DOES THE BOARD INFLUENCE THE BANK'S PERFORMANCE? AN ISLAMIC & COMMERCIAL BANKING EXPERIENCE

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ABSTRACT

Purpose: This study investigates to explore the impact of corporate governance and the performance of the banking Industry of Bahrain for the period of 2012–2020.

Theoretical framework: This research is to take a look at corporate governance actions and how it affects the actual bank performance, there are four chosen banks for this particular purpose that are listed under the Stock exchange of Bahrain (SEB) and the Central bank of Bahrain (CBB).

Design/methodology/approach: The methodology for the study is based on pooled data collection from Islamic and commercial banks of Bahrain. All the data will be extracted from the chosen banks' audited annual financial statements for 9 years ranging from 2012 to 2020. To go ahead with this research two kinds of dependent variables also called performance measures are (ROA, and ROE), and six kinds of independent variables were selected (CEO duality, the board size, board independence, female directorship, number of BOD meetings, and lastly board members expertise) for us to understand the bank performance better.

Findings: The results showed good connections between the (BS) and bank performance as well as the (NBDM), while the (BDI) and (FD) displayed a negative link, and (BDME) and (CEOD) showed no signs of a relationship because all banks had separate people holding those positions instead of one. And even though (BDME) is proven and is logically impactful some analyses failed to show the true linkage.

Research, Practical & Social implications: These results of the study will help the banking industry, regulators, investors, and government to understand the board's influence on the firm performance.

Originality/value: Original Research Article.

Doi: https://doi.org/10.26668/businessreview/2023.v8i3.1080

A DIRETORIA INFLUENCIA O DESEMPENHO DO BANCO? UMA EXPERIÊNCIA BANCÁRIA ISLÂMICA E COMERCIAL

RESUMO
Objetivo: Este estudo investiga o impacto da governança corporativa e o desempenho da indústria bancária do Bahrein para o período de 2012-2020.

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Estrutura teórica: Esta pesquisa deve analisar as ações de governança corporativa e como elas afetam o desempenho real do banco, existem quatro bancos escolhidos para este propósito específico que estão listados sob a Bolsa de Valores do Bahrain (SEB) e o Banco Central do Bahrain (CBB).

Desenho/método/abordagem: A metodologia para o estudo é baseada na coleta conjunta de dados de bancos islâmicos e comerciais do Bahrein. Todos os dados serão extraídos das demonstrações financeiras anuais auditadas dos bancos escolhidos durante 9 anos, variando de 2012 a 2020. Para avançar com esta pesquisa, dois tipos de variáveis dependentes também chamadas medidas de desempenho são (ROA, e ROE), e seis tipos de variáveis independentes foram selecionadas (dualidade do CEO, tamanho do conselho, independência do conselho, diretoria feminina, número de reuniões da CBO e, por último, experiência dos membros do conselho) para que possamos entender melhor o desempenho do banco.

Conclusões: Os resultados mostraram boas conexões entre o (BS) e o desempenho do banco, bem como o (NBDM), enquanto o (BDI) e (FD) mostraram um vínculo negativo, e (BDME) e (CEOD) não mostraram sinais de um relacionamento, porque todos os bancos tinham pessoas separadas que ocupavam esses cargos em vez de um. E mesmo que (BDME) esteja comprovado e seja logicamente impactante, algumas análises não mostraram o verdadeiro vínculo.

Pesquisa, implicações práticas e sociais: Estes resultados do estudo ajudarão o setor bancário, reguladores, investidores e governo a compreender a influência do conselho sobre o desempenho da empresa.

Originalidade/valor: Artigo original de pesquisa

Palavras-chave: Desempenho do Banco, Conselho de Administração, ROA, ROE, Tobin's Q.

¿INFLUYE EL CONSEJO DE ADMINISTRACIÓN EN LOS RESULTADOS DEL BANCO? UNA EXPERIENCIA DE BANCA ISLÁMICA Y COMERCIAL

RESUMEN

Propósito: Este estudio investiga el impacto del gobierno corporativo y el rendimiento de la industria bancaria de Bahrein para el período 2012-2020.

Marco teórico: El objetivo de esta investigación es analizar las acciones de gobierno corporativo y cómo afectan al rendimiento real de los bancos. Para ello se han elegido cuatro bancos que cotizan en la Bolsa de Bahréin (SEB) y en el Banco Central de Bahréin (CBB).

Diseño/metodología/enfoque: La metodología del estudio se basa en la recopilación conjunta de datos de bancos islámicos y comerciales de Bahréin. Todos los datos se extraerán de los estados financieros anuales auditados de los bancos elegidos correspondientes a 9 años comprendidos entre 2012 y 2020. Para llevar a cabo esta investigación, se seleccionaron dos tipos de variables dependientes, también denominadas medidas de rendimiento (ROA y ROE), y seis tipos de variables independientes (dualidad del consejero delegado, tamaño del consejo de administración, independencia del consejo de administración, mujeres consejeras, número de reuniones del consejo de administración y, por último, experiencia de los miembros del consejo de administración) para comprender mejor el rendimiento de los bancos.

Resultados: Los resultados mostraron una buena relación entre (BS) y el rendimiento del banco, así como con (NBDM), mientras que (BDI) y (FD) mostraron una relación negativa, y (BDME) y (CEOD) no mostraron signos de relación porque todos los bancos tenían personas separadas ocupando esos cargos en lugar de uno solo. Y aunque (BDME) está probado y tiene un impacto lógico, algunos análisis no lograron mostrar la verdadera relación.

Investigación, implicaciones prácticas y sociales: Los resultados del estudio ayudarán al sector bancario, a los reguladores, a los inversores y al gobierno a comprender la influencia del consejo de administración en los resultados de la empresa.

Originalidad/valor: Artículo de investigación original

Palabras clave: Rendimiento Bancario, Consejo de Administración, ROA, ROE, Q de Tobin.

INTRODUCTION

The research is on Corporate Governance (Board Characteristics) and Bank Performance of Islamic and Commercial Banks in Bahrain. Board attributes and bank

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performance, what's the relation between them? Is there a negative or positive connection?

The middle eastern more specifically in Gulf Corporation Council (GCC) the (CG) guidelines have arisen mainly from the banking division, and they have been going through some major transformations during the current years since it's also the most critical monetary sector in the region and a lot of information can be extracted from the researches done of the other neighboring countries. In that same perspective during 2010- we have seen Bahrain as a major evolving step towards developing their (CG) code to avoid corporate failure as we mentioned before since it can truly scar the economy and function of the organizations, and maintain a clean record away from fraudulent accusations and scandals.

The purpose of this study is to investigate the board characteristics and how they will impact the performance of Islamic and Commercial banks in Bahrain. This is done by using several independent and dependent variables and through the help of previous research from all over the globe about the same topic. The paper aims to be useful for the banking industry, meaning it will help them understand how to up the performance of their banks by applying these (CG) attributes and enhancing them.

The study aims to examine the (CG) characteristics and their link with the performance of Islamic and commercial banks in Bahrain. We will be focusing on six important aspects that are all linked with the board which is as follows (CEO duality, the board size, independent directors, female directorship, board meetings held) and lastly the experience of board members which doesn't have many past pieces of research done on it, these will be applied alongside some performance measures: return on assets (ROA) and return on equity (ROE).

Research objectives

- The first and most basic objective of this research paper is to understand and similarly measure the participation and linkage of board attributes with the actual bank performance and how much the impact is.

- Applying a few different variables throughout this paper to dig deeper into the connection of the board characteristics attributes about bank performances in the Bahraini bank sectors and at the same time we assess the (CG) environment in Bahrain

- To look at the variable (experience of board members) and if it impacts the performance of banks. Which doesn't have much past research done about it.

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LITERATURE REVIEW

Various previous research indicates the connection between corporate governance and performance (Basuony et al, 2014). The research is to take a look at corporate governance actions, their attributes, and how it affects, the actual performance, there are four chosen banks for this particular purpose that are listed under the Stock exchange of Bahrain (SEB) and the Central bank of Bahrain (CBB). All of the below hypotheses related to the independent variables (CEO duality, female directorship, board independence, the board size, number of board meetings held, and lastly the board members' expertise) were developed through the help of various past studies mentioned in the literature review to be able to study the impact of these factors on the performance of the chosen banks from Bahrain.

CEO duality: We have established that there is a negative relationship between CEO duality and the performance of banks (Rashid, 2010). In contrast, Dharmadasa et al, 2014, found no impact on CEO duality and firm performance.

H1: A negative relationship is associated between CEO duality and bank performance

Female directorship: We have noticed a positive relationship between female directors and bank performance as did the researchers before me, they mentioned that having women as a part of the board increases diversity and simultaneously positively impacts the banks (Serra et al., 2022). Another study found no relationship between board diversity and firm performance (Dharmadasa et al, 2014).

H2: Female directorship is positively associated with bank performance

Board independence: We observed a positive relationship between having independent board members associated with the bank's performance (Liang, Xu, & Jiraporn, 2013; Serra et al., 2022; Aminu et al. 2015, Dharmadasa et al, 2014; Mashayekhi & Bazaz, 2008). On the other hand, board independence has a negative impact on ROE (Almoneef & Samontaray, 2019; Kapopoulos & Lazaretou 2007)

H3: Non-executive directors are positively linked with bank performance

Board size: Board size has a significant positive impact on the bank's performance (Almoneef & Samontaray, 2019; Abdul Gafoor et al., 2018; Salim et al, 2016; Malik et al, 2014). Contrary studies explore a negative relationship between board size & firm performance (Aminu, et al. 2015; Dharmadasa et al, 2014; Mashayekhi & Bazaz, 2008).

H4: Board size significantly impacts bank performance

Number of board meetings held: As with the rest of the characteristics the number of board meetings held during a financial year positively impacts the bank's performance (Salim et al, 2016; Liang, Xu, & Jiraporn, 2013; Abdul Gafoor et al., 2018).

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H5: The number of board meetings is positively associated with bank performance

Board member expertise: Board members having the knowledge and expertise will positively affect the bank and its performance because when you are a part of the board, you should at least have the knowledge, and experience in understanding the accounting field, annual reports, and the financial statements to be able to strategize accordingly (Grace et al, 2018; Abdul Gafoor et al., 2018).

H6: Board member expertise is positively associated with bank performance

RESEARCH METHODOLOGY

The selection of the sample

The sample for our research is the banking sector in Bahrain, we have chosen 4 banks in Bahrain among which 2 are Islamic banks and 2 are Commercial banks as our research sample from a total of 114 banks in the country which are listed under the Bahraini Stock Exchange (BSE). The period is of 9 years ranging from 2012 to 2020.

Description of variables (Dependent and Independent)

Table 1 depicts the dependent variables as bank performance and independent variables as the corporate governance attributes (Board Characteristics).

The dependent variable chosen for the Bank performance is the first, Return on Assets (ROA) which is used to measure the profitability of a company based on the total assets (see table 1 for details). Secondly, Return on Equity (ROE) is used to measure the profitability of a company based on the Shareholder's equity (see table 1 for details).

The independent variables that have been selected for this study are related to the board attributes, according to the past papers that have been examined and looked through, we have decided on the following six board attribute measures which are: firstly, board member expertise this variable requires more in-depth research since not much information is available on it. This is represented by 1 meaning the members are experienced otherwise its 0, then CEO duality if the chairman and CEO are the same person is represented using 1 or 0 if not, board Size is simply the number of board members in a financial year, board independence is how many independent/non-executive members are in the board, female directorship how many female directors are in the board versus male directors and does it impact the performance or not, lastly several BOD meetings conducted simply stating the number of meetings held in a financial year.

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Analysis of the relevant data

The data will be analyzed for this study using Excel. Descriptive statistics such as means, standard deviations, etc., the correlation matrix is employed alongside, and lastly, regression and ANOVA analysis are conducted, the same method that's been used in the past research; all this will show us the relation between the two main variables: independent (six board attributes) and the dependent variables (bank performance i.e. ROA & ROE).

Data sources

For this study to go further, we have used many sources of data viz, bank's financial statements and public disclosures available at the bank's websites and Bahraini stock exchange (BSE) website in line with previous research (Almoneef and Samontaray, 2019; Osman and Samontaray, 2022).

Proposed Regression Models

The following are the models used for this purpose:

$ROE = \beta_1 BDS + \beta_2 BDME + \beta_3 BDI + \beta_4 CEOD + \beta_5 FD + \beta_6 NBM + \varepsilon$

$ROA = \beta_1 BDS + \beta_2 BDME + \beta_3 BDI + \beta_4 CEOD + \beta_5 FD + \beta_6 NBM + \varepsilon$

DATA ANALYSIS AND INTERPRETATIONS

The study is done by explaining and interpreting all the mass data that has been Source: Prepared by the authors (2022) collected, but first, we have to bring it all in order and for a proper structure. Our sample includes 2 Islamic banks, and 2 Commercial banks from which all quantitative data have been collected by me manually, as well as all the data analyzing methods with the help of Excel.

Table 1: Description of Variables

Variable symbol	Variable name	Expected relationship	Explanation
Section A: Dependent variables (bank performance)			
ROA	Return on assets	NULL	Net profit or loss / Total asset
ROE	Return on equity		Net profit or loss / Total equity
Section B: Independent variables (corporate governance attributes)			
BDS	Board size	+	Total board of directors operating during the year

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BDME	Board member expertise	+	A binary value (1) will be shown if the member is well-educated and has sufficient knowledge of the field, if not then (0) will be shown
BDI	Board independence	+	The proportion of non-executive directors presented.
CEOD	CEO duality	-	A binary value (1) will be shown when the chairperson and chief executive are one, if not then (0) will be shown
FD	Female directorship	+	The number of female BODs regarding male BODs.
NBDM	Number of BOD Meetings	+	Meetings held during the financial year.

Source: Prepared by the authors (2022)

EXPERIMENTAL RESULTS

Descriptive statistics

The first method that we decided to perform to test the hypothesis is the descriptive statistics method on the dependent and independent variables to be able to look at the banks from a viewpoint, percentages might be used when needed during the explanation of whether they are following the (CG) principals or not and lastly to overall take a look if the chosen 4 Bahraini banks are strongly practicing the (CG) code or are they on the weaker side.

Table 2: Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Standard Deviation
BDS	36	6	13	10.027	1.780
BDME	36	1	1	1	0
BDI	36	2	8	4.305	1.214
CEOD	36	0	0	0	0
FD	36	0	2	0.388	0.549
NBDM	36	5	12	7.083	1.556
ROE	36	-0.518	0.151	0.080	0.118
ROA	36	-0.043	0.023	0.010	0.011

Source: Prepared by the authors (2022)

Table 2 will display the results of the descriptive statistics where BDS represents the board size, BDME is the board member expertise, BDI is the board independence, CEOD is the CEO duality, FD is the female directorship, NBDM is the number of board meetings these six is the independent variables, as for the dependent variables there are two: ROE and ROA represent the return of equity and return on assets respectively.

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Starting with the BDS, which displays that the best size boards should have 13 members maximum and as per the analysis all the boards in the bank averaged 10.027% which clearly states that they have sufficient members neither too huge nor small which will make for better decision making, and it also gives the impression that all members will be able to contribute and all ideas and viewpoints will be easily heard and communicated to each other for further discussion and recommendations. The highest board size reported was 13 board members in BISB during the year 2019, and the lowest was 6 members in KFH during the years 2012 and 2013 which is the minimum size expected as per the analysis.

Now with the BDI, the average was 4.305% it resulted that a board should have at least 2 non-executive/independent members with that said it should be noted that the banks' boards consist of 4 to 5 independent persons in general with the occasional increase or decrease, all 4 banks successfully complied with the (CG) code while the maximum is 8, which was maintained by once again by BISB for having 8 non-executive board persons during 2012, 2019.

Thirdly the NBDM average was 7.083% and the minimum meeting conducted should be 5 and the max should be 12, which is consistent with the (CG) code since they say that these meetings are important and should not be less than 4 during a financial year. All banks managed to conduct meeting more than 4 times since these meetings are held when needed especially if there is a problem that requires immediate action or a situation that needs to be further elaborated to the board. BBK conducted 10 meetings during the year 2015, and 12 during 2020 which is the highest number of meetings amongst all.

As for the CEOD which is represented by 0 where it means that the roles are separate and 1 means that they are combined, none of the banks had a duality of roles that combines both the CEO and chairman during all nine years of the data collected from all 4 banks which is far better because keeping these positions separate adds some independence and further enhances the choices made by them collectively while maintaining the balance of authority and dominance, they have followed the (CG) code of Bahrain which wrote that the same employee should not be in charge of both these positions at once.

Table 3: Female directorship

N	NO FD	ONE FD	TWO FD
36	23	12	1

Source: Prepared by the authors (2022)

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Now with the FD that averaged only 0.3888%, which means how many females are present on the board as opposed to the men, as per the results KFH had 0 female directors from 2012 till 2020, while the highest female representation was in BBK during 2020, these results just confirm that the boards are highly dominated by males because in a board that has 6-13 members as explained in the BDS only 1-2 members are females. As shown in the table above, we have collected data for 9 years of each bank, meaning 36 years in total, and the highest number of years 23 financial years show that there are no females included in the board at all.

As portrayed in Table 2 the last of the independent variables BDME which means board members' expertise, is shown as the binary value of 1 if the member has the expertise or 0 if it is the opposite, in general as previously explained in the literature review as well it is important for members that are a part of the BOD to have the knowledge and expertise required in their position or sector, for example as part of the BOD in the bank that person should pose the financial abilities and expertise needed such as finance and accounting. All the data accumulated displayed that all members have experience in the banking and overall business environment.

On the hand, the (dependent variables) ROE averaged 8% which is a reasonable amount generally the higher the ROE the better because it indicates that the firm/bank is using their equity more efficiently to give rise to their income. BBK and NBB have managed to keep their ROE between the ranges of 9.63% to 15.15% during the 9 years of data collection these two banks kept a high percentage for a long period. The lowest was by BISB during 2012, and 2020 which were -51.88% and -13.08% respectively, this conveyed that were not able to accumulate much profit and growth compared to their shareholder's equity.

Table 4: Correlation Matrix

variables	CEOD	BDS	BDI	FD	NBDM	BDME	ROA	ROE
CEOD	1							
BDS	A	1						
BDI	A	0.6036258	1					
FD	A	0.3684729	0.0737666	1				
NBDM	A	0.3806672	0.0919566	0.5293732	1			
BDME	A	a	a	a	a	1		
ROA	A	0.3602877	-0.2982371	0.1055144	0.1944624	a	1	
ROE	A	0.3302649	-0.3254436	0.1390998	0.2379697	a	0.9724837	1

Source: Prepared by the authors (2022)

As for the ROA, it averaged 1% which is typically acceptable since once again it should be higher because it indicates to a shareholder how a firm is more efficient in converting their money into income and better asset efficiency. NBB registered the highest ROA of 2.19% and

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2.32% during the years 2018 and 2019 which shows that they were able to generate a much higher income on fewer investments, while BISB recorded the least amount of ROA during 2012 of -4.35% and in 2020 -1.04% meaning they didn't earn much as opposed to their investments.

Correlation matrix

The correlation matrix as seen in table 4 is done to further help us with testing the hypothesis developed on the six independent variables, this will also help us to discover if a relationship exists between our chosen board characteristic (independent variables) and our performance measure (dependent variables). After we obtain the results, we will use them to compare them with the expected relation results mentioned in table 1 to check whether the hypothesis is supporting or going against it.

(Represents that the computation is impossible due to the constant values)

In the above table, it should be noted that the correlation matrix is done on all variables, and all interrelationships are based on 36 bank-year observations. The rule that should be followed to analyze the matrix are: If the correlation between two variables is (-1) negative relation is formed then the thesis will result as insignificant and be rejected, (0) indicates no correlation between two variables or in our case (a) since we could not compute a value because it's divided by zero and (1) shows that correlation between two variables is positive the thesis will result as significant and be accepted, the rounded figure with four decimal places will be displayed to make it easier to interpret.

Hypothesis 1, is about CEOD which is established from prior research that there is a negative connection between it and performance, as per the selected banks in Bahrain all of them had separate chairpersons and CEO. CEOD showed zero correlation with the performance measures ROE, and ROA which means our expected relation is proved wrong since the results displayed barely any connection between CEOD about better bank performances.

Hypothesis 2, is regarding FD, which was said to show a positive connection with the performance as per the results there is a positive yet weak link between FD and ROA (0.1055), ROE (0.1391) so the expected relationship is correct but because the sample size was smaller due to the time constraint, we cannot say that the evidence is purely accurate but as far as this study goes there is an impact of females governors on the value and performance of the bank and it was explained by previous researchers that boards that consist of both genders are more effective and improve the overall performance. Furthermore, NBDM (0.5294) is also positively associated with having females on boards.

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Hypothesis 3, is about BDI it displayed a positive connection as well about the performance. So, the betterment of a bank is connected to the number of individually independent members but unexpectedly the results showed a weak yet negative correlation between BDI and ROA (-0.2982), and ROE (-0.3254) which went against the expected relationship stated previously. It was also said by prior researchers that in paper independent persons are crucial for less biased opinions and ideas that benefit the bank. On the other hand, BDI and FD (0.0738), NBDM (0.0920) portray a somewhat positive connection which can be interpreted by saying that independent members are more likely to be females and conduct more meetings that will for sure enhance the communication between all BOD hence impacting the performance of the bank in the long run.

Hypothesis 4, instigates that BDS is positively associated with performance, and as per the obtained results ROA (0.3603), ROE (0.3303) a low strength positive interconnection is found similar to what was said in many of the past papers so accordingly it agrees with the expected relationship hence it's accepted that the BDS has its impact on the performance of the banks even if the connection is positively lesser, all in all, BDS is important because it helps make fruitful plans to execute in the future that is provided by a board that has diverse backgrounds and multiple experiences in different fields. In addition to that BDS has an almost similar connection with FD (0.3685) and NBDM (0.3807) that display a low positive link, but BDI (0.6036) had a much stronger correlation as opposed to the others.

Hypothesis 5, looks into the connection of NBDM and the performance, it is signaled that there is a positive link and was backed up by the results showing ROA (0.1945), ROE (0.2380) it is a low strength connection but positive so it proves that frequently held meetings are an indicator that helps firms guide each other and address any problem, even though it is said by a few numbers of researchers that more meetings can pose more expenses, and might create some type of disagreements on the ideas and arrangements agreed upon before regardless all in our study it shows some positive signs even though it's on a minor level.

Hypothesis 6 is about BDME and how it positively impacts the bank as it has been further supported by theory earlier, this is a limited variable in our study which means there isn't much research done on it on a larger base. As per the matrix results, there are no clear indications whether it positively or negatively affects the banks because all values were (1) meaning all 36 years of bank boards have expertise that is generally needed, along with all the mandatory skills and understanding of the business environment.

Regression and ANOVA analysis on the dependent variables

As seen below table 6 shows the regression and ANOVA conducted on the ROE as the dependent variables for performance measures. It shows us which of the independent variables (CEOD, BS, BDI, FD, NBDM, BDME) is more effective when predicting the (ROE).

Table 5: Regression Statistics (ROE)

Regression Statistics	
R Square	0.57390562
Adjusted R Square	0.485748163
Standard Error	0.084648369
Observations	36

Source: Prepared by the authors (2022)

In the table above the adjusted R square equals (0.485) which is 48.57% of the changes in the performance of the banks are explained by the variables included in this study. And the R square (0.573) also tells us that 57.39% of the various changes in (ROE) can be explained by the independent variables.

Table 6: ROE ANOVA table

ANOVA					
	df	SS	MS	F	Significance F
Regression	6	0.2798787	0.0466464	6.5100064	0.0001967
Residual	29	0.2077950	0.0071653		
Total	35	0.4876737			
a. Dependent variables: ROE					
b. Predictors: CEOD, BDS, BDI, FD, NBDM, BDME					

Source: Prepared by the authors (2022)

Table 6 shows the ANOVA where the F-value is 6.5100 with a significance of 0.0001which tells us that the relationship between all the variables means is significant.

Table 7: ROE Coefficients

	Coefficients	Standard Error	t Stat	P-value
Intercept (ROE)	-0.167880814	0.099522247	-1.686867204	0.102358814
CEOD	0	0	65535	0
BDS	0.057958827	0.011402301	5.083081599	0.000012
BDI	-0.082384532	0.015173608	-5.429462225	7.69345283E-06
FD	-0.033320896	0.031709225	-1.050826557	0.302016481
NBDM	0.004943749	0.011219487	0.440639508	0.662741319
BDME	0	0	65535	0
a. Dependent variables: ROE				

Source: Prepared by the authors (2022)

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As we notice in the above table the ROE coefficients, we have zero relationships between the BDME (0) and CEOD (0) with the ROE. And a negative relationship between BDI (-0.0823) and FD (-0.0333) with ROE indicating that they go in the opposite direction whereas a positive relationship was seen between BDS (0.05795), NBDM (0.0049) when linked to the ROE telling us that the move in a similar manner.

Accordingly, the p-value should be around 0.05 or less to be significant, or else it may be insignificant, only BDS is less (0.000012) which means it is significant and positive hence H4 is accepted because there is a relationship between BDS and ROE and if it increases the other will also increase and vice versa. The rest are considered insignificant since they all have p-values > 0.05, where NBDM in association with ROE is insignificant (weak) yet positive. BDI and FD show an insignificant and negative relationship with ROE all null hypotheses are rejected.

As displayed in table 7, shows the regression and ANOVA done on ROA. It shows us which of the independent variables (CEOD, BS, BDI, FD, NBDM, and BDME) is more effective when predicting the (ROA).

Table 8: Regression and ANOVA (ROA)

Regression Statistics	
R Square	0.576474292
Adjusted R Square	0.488848283
Standard Error	0.008240003
Observations	36

Source: Prepared by the authors (2022)

In table 8 above the adjusted R square equals (0.488) which is 48.88% of the changes in the performance of the banks are explained by the variables included in this study. And the R square (0.576) also tells us that 57.65% of the various changes in (ROA) can be explained by the independent variables.

Table 9: ROA ANOVA table

ANOVA					
	df	SS	MS	F	Significance F
Regression	6	0.002680111	0.000446685	6.5788034	0.000181596
Residual	29	0.001969032	6.78976E-05		
Total	35	0.004649143			

a. Dependent variables: ROA
b. Predictors: CEOD, BDS, BDI, FD, NBDM, BDME

Source: Prepared by the authors (2022)

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Table 9 shows the ANOVA where the F-value is 6.5788 with a significance of 0.0001which tells us that the relationship between all the variables means is significant. As was shown in the ROE ANOVA also almost these two results are similar.

Table 10: ROA Coefficients

	Coefficients	Standard Error	t Stat	P-value
Intercept (ROA)	-0.01439061	0.009687884	-1.485423453	0.148222303
CEOD	0	0	65535	0
BDS	0.006064276	0.001109944	5.46358499	0.000004
BDI	-0.008078991	0.001477058	-5.469649477	6.88217E-06
FD	-0.003863226	0.0030867	-1.25157177	0.220727788
NBDM	0.000100381	0.001092149	0.091911713	0.927400168
BDME	0	0	65535	0
a. Dependent variables: ROA				

Source: Prepared by the authors (2022)

Now regarding the ROA coefficients in the above table, they display the relationship of each independent variable on the performance of the banks, we have zero relationships between the BDME (0) and CEOD (0) with ROA. And a negative relationship between BDI (-0.0080) and FD (-0.0038) means that they move contradictory manner, but a positive relation was established between BDS (0.0060), and NBDM (0.0001) when linked to the ROA.

Secondly, the p-value should be around 0.05 or less to be significant, or else it may be insignificant, only BDS is less (0.000004) meaning it is significant and positive hence once more H4 is accepted because there is a relationship between BDS and ROA which is similar the results shown in the ROE table. The rest are considered insignificant since they all have p-values > 0.05, where NBDM in association with ROA is insignificant (weak) yet positive. BDI and FD show an insignificant and negative relationship with ROA so all null hypotheses are rejected.

CONCLUSION AND SUGGESTIONS

The study was conducted with the main purpose of establishing an analytical work regarding (CG) issues in Bahrain, with the usage of previous research work to create the literature review so that all the work is supported and for us to make a hypothesis to study them. The study prolonged the literature by taking a look into the Bahraini environment, mostly the banking sector because we wanted to look at the idea and usage of (CG) in the Islamic and Commercial banks of Bahrain for a data period of 9 years (2012-2020). Data were extracted from the bank's annual reports and financial statements. It's an intensive look into examining

the independent and dependent variables which will give us the connection between the (CG) attributes and performance measures that will tell us if (CG) affects the bank depending on the different variables employed in this paper.

The study highlighted the need for (CG) especially in the current year especially more and more countries when looking to apply it and establish a proper system, so we have applied ROA and ROE as the performance measures so that we can assess the connection amongst them and the (CG) among of which 6 are chosen, as follows: CEOD, BDS, BDI, FD, NBDM, BDME.

Three different methods were applied to the data for analyzing purposes: descriptive statistics, correlation matrix, and lastly regression and A, NOVA all of which are performed on Excel. After the complete analysis, the descriptive statistics found that all independent variables were following the "CG Code" of Bahrain, and it can also be said that both Islamic and Commercial banks are showcasing strong participation. The correlation displayed no connection between the CEOD and the performance measures even though previous research said there is a negative association between the two, most of the other variables were in sync with what was found before but the BDI was negative even though most of the studies and research said there is a positive relationship between it and the performance. Lastly, the BDME was found to be positive on the performance as was mentioned in the interpretation. The last method was regression and ANOVA which tells us that the independent variables used in this study were the best choices as they helped us describe almost 60% of changes that happens to each one of the dependent variables (ROE & ROA).

The findings of the study may help the policymakers, regulators, and the Bahrain Government to formulate future policies, guidelines, and regulations.

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