88-110.

Kajola, S. O. (2008). Corporate governance and firm performance: The case of Nigerian listed firms. *European journal of economics, finance and administrative sciences*, *14*(14), 16-28.

Koerniadi, H., & Tourani-Rad, A. (2012). Does board independence matter? Evidence from New Zealand. *Australasian Accounting, Business and Finance Journal*, *6*(2).

Kyereboah-Coleman, A. (2007). *Relationship between corporate governance and firm performance: An African perspective*

Kyereboah-Coleman, A., Adjasi, C. K., & Abor, J. (2007). Corporate governance and firm performance: Evidence from Ghanaian listed companies. *Corporate Ownership and Control*, *4*(2), 123-132.

Larcker, D. F., Richardson, S. A., & Tuna, I. r. (2007). Corporate governance, accounting outcomes, and organizational performance. *The accounting review*, *82*(4), 963-1008.

Larmou, S., & Vafeas, N. (2010). The relation between board size and firm performance in firms with a history of poor operating performance. *Journal of Management & Governance*, *14*, 61-85.

Lin, Y. F., Yeh, Y. M. C., & Yang, F. M. (2014). Supervisory quality of board and firm performance: a perspective of board meeting attendance. *Total Quality Management & Business Excellence*, *25*(3-4), 264-279.

DOI: https://doi.org/10.53461/jujbr.v25i01.87

Marashdeh, Z. M. S. (2014). *The effect of corporate governance on firm performance in Jordan* University of Central Lancashire].

Mashayekhi, B., & Bazaz, M. S. (2008). Corporate governance and firm performance in Iran. *Journal of Contemporary Accounting & Economics*, *4*(2), 156-172.

Olawale, L. S., Ilo, B. M., & Lawal, F. K. (2017). The effect of firm size on performance of firms in Nigeria. *Aestimatio: The IEB International Journal of Finance*, (15), 68-87.

Pearce, J. A., & Zahra, S. A. (1992). Board composition from a strategic contingency perspective. *Journal of management studies*, *29*(4), 411-438.

Rashid, A. (2018). Board independence and firm performance: Evidence from Bangladesh. *Future Business Journal*, *4*(1), 34-49.

Sarker, N., & Hossain, S. K. (2023). Corporate governance and firm value: Bangladeshi manufacturing industry perspective. *PSU Research Review*.

Sharma, V. (2011). Independent directors and the propensity to pay dividends. *Journal of corporate finance*, *17*(4), 1001-1015.

Yusoff, W. F. W., & Alhaji, I. A. (2012). Corporate governance and firm performance of listed companies in Malaysia. *Trends and Development in Management Studies*, *1*(1), 43-65.

Zahra, S. A., & Pearce, J. A. (1989). Boards of directors and corporate financial performance: A review and integrative model. *Journal of management*, *15*(2), 291-334.

DOI: https://doi.org/10.53461/jujbr.v25i01.87

Appendix 1

Author & Year	Methodology	Findings
(Ahmed & Hamdan, 2015)	Descriptive statistics. Regression analysis	• The investigation discovered a beneficial association between ROA, ROE, and governance in companies. • There was no discernible connection between EPS and corporate governance.
(Arora & Sharma, 2016)	Generalized Method of Moments (GMM)	• Results indicate, board size and business performance were optimistically correlated, indicating that larger boards may enhance decision-making. • The study did not discover any connection between CEO duality, profitability, or return on equity and corporate governance.
(Azeez, 2015)	Multiple regression analysis	• The company's success proved to be uncorrelated with board size, implying the fewer board members may be associated with superior performance, maybe due to better management oversight. • The performance of the company improved after the chairman and CEO responsibilities were separated. • The existence directors who are non-executive did not demonstrate a meaningful correlation with corporate performance.
(Bhagat & Bolton, 2008)	Multiple Regression	• Better operating performance is positively correlated with stronger company governance • The enactment of the stock market in the future is not always correlated with governance measures. • The ownership and independence of board members may have an impact on how likely it is that management will change after subpar performance.
(Buallay et al., 2017)	Multiple Regression analysis	• Compared to earlier research, the sample companies' average corporate governance score of 61.4% was deemed strong. • Remarkably, the study revealed little association between financial performances measures (ROA/ROE) and corporate governance practices. • Similarly, Tobin's Q research discovered neither the largest shareholder's ownership nor the board's independence had any visible effect on market performance.

DOI: https://doi.org/10.53461/jujbr.v25i01.87

Author & Year	Methodology	Findings
(Ciftci et al., 2019)	Multiple Regression analysis	• Better firm performance is linked to concentrated family ownership, as a result of stronger incentives for competent management. • Performance seems to be further improved by larger boards with a greater variety of voices. • Having more family associates on the board doesn't appear to have a big effect on output.
(Hermuningsih et al., 2020)	Multiple Regression Analysis	• The study demonstrates a strong positive association between business success and efficient corporate governance (ECG). • This result demonstrates the reliability of their recently created ECG metric as a means of evaluating the efficacy of corporate governance.
(Kajola, 2008)	Ordinary Least Squares (OLS)	• ROE was had an optimistic and substantial association through board size, indicating that larger boards may be advantageous for ROE. • A noteworthy and affirmative correlation was discovered between chief executive duality and project management. • There were no discernible correlations found between board composition and business performance (ROE & PM).
(Kyereboah-Coleman, 2007)	Statistical approach	• Larger independent boards seem to be associated with positive outcomes. • Longer CEO tenure might correlate with higher profitability • CEOs serving as board chairs might be associated negatively with performance. • More frequent board meetings might be negatively linked to profitability
(Larcker et al., 2007)	Principal Component Analysis (PCA)	• The research identified 14 key dimensions of corporate governance. • They then examined how these newly formed indices relate to various firm performance measures: o Abnormal accruals o Accounting restatements o Future operating performance o Future excess stock returns

DOI: https://doi.org/10.53461/jujbr.v25i01.87

Author & Year	Methodology	Findings
(Marashdeh, 2014)	Generalized Least Squares (GLS)	• Board size, presence of NEDs, Ownership concentration was negatively linked to firm performance • CEO duality, Managerial ownership, Foreign ownership was positively linked to firm performance.
(Mashayekhi & Bazaz, 2008)	Multiple Regression analysis	• Board size, is negatively associated with firm performance. • Board independence, institutional investors has a positive impact on firm performance.
(Sarker & Hossain, 2023)	Multiple regression approach	• The findings show that factors that significantly increase business value include management Ownership, foreign ownership, and independence of board, diligence, and auditing quality. • The size that makes up the audit committee does not significantly effect the company's worth.
(Yusoff & Alhaji, 2012)	Regression analysis	• The association across the three governance measures and business performance was discovered. This shows that the influence could be beneficial or harmful depending on the context. • The overall influence seems to be consistent with previous studies.

DOI: https://doi.org/10.53461/jujbr.v25i01.87