Impact of Corporate Governance Exerted by Board of Directors on Performance of Commercial Banks of Pakistan (Study Carried out on Prominent Commercial Banks of Rawalpindi)

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Abstract
The corporate governance mechanisms in Pakistan are in most instances thought to be less important to achieve good organizational performance. By enduring the good corporate governance exerted by BODs, organizations may increase the circumstances where management can convince the employees particularly and shareholders generally to obtain long term organizational gains. We used five point likert scale questionnaire to measure the corporate governance in banking sector of Rawalpindi, Pakistan. This empirical study suggests that the corporate governance by board of directors has widespread role in organizational performance. The results suggest that independence and accountability have significant effect on organizational performance. However, effect of independence is higher than accountability. Moreover, our study shows that transparency do not effect on organizational success significantly.
Keywords: corporate governance, transparency, independence, accountability, board of directors and organizational performance.

1.1 INTRODUCTION TO THE STUDY:

Corporate governance can be defined by a mechanism of rules, practices and processes which help in governing and controlling an organization. It helps in safeguarding the interests of stakeholders who essentially constitute the shareholders, management, customers, suppliers, government and the community. Corporate governance lays out the framework for objectives and goals of the company and helps in attaining those goals with help of control mechanism and financial disclosure. Issues of fiduciary duty and accountability are often discussed within the framework of corporate governance.
According to the OECD development centre, case studies of many developing economies like Brazil, India and China show the growing role of corporate governance in helping the developing countries to increase the flow of FDI and thus increasing the performance of firms (Oman, 2001).
The Basel Committee on Banking Supervision (BCBS) has focused on the need to study and improve the corporate governance in financial entities. The BCBS has especially stressed the governance structure composed of board of directors and senior management. The committee believes that corporate governance is essential to guarantee a strong financial system and country's economic development.
In recent studies on corporate governance, only a few papers have focused on bank's corporate governance (e.g. Adams and Mehran, 2005; Caprio et al., 2007; Levine, 2004; Macey and O'Hara, 2003). These studies have tried to prove the collective problems faced by stakeholders who want to ensure efficient allocation of resources and distribution of quasi rents and problems arising from different ownership and control.
According to SECP Corporate Governance Code 2001 every public limited company has to issue corporate governance report. Since 1999 SEC has taken over the responsibilities and power, it has greatly stressed the corporate governance strategies to face the rising economic challenges.
According to SECP Corporate Governance Code 2001 every public limited company is bound to issue the corporate governance report so, it has opened an important area for research in corporate governance in Pakistan. Since 1999 SEC has taken over the responsibilities and has laid stress on good corporate governance strategies to accept the rising challenges in changing global scenarios of corporate. It is a dynamic range of practices and institution which ensure the accounting standards, financial confession, management compensation, performance and the corporate boards.
A commercial bank is a type of financial intermediary and a form of bank. It raises funds by collecting deposits from businesses and consumers. The primary liabilities of a bank are its deposits and major assets are its loans and bonds. The term commercial banks have been used to distinguish it from investment banks.

1.2. BACKGROUND OF STUDY

Corporate governance is still a relatively new phenomenon in Pakistan. The country developed its first code of corporate governance in March 2002 which is being implemented and become a requirement for all the listed companies on the three major stock exchanges. The prominent legislations of corporate governance in Pakistan include the Banking Companies Ordinance 1962, Securities and Exchange Ordinance (SEO) 1969, Companies Act 1984, Securities & Exchange Commission of Pakistan Act 1997, Insurance Ordinance 2000 and other rules & regulations derived from these legislations.

Corporate governance has a significant importance in financial sector. The rapid changes brought by globalization, deregulation and technological advances are increasing the risks in banking sector. Since the banks generate the funds from the business and general public and therefore any failure in performance and profitability directly affects its stakeholders and also can destabilize other banks.

When the banks efficiently mobilize and allocate funds, this lowers the cost of capital to firms, boosts capital formation and hence stimulates productivity. The banks are representatives of the economy and thus represent greater opaqueness and adherence to government regulations.

Although there is a system of prudential regulations, but such system is undermined by the lack of trained supervisors, inadequate disclosure requirements, cost of raising bank capital and the presence of distributional cartels. The impact of corporate governance on the performance and profitability is mainly carried out by the role of board of directors. They are key players in the governance mechanism.

1.3 PROBLEM STATEMENT

This research has been carried out to investigate the impact of corporate governance by the board of directors on the performance of commercial banks. The board of directors is the key players in corporate mechanism and they have strong influence and power over the top management to reap maximum performance for a commercial bank. Our research will find the results of the influence of BODs in the form of transparency, accountability and independence on the perceived performance of commercial banks.

1.4 OBJECTIVES OF STUDY

Banks are institutions which are the representatives of the economic activity of the country. And therefore the risks and frauds arising in this industry can be very damaging to overall economy. The risk of fraud or illegal acts arises at banks both from within as well from outside.

Among the many fraudulent activities that banks may face are money laundering and misappropriation of banking assets. Also forged financial reporting is a serious issue.

Inadequate management accountability and failure to develop a sound control culture often result in fraud in banking. Management accountability executed by the assignment of roles and responsibilities by the BODs is an important feature. Thus, lack of appropriate incentives for management to carry out strong supervision and maintain a high level of control within organization can be dangerous for bank.

Another reason of banking fraud is failure of control structures such as segregation of duties and responsibilities, reconciliations and reviews of operating performance. Lack of a segregation of duties has played an important role in fraudulent activities.

However, one of the major reasons of banking frauds is inadequate audit programs and monitoring activities. When auditing or other monitoring activities are not rigorous to identify and report control weaknesses, fraud can go undetected.

Thus academic research has also found a linkage between weakness in governance and poor financial reporting and internal controls (Dechow, et al 1996; Beasley 1996).

Therefore due to the above mentioned reasons, there is an increasing need of improvements in financial reporting processes effectiveness of audit committee and transparency and independence of board.

1.5. SIGNIFICANCE OF STUDY

This study holds the management accountable for the results of a bank under the oversight of board of directors and an external auditor. Good governance can be a result of good financial outputs, and for the commercial prosperity, good corporate governance is significant which can be assured by accountability.

In addition corporate governance ensures that stakeholders in a financial institution are taken accountable. Transparency is the key to good corporate governance practices which can be achieved by three key elements: Accounting standards, Independence of Board and Compliance reporting.

Another note able corporate governance element which can further improve the function of good corporate governance is accountability. Accountability is one of the major responsibilities of the BOD to the shareholders. While performing these key duties at same time the board should be open to all the stakeholders on inquiry about the condition and performance of bank.

To strengthen the stability of financial sector, the SBP issued Corporate Governance guidelines for the banking sector. To address the problems of banking sector, the State Bank of Pakistan issued a 'Handbook of Corporate Governance' in 2003 which provides guidelines for Board of Directors, managers and shareholders. Most of the guidelines stated in the handbook are directly drawn from the recommendations made by the Basel Committee on corporate governance and the OECD. These guidelines cover four important areas, namely, Board of Directors, Financial Disclosure or transparency and accountability through the auditors.

So, to make the banking sector efficient major responsibilities lies with the board how they discharge their responsibilities and determine their competitive position in the banking industry. They must be independent to set the rules of bank but mean while they should exercise their freedom in context of accountability.

1.6 ROLE OF BOD IN CORPORATE GOVERNANCE

The decision making task within the framework of corporate governance has been carried out by the group of individuals rather than a single individual. This group of individual is entrusted with the task of controlling and managing the organization and safeguarding the interests of shareholders and thus stands at the apex of corporate hierarchy. This group, the board of directors is hardly involved in day to day operational decision making. However, they provide guidance to the top management with respect to operational decisions. Therefore they have more of an advisory role in an organization. They are also given powers of recruitment and dismissal of senior management. Finally the board of directors also has a network of connections and therefore they help in attracting business and investment.

1.7 RESPONSIBILITIES OF BOARD OF DIRECTORS

The major responsibilities of board of directors are as follows:

1. They supervise, monitor and recruit the senior management. They are responsible for hiring the CEO of the organization.
2. They have the fundamental role of developing the mission and vision of an organization.
3. They of monitor and control the organization with the help of auditors.
4. They develop a good functional relational relationship with the CEO and conduct monthly meeting to get feedback on the performance.
5. They have the fiduciary responsibility of safeguarding and protecting the interest of shareholders.
6. They develop a framework of governance defining the roles, responsibilities and policies.
7. They review the annual and quarterly reports in their meetings and make subsequent decision for the organization.

1.8 BOARD OF DIRECTORS AS AN ELEMENT OF CORPORATE GOVERNANCE

Board of directors is the key players in the governance framework as they are the ones who select and evaluate the top management and compensate them accordingly. They are responsible for reviewing the overall organizational strategy and measurement of risk and ensuring the compliance of the institution through adequate policies and procedures.

The board of directors discharges their responsibility through the sub-committees. For this purpose the board meets regularly to retain control and monitor the management. The board has following major subcommittees:

1. Audit Committee
2. Risk Committee
3. Compensation Committee
4. Nominating Committee
5. Appointment and Promotions Committee

Thus board has been assigned important and critical functions and therefore there must be means to assess their performance and to check if they are aligned with the organizational goals.

1.9 RESEARCH QUESTION

It is argued that good corporate governance practices have a positive impact on the performance of firms. The main research question is whether a balanced board of directors influences the performance in terms of accountability, independence and transparency in commercial banks of Pakistan?

2.1 LITERATURE REVIEW

Corporate governance has been looked at and defined by different scholars in a variety of ways; however they all have pointed to the same end hence giving more of a consensus in the definition. For example, the Financial Times (1997) defines corporate governance as the relationship of the enterprise to shareholders or in the wider sense as the relationship of the enterprise to society as a whole; however, the Financial Stability Forum (2001) offers a definition with a wider outlook and contends that it means the sum of the processes, structures and information used for the directing and overseeing the management of an organization.

Adams and Mehran (2003) argue that the governance of banks may be different from that of unregulated, non-financial firms for several reasons. They argue that investors, depositors and regulators have a direct interest in bank performance. Given the dependence of the whole economy on banking performance, regulators are more concerned about the safety of the financial system. Adams and Mehran (2003) think that a significant difference between banking firms and manufacturing firms relate to board size, board makeup, CEO ownership and compensation structure, and block ownership. These differences support the theory that corporate governance structures should be industry-specific.

Arun and Turner (2002) argued that in developing economies, the introduction of sound corporate governance principles into banking has been partially hampered by poor legal protection, weak information disclosure requirements and dominant owners. They observed further that in many developing countries, the private banking sector is not enthusiastic to introduce corporate governance principles.

The second line of existing literature links corporate governance with a mechanism that reduces agency costs and agency problems. Shliefer and Vishny (1997) note that inside managers and controlling shareholders are frequently in a position to expropriate the rights of minority shareholders and creditors. Laws and legal institutions play a crucial role in determining the degree of expropriation. Expropriation may include theft, as well as transfer pricing, asset stripping, the hiring of family members and other 'prerequisites' that benefit insiders at the expense of minority shareholders and creditors (La Porta et al.,2000)

The reporting lines of the internal audit function should be such that the information that directors receive is impartial and not influenced by management. Internal audit is a key element of management's responsibility to validate the strength of a bank's internal controls (Bies, 2002)

The concept of good governance in banking industry empirically implies total quality management which includes six performance areas (Khatoon, 2002). These performance areas include capital adequacy, assets quality, management, earnings, liquidity, and sensitivity risk. Khatoon argues that the degree of adherence to these parameters determine the quality rating of an organization.

Studies that have tried to investigate the performance of commercial banks in Pakistan are few. For instance, in a rare critical commentary on Pakistan's banking industry, Klein (1992) has presented a sorry state of commercial banks in Pakistan, highlighting problems relating to nationalization of banks, political interference and the effects of adoption of Islamic banking system on bank's performance. He suggested that for a smooth working of the banking sector in Pakistan macroeconomic stability, privatization of financial institutions, deregulation of government debt credit ceiling, interest rate and liberalization of foreign exchange market are necessary. He further suggested that the State Bank of Pakistan must be made more powerful and independent to strengthen essential supervision and to improve monetary policies. Klien, however, did not provide any rigorous analysis of the banking efficiency.

"Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the directors include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The Board's actions are subject to laws, regulations and the shareholders in general meeting." Cadbury commission (1992)

Corporate governance helps in gaining the commitment of the employees, management and customers. It combines all the forces and hence is the Power to diffuse the risks by combining all the forces. In addition to this, corporate governance ensures that electorates and stakeholders in an organization are taken accountable. Lusaka, Zambia (2005) Report explains that many of the Asian businesses are intrinsically characterized by lack of transparency. SEC manual of corporate governance (2002) stress upon the importance of transparency that it is the counter of good corporate governance and it also guides about transparency which can be achieved by three key elements: Accounting standards, Openness and Compliance reporting. Efficiency of any business and particularly banks profoundly depends upon the customer's trust and assurance in the correctness and availability of provided information. Transparency can also be confirmed with accounting method recognized internationally is mandatory to guarantee with the aim of financier can successfully interpret and contrast company data.

Some other convergent arguments have also been discussed by Ananchotikul, Nasha (2008), Black et. Al. (2003), Klapper and Love (2002) and Khanna et. Al. (2001) about transparency. They say that transparency is extremely imperative to a good corporate governance system hence it motivates shareholders confidence in the organization

Another mentionable corporate governance element which can further enhance the function of good corporate governance is accountability. Accountability is one of the key responsibilities of directors to the shareholders. It is the foundation of any good corporate governance structure (Cadbury Commission 1992). An added concept of corporate governance can be defined as system of accountability among shareholders, the BOD's and the management of corporate entity (Lusaka, Zambia 2005). For achieving strategic objectives decision making process must be held accountable. Furthermore he also encompassed the basic elements of good corporate governance like; fairness, transparency, accountability and responsibility are the essential standards which can offer maximum protection from financial crisis and can intensify the access to capital.

2.2 HYPOTHESIS

The study's hypothesis is as follows:

H0 = corporate governance by BOD does not impact the organizational performance

H1 = corporate governance by BOD impact the organizational performance

2.3 THEORETICAL FRAMEWORK

Since our objective is to measure the impact of corporate governance on the organization's performance, the latter is a dependent variable while the various aspects of corporate governance (practices) by BOD have been used as independent variables. As there are a number of factors that influence the organizational performance;

we have used three variables, namely transparency, accountability and independence. Corporate governance is a qualitative variable, incapable of being measured directly. We have therefore used proxies for this purpose, each of which has its own limitations.

3.1 RESEARCH DESIGN

In order to obtain valid and reliable results, the crucial part of this research was to develop an effective research design which will reduce the chances of drawing a wrong conclusion from the collected data (Chisnall, 2005).

Corporate governance is a still a relatively new phenomenon in Pakistan and there is hardly any research on corporate governance exerted by BODs and the perceived performance of commercials in Pakistan. Therefore the nature of this study lends towards exploratory research looking into the relationship of corporate governance practices by Board of Directors and the performance of commercial banks in Pakistan.

Much of the research already conducted on this topic is on developed countries which have used the secondary data, collected and organized by third parties such as commercial rating agencies and investment firms. However, there are no such data services available to researchers in Pakistan. Therefore, this research is based on the data which is specifically collected from a designed questionnaire.

3.2 POPULATION AND SAMPLE SIZE

There are a number of Commercial Banks in the location of Rawalpindi. However, due to scarcity of time and resources we sampled two major commercial banks in the vicinity of Rawalpindi, namely, MCB and Allied Bank. These banks have been selected on the criterion of portfolio as well as number of branches.

In the research, we distributed questionnaires in 5 branches each of targeted banks. The correspondents of these questionnaires were upper and middle line managers. Since the target population in these banks is manager grade officers, therefore, the population size is a relatively small number of 43.

3.3 RESEARCH INSTRUMENT

A comprehensive research questionnaire has been designed to understand the current corporate governance practices influenced by board of directors in commercial banks of Pakistan. To establish the questionnaire’s validity and reliability, we have used Cronbach’s alpha test on all the variables under study.

Cronbach's alpha is used for internal consistency that is, how closely related a set of items are as a group. A "high" value of alpha is often used as evidence that the items measure an underlying (or latent) construct. Technically speaking, Cronbach's alpha is not a statistical test - it is a coefficient of reliability (or consistency).

Cronbach's alpha can be expalined as a function of the number of test items and the average inter-correlation among the items. Below mentioned is the formula for the standardized Cronbach's alpha:

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N-1) \cdot \bar{c}}$$

Here N is the number of items, c-bar is the average inter-item covariance among the items and v-bar equals the average variance.

Further, we have used correlation and regression analysis to test the significance, direction and strength of relationship between the four variables, namely, transparency, independence, accountability and performance.

3.4 DATA COLLECTION

Questionnaire to measure the corporate governance exerted by board of directors and organizational performance have been adopted from CLSA, i-e, Credit Lyonnais Securities Asia (CLSA) to measure the corporate governance. Further it is amended according to the situation. This research has not used exact questionnaire but in amended form.

This study uses five point Likert scale questionnaire ranging from “strongly disagree” toward “strongly agree” with number “1” to “5” representing respectively as instrument of data collection.

The instrument used in this research measures the link between corporate governance by board of directors and organizational performance.

DATA ANALYSIS AND INTERPRETATION

4.1 DEMOGRAPHIC DATA

The following frequency tables show the distribution for gender and age.

Frequency Table 4.1

GENDER

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	30	69.8	69.8	69.8
	Female	13	30.2	30.2	100.0
	Total	43	100.0	100.0	

Frequency Table 4.2

AGE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-25	2	4.7	4.7	4.7
	26-30	15	34.9	34.9	39.5
	31-35	15	34.9	34.9	74.4
	36-40	8	18.6	18.6	93.0
	>40	3	7.0	7.0	100.0
	Total	43	100.0	100.0	

Table 4.1 and 4.2 denotes the demographics of the study. Total 43 participants participated in this study with ratio of 69.8 and 30.2 percent of male and female respondents respectively. Male (30) participants have contributed more as compare to females (13). According to age demographic most of the participants were laying in age between 26-30 and 31-35.

Descriptive

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
GENDER	43	1	2	1.30	.465
AGE	43	1	5	2.88	1.005
Transparency	43	1.20	3.00	2.3302	.44697
Independence	43	1.20	4.00	2.2558	.63144
Accountability	43	1.75	3.75	2.4535	.43389
Performance	43	1.00	3.71	2.0133	.49665
Valid N (list wise)	43				

In this Descriptive Statistics box, the mean for the accountability is 2.45. The mean for transparency and independence are 2.33 and 2.25 respectively. While for performance it is lowest, i-e, 2.01. The standard deviation for independence is 0.63, for performance it is 0.496 and for transparency and accountability it is 0.45 and 0.43 respectively. The number of participants in each condition (N) is 43.

4.2 EMPERICAL FINDINGS

Corporate governance by BODs and organizational performance is measured with help of 43 questionnaires in this study. Responses of all 43 respondents vary from 01 to 05, whereas Cronbach's alpha test is used to determine the reliability and inter item consistency of the constructs used in the present study.

Below, we will check the reliability of our four variables under study; Transparency, Independence, Accountability and Organizational Performance.

Reliability of Transparency

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	43	100.0
	Excluded[a]	0	.0
	Total	43	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.683	5

The alpha coefficient for the five items is .683, suggesting that the items have relatively high internal consistency.

Reliability of Independence
Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	43	100.0
	Excluded[a]	0	.0
	Total	43	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.734	5

The alpha coefficient for the five items is .734, suggesting that the items have relatively high internal consistency. (Note that a reliability coefficient of .70or higher is considered "acceptable" in most social science research situations.)

Reliability of Accountability
Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	43	100.0
	Excluded[a]	0	.0
	Total	43	100.0

a. List wise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.005	4

The alpha coefficient for the four items is .005, suggesting that the items have relatively low internal consistency.

Reliability of Organizational Performance

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	43	100.0
	Excluded[a]	0	.0
	Total	43	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.827	7

The alpha coefficient for the four items is .827, suggesting that the items have relatively high internal consistency. (Note that a reliability coefficient of .70or higher is considered "acceptable" in most social science research situations.)

Thus, after testing our variables with Cronbach's Alpha test, we have found that Independence and Organizational performance have high internal consistency while Transparency is moderately acceptable with alpha value of 0.683 whereas Accountability has significantly low alpha value of 0.005.

Correlations

Correlations

		Transparency	Independence	Accountability	Performance
Transparency	Pearson Correlation	1	.352*	.241	.158
	Sig. (2-tailed)		.021	.120	.313
	N	43	43	43	43
Independence	Pearson Correlation	.352*	1	.453**	.739**
	Sig. (2-tailed)	.021		.002	.000
	N	43	43	43	43
Accountability	Pearson Correlation	.241	.453**	1	.686**
	Sig. (2-tailed)	.120	.002		.000
	N	43	43	43	43
Performance	Pearson Correlation	.158	.739**	.686**	1
	Sig. (2-tailed)	.313	.000	.000	
	N	43	43	43	43

*. Correlation is significant at the 0.05 level (2-tailed).

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

The value of 'r', Pearson Correlation Coefficient, for independence is 0.739 which show a very strong positive correlation with performance. The value of 'r' for accountability is 0.686 which also show a strong positive relationship. However, the value 'r' for transparency is 0.158 which shows nil or negligible relationship with performance.

We conducted ANOVA test to verify the effect of Independent variables:

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.496	3	2.499	34.030	.000[a]
	Residual	2.864	39	.073		
	Total	10.360	42			

a. Predictors: (Constant), Accountability, Transparency, Independence

b. Dependent Variable: Performance

Since the value of Sig is less than 0.05, we can conclude that there is a statistically significant difference between the variables. Thus, the differences are due to the manipulation by the independent variables.

The Regression Analysis is conducted as follows:

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.097	.292		.334	.740
	Transparency	-.177	.100	-.159	-1.765	.085
	Independence	.463	.077	.588	5.980	.000
	Accountability	.524	.109	.458	4.822	.000

a. Dependent Variable: Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.851[a]	.724	.702	.27097

a. Predictors: (Constant), Accountability, Transparency, Independence

The tables show the results of regression analysis. Impact of corporate governance on organizational performance is significant in commercial banks. The regression analysis shows that the effect of independence and accountability is higher than other construct variable with values of .588 and .458 each respectively and showing the significance value below 0.05.

Value of adjusted R2 (.702) shows that the corporate governance related to Transparency, Independence and Accountability has 70.2 % effect on organizational performance.

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

This study supports the literature of Miles, L. (2010) which indicates that independence of director has effect on organizational success as our study proposes that independence has significance effect on organizational performance in our environment. Our analysis specifies that independence has strong impact on perceived organizational success.

Empirical findings of this study in accordance with direction of SECP manual corporate governance (2002) which emphasize the importance of accounting standards being part of discipline in organizations. This study has also proven that independence of board is most important and viable variable for banking sectors organizations to be succeeded.

5.2 CONCLUSIONS AND RECOMMENDATIONS

To its advocate, the role of corporate governance by BODs in organizational performance is vital for accomplishment in commercial banking. Analysis of present study tells that the corporate governance has different impact on organizational performance. Independence of board and accountability exerted by board through auditors plays a stronger role in making organizations successful in commercial banks operating in Rawalpindi, Pakistan.

According to our study these two variables significantly contribute in creating good corporate governance which insures organizational success. According to the interpretations of our study we propose that policy makers should focus more on independence of board.

Results suggest that if commercial banks working in Rawalpindi, Pakistan focus on board independence, corporate governance practices should explicitly implemented. This study proposes that accountability in the form of effective audit committee also contributes in developing good corporate governance but our study does not show the significant effect of transparency on organization performance.

Strategy makers should focus on board independence and good accountability practices to ensure fairness in record keeping and responsibility by the management. Generally top management should give attention toward corporate governance in return to gain customers delighters which insure the overall organizational success.

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Appendix-A

QUESTIONNNAIRE

This questionnaire has been developed by students of APCOMS University for research article, **'Impact of Corporate Governance exerted by Board of directors on the performance of Commercial Banks'**. Hence the data collected will be used solely for this purpose. Your input can be helpful in developing useful results for banking sector.

DEMOGRAGHIC FEATURES: Please tick mark against the following:

1. GENDER: 1. Male 2. Female

2. AGE: 1. 20-25 , 2. 26-30 , 3. 31-35, 4. 36-40 5. >40

3. GRADE: _____________

A. Transparency

1. Management has disclosed three or five-year performance.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)
2. Public announcement of results have been no longer than two working days of board meeting.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)
3. The reports are clear and informative. (Based on perception of analyst.)
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)
4. Bank consistently discloses major and market sensitive information punctually.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)
5. Analysts have good access to senior management. Good access implies accessibility soon after results are announced and timely meetings where analysts are given all relevant information.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)

B. Independence:

6. The chairman is an independent, non-executive director.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)
7. Bank has an audit committee which is chaired by a perceived independent director
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)
8. Bank has a remuneration committee which is chaired by a perceived genuine independent director.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)
9. External auditors of bank are in other respects seen to be completely unrelated to the organization.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)
10. The board includes no direct representatives of banks and other large creditors of bank.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)

C. Accountability

11. Full board meetings are held at least once a quarter.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)
12. Audit committee nominates and conducts a proper review the work of external auditors.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)
13. The audit committee supervises internal audit and accounting procedures.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)
14. There are any foreign nationals on the board.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)

D. Organizational Performance

15. Quality of our products/services has been improved.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)
16. Development of new products or services is a major activity in our bank.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)
17. Bank's ability to attract employees has improved.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)
18. Satisfaction of customers/clients is preferred concern of our bank.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)
19. Management and employees are having trustful relationship with each other.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)
20. Market Share of our bank has been increased.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)
21. Our bank has better standing in the market now, as compared to last 5 years.
(1.Strongly agrees, 2. Agree, 3. Neutral, 4.Disagree, 5.Strongly disagree)