IMPACT OF CORPORATE GOVERNANCE PRACTICES ON FIRM PERFORMANCE: INSIGHTS FROM MULTINATIONAL COMPANIES IN BANGLADESH

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Abstract

This study explores how corporate governance practices affect the financial performance of multinational companies (MNCs) operating in Bangladesh. It uses annual secondary data covering 14 multinational companies listed on the Dhaka Stock Exchange (DSE) from 2013 to 2024. Corporate governance is represented by factors including the number of board members and the level of independence, managerial ownership, foreign ownership and ownership concentration. Financial performance indicators are assessed through Tobin's Q and return on assets (ROA). Moreover, firm size, firm age, earnings per share (EPS), leverage and the unemployment rate are incorporated as control variables. The panel-corrected standard errors (PCSE) model is applied for handling cross-sectional correlation, heteroskedasticity and autocorrelation issues. In contrast, Driscoll–Kraay standard errors are used to validate the soundness, reliability and robustness of the results. The results of the study demonstrate that larger boards, concentrated ownership and foreign ownership improve firm performance of DSE-listed MNCs. Board independence positively affects Tobin's Q but no significant relationship is observed between managerial ownership and firm performance. Among the control variables, leverage and EPS positively influence firm performance, firm size increases ROA but lowers Tobin's Q, and firm age significantly affects ROA, while unemployment rate shows no significant impact. The findings highlight that corporate governance significantly influences the performance of multinational companies operating in Bangladesh and provide implications for managers, investors, regulators, and policymakers, particularly in shaping ownership strategies, board composition, and legislative reforms to promote sustainable value generation.

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1. Introduction

Corporate governance is a fundamental force for maintaining the company's transparency and accountability, long-term growth, risk management and financial stability. In corporate world, it prioritizes openness, equity, and effective decision-making (Saygili, Saygili & Taran, 2021). It has great significance to ensure firm competitiveness and sustainability within the industry and worldwide (Aboagye & Otieku, 2010). To maintain an optimal balance of power among shareholders, directors and management, a strong governance mechanism is essential particularly through the careful design of board characteristics and ownership structure (Nepal & Deb, 2022; Hasan, Tawfiq, Hasan, & Islam, 2024). In contrast, firm performance reflects how effectively a company achieves its financial and strategic objectives (Alodat, Salleh, Hashim & Sulong, 2022). These concepts are closely linked, as strong governance enhances investor confidence and ensures efficient resource allocation, which in turn improves performance (Khan & Mahmood, 2023). Ultimately, the adoption of effective corporate governance mechanisms and frameworks enables firms to achieve superior financial outcomes, higher stock returns, and long-term sustainability (Puni & Anlesinya, 2020).

Mature capital markets, sophisticated disclosure procedures and strong regulatory frameworks that safeguard shareholder rights provide significant advantages to firms operating in developed economies (Kijkasiwat, Hussain & Mumtaz, 2022). In contrast, developing countries such as Bangladesh are characterized by weaker institutional settings, less rigorous disclosure practices, and fragile enforcement mechanisms. These shortcomings often lead to corporate scandals, governance failures, and declining investor confidence, all of which directly affect firm performance (Guluma, 2021). Corporate governance in multinational companies (MNCs) has become increasingly significant because of their expanding influence on the global economy. These firms are central to international trade and financial stability, as recurring financial crises and rising corporate liabilities have highlighted the necessity of sound governance structures, particularly in cross-border operations (Akash & Pooja, 2022). Their foreign direct investment (FDI) contributes not only to job opportunities and new business ventures in host countries but also to improved efficiency among local firms through the diffusion of advanced technologies and practices (Abebe, McMillan & Serafinelli, 2022).

In today's interconnected markets, investor confidence and market integration rely heavily on transparency and accountability, making effective governance systems within MNCs essential for maintaining long-term competitiveness. With the expanding global presence of MNCs, effective corporate governance has become a key factor in ensuring sustainable growth. Therefore, studying governance practices in MNCs from the perspective of emerging economies such as Bangladesh is crucial. The purpose of the study is to investigate how corporate governance influences performance of MNCs and to identify the specific governance practices that contribute to improved firm outcomes.

Existing literature has assessed the connection between governance mechanisms and firm performance (Guluma, 2021; Taniya & Akhtar, 2021; Akash & Pooja, 2022; Kyere & Ausloos, 2021; Taniya & Akhtar, 2021; Abdullah & Tursoy, 2023). In particular, studies on board and ownership characteristics have been carried out

across countries, including India (Nepal & Deb, 2022; Goel, Dhiman, Rana & Srivastava, 2022), Malaysia (Nahar, Aziz & Azani, 2022), New Zealand (Gaur, Bathula & Singh, 2015) and Kuwait (Al-Saidi, 2021). In Bangladesh, several authors (Sobhan, 2022; Hasan *et al.,* 2024; Begum, 2025; Khan, Saha, Kamal & Islam, 2025; Rahaman, Khan, Chowdhury & Masum, 2025) have investigated corporate governance across various sectors. Sobhan (2022) and Begum (2025) focused on the textile industry, Hasan *et al.,* (2024) examined the financial sector, Khan *et al.,* (2025) studied multiple industries, and Rahaman *et al.,* (2025) analyzed pharmaceutical and chemical firms. Although prior research has examined governance extensively, the role of multinational companies (MNCs) remains largely unexplored. This study addresses the existing gap by focusing on MNCs operating within emerging markets like Bangladesh.

This study offers multiple contributions. First, it extends research on corporate governance by focusing specifically on multinational companies (MNCs) in an emerging economy, Bangladesh. Second, it examines the function of core corporate governance factors, including board and ownership attributes, in influencing MNC outcomes, providing empirical evidence on practices that enhance efficiency, accountability, and value creation. Third, by highlighting the governance challenges and opportunities in emerging markets specially in the Bangladesh context, the study offers guidance for policymakers, governing bodies and managers to strengthen corporate governance frameworks and improve firm outcomes.

The remaining parts of the study are structured into four sections. Section 2 outlines the theoretical framework, reviews the relevant literature and hypotheses; Sections 3 and 4 outline the data and methodology of the research, and results and discussions. Finally, Section 5 presents the conclusion that summarizes key findings and implications along with future research indications.

2. Literature Review

Corporate governance (CG) represents a framework of guidelines, structures, processes, and practices, whereby a firm is governed, managed, and controlled (Cheema & Din, 2013). Kijkasiwat *et al.,* (2022) conceptualized corporate governance (CG) as a system that connects board of directors, managers, shareholders, and other stakeholders. A strong corporate governance system can reduce the agency risk and the chances of minority shareholders' expropriation decline, which can result in higher dividend payouts and greater investment from minority shareholders (Saygili *et al.,* 2021). Number of board directors, independent directors, board meetings, and the presence of an audit committee, director's ownership are the crucial factors of corporate governance (Abdullah & Tursoy, 2023; Farooq, 2019). Financial performance refers to a firm's effectiveness by leveraging its resources to generate earnings (Uddin, Alam, Alam & Kalam, 2023). Firm performance reflects investors' assessment of a company and it is commonly linked to its stock market price, it demonstrates the market's appraisal of a firm's health, growth possibilities, and both present and anticipated financial outcomes (Hasan *et al.,* 2024).

Several authors (Jensen & Meckling, 1976; Freeman, 1984; Pfeffer & Salancik, 2015; Donaldson & Davis, 1991; Nahar *et al.,* 2022; Gracia & Lukman, 2023) have explored how corporate governance influences firm performance, interpreting this

relationship through the viewpoints of agency, stewardship, stakeholder, and resource dependence theories. Agency theory was developed by Jensen and Meckling (1976), who argued that conflicts of interest arise between shareholders and managers due to divergent objectives. Effective governance mechanisms help minimize agency costs and align managers' incentives with those of shareholders. Nahar *et al.,* (2022) and Khan, Saleem, Din and Khan (2024) have used agency theory to demonstrate how board independence and ownership concentration enhance monitoring and improve firm performance in emerging economies. Donaldson and Davis (1991) state that, under stewardship theory, managers behave as accountable stewards whose objectives coincide with maximizing shareholder wealth. It emphasizes trust, dedication, and long-term decision-making rather than dispute. Stewardship theory explains how relational governance, larger and diverse boards, and committed leadership enhance long-term firm performance (Gaur *et al.,* 2015; Khan *et al.,* 2024).

Stakeholder theory introduced by Freeman (1984) extends the role of governance beyond shareholders by incorporating the interests of multiple stakeholders, comprising customers, employees and regulators. The theory asserts that the success of a company hinges on balancing these diverse interests through transparent governance. Gaur *et al.,* (2015), applying stakeholder theory, shows that firms adopting stronger stakeholder engagement and improved financial and non-financial performance, particularly in emerging markets. Pfeffer and Salancik (2015) highlighted the resource dependence theory, which explains how corporations rely on outside resources and how boards are essential for securing these resources and lowering uncertainty. Recent research indicates that, particularly in intricate multinational settings, resource dependency mechanisms like independent and globally linked directors significantly improve business performance (Gracia & Lukman, 2023).

Corporate governance has been leveraged globally to boost firm performance, particularly in emerging nations and during periods of economic recession. Several researchers conducted their research to explore how it affects firm performance. Kyere and Ausloos (2021) show that implementing suitable corporate governance procedures can strengthen a company's financial performance. Sarker and Hossain (2024) conclude that overall corporate governance significantly affects the firm's value by mitigating the agency issues. Saygili (2021) stated that stakeholder-oriented governance practices are positively associated with the financial performance based on accounting indicators for both financial and non-financial companies. From the literature, it is apparent that good governance is fundamental for fostering long-term business success and improving firm performance.

Firm performance depends on both company-specific and macroeconomic factors, along with board and ownership structure. Leverage, the use of debt to finance assets or investments, influences firm performance. According to Al-Slehat (2020) and Mandacı and Gumus (2010), firms with optimal levels of leverage tend to perform better. Estiasih, Suhardiyah, Suharyanto, Putra and Widhayani (2024) also found that high leverage enhances financial discipline and reduces the risk of mismanagement, leading to improved firm performance. Firm age and firm size are other factors affecting performance. While Taniya and Akhtar (2021) found that long-standing banks in Bangladesh do not necessarily add extra value, this finding is contradicted

by Fatma and Chouaibi (2023) and Sobhan (2022). Moreover, Rejeb and Missaoui (2019) confirmed that larger firms tend to perform better. A well-run company with a high EPS tends to see higher stock prices and greater market value. Habib (2016) found that consistent EPS growth enhances investor confidence and enhances firm value in companies operating in Bangladesh. Among macroeconomic factors, the unemployment rate significantly affects firm performance, as noted by Ibrahimov, Vancsura and Parádi-Dolgos (2025) and Sarker and Hossain (2024).

Several researchers (Abdallah & Ismail, 2017; Abdullah & Tursoy, 2023; Taniya & Akhtar, 2021) have employed corporate governance factors to investigate the relationship with firm performance. In particular, studies focusing on board characteristics and ownership structure have been conducted across diverse countries. Nepal and Deb (2022) and Goel et al., (2022) explored governance in India, Nahar et al., (2022) analyzed Malaysia, Gaur, Bathula and Singh (2015) investigated New Zealand, and Al-Saidi (2021) examined the Kuwaiti. In Bangladesh, several authors (Sobhan, 2022; Hasan et al., 2024; Begum, 2025; Khan et al., 2025; Rahaman et al., 2025) have carried out studies in various sectors: focusing on the textile industry, financial sector, pharmaceutical & chemical firms and across multiple industries. However, previous studies have not considered multinational companies (MNCs), which represent a significant research gap. The study deals with the existing research gap by analyzing the effect of governance mechanisms on the performance of MNCs in Bangladesh. The figure below illustrates the theory-driven conceptual framework of the study, showing the relationship between corporate governance, including board characteristics, ownership structure, and firm performance, while highlighting the role of control variables.

2.1 Hypotheses Development

Board structure is pivotal in advancing oversight mechanisms and ensuring independence, both of which play a role in boosting company performance (Nahar et al., 2022). Similarly, the ownership structure influences governance effectiveness by balancing incentives and mitigating agency conflicts (Abdallah & Ismail, 2017). Based on the board and ownership structures, five key factors have been identified, which serve as the foundation for the hypotheses presented below.

2.1.1 Board Size and Firm Performance

Board size is an important internal corporate governance mechanism for monitoring managerial activities (Kamardin & Haron, 2011). While prior evidence on its performance effects is mixed, resource dependence theory suggests that larger boards improve access to expertise and external linkages (Gracia & Lukman, 2023), and empirical studies report positive effects of larger boards on firm performance, including evidence from New Zealand listed firms (Gaur et al., 2015) and findings that larger boards enhance financial performance through effective committee structures (Kyere & Ausloos, 2021). In contrast, several studies suggest that increasing board size may negatively affect financial performance due to slower decision-making and delays (Merendino & Melville, 2019; Abdullah & Tursoy, 2023). Moreover, Fatma and Chouaibi (2023), in a study of 111 financial institutions, reported no notable association between the size of the board and firm value. Drawing on these findings, the proposed hypothesis is formulated as follows:

H_1 = Board size is significantly associated with the performance of MNCs.

2.1.2 Board Independence and Firm Performance

Board composition with independent directors is a core element of corporate governance, as agency theory posits that independent directors enhance monitoring and constrain managerial opportunism, thereby improving firm performance (Khan *et al.,* 2024). Empirical evidence from Malaysian listed firms confirms a significant positive association between board independence and performance (Nahar *et al.,* 2022), with similar results reported by Sasidharan (2020). However, contrary results are documented by Al-Saidi (2021) and Khan *et al.,* (2024), who provided evidence that stronger board independence is associated with a significant decline in firm performance. Furthermore, several studies reveal no significant relationship. For instance, Hasan *et al.,* (2024), using panel data from 2011–2022, report that board independence exerts an insignificant effect on the performance of listed financial institutions. Likewise, Rashid (2018) concludes that board independence is an insignificant factor affecting performance. In light of the above discussion, the following hypothesis is proposed:

H_2 = *Board independence is significantly associated with the performance of MNCs.*

2.1.3 Managerial Ownership and Firm Performance

Managerial ownership is considered an important mechanism of corporate governance as it helps mitigate agency conflicts and bring the interests of shareholders and managers into alignment (Mandacı & Gumus, 2010; Praswati & Putra, 2020), which is in agreement with agency theory (Khan *et al.,* 2024). An elevated level of ownership by management is expected to reduce agency costs, thereby enhancing firm performance (Gracia & Lukman, 2023). Alabdullah (2018), in a study of non-financial firms, found that managerial ownership positively affects performance. Similarly, Kamardin and Haron (2011) reported a favorable impact of managerial ownership on performance using multiple regression analysis for the fiscal year 2012. However, Karim, Manab and Ismail (2023) found that managerial ownership negatively influences firm performance, suggesting that agency problems may encourage managers to exert less effort in managing the firm. In addition, Hasan *et al.,* (2024) indicated that ownership has insignificant effect on financial performance. Considering these findings, the hypothesis is formulated as follows:

H_3 = *Managerial ownership is significantly associated with the performance of MNCs.*

2.1.4 Ownership Concentration and Firm Performance

Ownership concentration, defined as the shareholdings of a firm's largest shareholders, is a key corporate governance mechanism shaping firm operations and performance (Nguyen *et al.,* 2020). Consistent with agency theory, empirical evidence from Oluwagbemiga, Michael and Zaccheaus (2014), using least squares regression for 2008 to 2012, reports a significant positive association between ownership concentration and firm performance. This outcome is aligned with the results of (Hess, Gunasekarage & Hovey, 2010; Mandacı & Gumus, 2010; Yasser & Mamun, 2017). Karim *et al.* (2023) and Wang and Shailer (2015) identified an inverse relation between performance and ownership concentration. Gaur *et al.* (2015) argue that low ownership concentration increases agency problems, which in turn weakens performance. Nevertheless, ownership concentration's benefits on firm

performance tend to diminish when ownership reaches very high levels. Reflecting on these findings, accordingly, the subsequent hypothesis is put forward:

H_4 = *Ownership concentration is significantly associated with the performance of MNCs.*

2.1.5 Foreign Ownership and Firm Performance

Foreign ownership, defined as equity participation by non-domestic investors (Nadia, Midiastuty, Suranta, and Putra, 2023), is associated with improved asset utilization and profitability through access to superior resources and technology. Empirical evidence shows that firms with minority foreign ownership outperform purely domestic firms in operating profitability (Gurbuz and Aybars, 2010), consistent with resource dependence theory, while a positive performance effect of foreign ownership also contributes to lower agency costs (Nofal, 2020). Similarly, Uddin *et al*. (2023) reported that foreign ownership enhances the performance of listed banks and NBFIs, while Rashid (2020) found that accounting and market performance metrics are positively and significantly affected. Sobhan (2022) further confirmed that foreign ownership positively influences firm performance and suggested that both directors' and foreign ownership reduce agency costs, ultimately improving firm outcomes. Considering these findings, the hypothesis is formulated as follows:

H_5 = *Foreign Ownership is significantly associated with the performance of MNCs.*

3. Data and Methodology

3.1 Data and Sample

The study aims to explore the association between corporate governance and firm performance of MNCs in Bangladesh. The sample of this study is chosen based on two criteria: (i) the firms that originated from outside Bangladesh, and (ii) the parent company holds at least a 10% stake (Khan, 2023). Following the stated criteria, 16 multinational corporations are identified on the DSE, of which 14 firms are selected for this study based on continuous data availability from 2013 to 2024, yielding 154 firm-year observations. The study utilized annualized firm-specific and governance data extracted from the audited annual reports of selected MNCs and DSE, following Abdallah and Ismail (2017) and Hasan *et al*. (2024), and unemployment rate data was collected from the World Bank database.

3.2 Variables Description

This study incorporates Tobin's Q and ROA as measures of firm performance, following Abdullah and Tursoy (2023) and Uddin *et al*. (2023). Board independence, board size, ownership concentration, foreign ownership and managerial ownership are regarded as corporate governance factors, align with Hasan *et al*. (2024), Rashid (2020), Karim *et al*. (2023) and Khan and Mahmood (2023). Control variables are divided into firm-specific and macroeconomic factors. Firm age, firm size, leverage, and earnings per share (EPS) are employed as firm-specific controls, following Khan and Mahmood (2023) and Habib (2016), while the unemployment rate is employed as a macroeconomic factor, following Ibrahimov *et al*. (2025). A detailed description of all variables is showed in Table 1.

Table 1: Variable Definitions and Measurement

Variable Name	Definitions	Scale/Measurement	References
Panel A: Dependent Variables			
Return on Assets (ROA)	Return on Assets indicates the effectiveness of a firm's asset use in generating net earnings.	(Net Income /Total Assets) × 100	Guluma (2021), Kyere & Ausloos (2021)
Tobin's Q	Tobin's Q ratio indicates how a firm's market value relates to the replacement cost of its assets.	(Market value of Equity+ Book Value of Debt) / Book value of Total asset	Hess *et al.* (2010), Uddin *et al.* (2023)
Panel B: Independent Variables			
Board Size	The total number of individuals serving on the board.	Number of Board Members	Fatma and Chouaibi (2023), Kamardin and Haron (2011)
Board Independence	Number of directors whose judgment is uninfluenced by personal or professional relationships.	(Number of Independent Directors / Total Board Members) × 100	Al-Saidi (2021), Fatma and Chouaibi (2023)
Managerial Ownership	The proportion of equity owned by the managerial team of firm.	(Shares Owned by Managers / Total Shares Outstanding) × 100	Alabdullah (2018), Gracia and Lukman (2023)
Foreign Ownership	The shareholding in a company held by foreign individuals, institutions, or entities	(Shares Held by Foreign Investors / Total Shares Outstanding) × 100	Nadia *et al.* (2023), Nofal (2020)
Ownership Concentration	The percentage of a company's shares controlled by a small number of large shareholders.	(Shares Held by Top 5 Shareholders / Total Shares Outstanding) × 100	Wang and Shailer (2015), Yasser and Mamun (2017)
Panel C: Control Variables			
Financial Leverage	The level of debt employed by a firm to finance its activities and assets.	(Total Debt / Total Equity) × 100	Al-Slehat (2020), Estiasih *et al.* (2024)
Firm Size	Firm size represents a company's total assets.	Total asset of the Firm	Gurbuz and Aybars (2010), Rejeb and Missaoui (2019)
Firm Age	Firm age indicates how long a company has been active since its formation.	Years Since Listed in Dhaka Stock Exchange	Taniya and Akhtar (2021), Hess *et al.* (2010)
Earnings Per Share	The share of a company's profit assigned to each outstanding share.	Currency (BDT): Net Income / Number of Outstanding Shares	Habib (2016), Rejeb and Missaoui (2019)
Unemployment Rate	The proportion of the labor force that is unemployed.	(Number of Unemployed Individuals / Labor Force) × 100	Ibrahimov et at. (2025), Sarker and Hossain (2024)

Note: This table outlines the variables used in the study along with their definitions, measurement methods, and supporting references.

3.3 Methods of Data Analysis

This study comprises 14 multinational companies and 12 years period, incorporating both time series and cross-sectional dimensions. The structure of the dataset indicates a panel data regression technique. Following Abdullah and Tursoy (2023), Hasan (2024a), and Estiasih *et al.* (2024), this study uses a longitudinal data regression model to assess the effect of cross-section of time (12 years) and units (14 companies). Panel Corrected Standard Error (PCSE) regression model is utilized to ensure the reliability of the results after handling the heteroskedasticity and autocorrelation issues (Mazumder, 2024; Nepal & Deb, 2022; Hasan, Munmun & Saha, 2025).

The study performed some preliminary diagnostic tests to ensure the accuracy of the data set before conducting the panel data analysis. Multicollinearity is tested through the Variance Inflation Factor (VIF) (Hasan, 2024b), heteroskedasticity issue is checked by using the Breusch-Pagan test (Hasan & Hasan, 2024). In addition, Pesaran's CD and Wooldridge test are used to test the cross-sectional dependence and autocorrelation (Hasan, Islam, Tawfiq & Saha, 2025). The following equation represents the panel data regression model:

$$ROA_{i, t} = \beta_0 + \beta_1 BS_{i, t-1} + \beta_2 BI_{i, t-1} + \beta_3 MO_{i, t-1} + \beta_4 OC_{i, t-1} + \beta_5 FO_{i, t-1} + \beta_6 Controls_{i, t-1} + \text{\euro}_{it}\ldots\ldots\ldots\ldots\ldots\ldots(1)$$

$$\text{Tobin's } Q_{i,t} = \beta_0 + \beta_1 BS_{i,t-1} + \beta_2 BI_{i,t-1} + \beta_3 MO_{i,t-1} + \beta_4 OC_{i,t-1} + \beta_5 FO_{i,t-1} + \beta_6 Controls_{i,t-1} + \text{\euro}_{it}\ldots\ldots\ldots\ldots\ldots\ldots(2)$$

Where ROA represents return on assets, and Tobin's Q refers to Tobin's Q. BS and BI correspond to board size and board independence, respectively, where MO, FO, and OC correspond to managerial ownership, foreign ownership, and ownership concentration. The control variables include SIZE for firm size, LEV for firm leverage, AGE for firm age, and UNEP for the unemployment rate. β_1, β_2, etc., correspond to the respective coefficient vectors. Here, *i* and *t* index firms and time periods, running from 1 to *N* and 1 to *T*, respectively, where *N* is the total number of firms and *T* the total time periods. ε denotes the idiosyncratic error term. All independent and control variables are lagged by 1 period which was carried out to address the endogeneity due to reverse-causality, omitted variables, or measurement error following previous authors, including Xu *et al.* (2023), Al-Faryan (2021), Akbar *et al.* (2016), and Habtoor *et al.* (2024).

4. Results and Discussions

4.1 Descriptive Statistics

Table 3 highlights the descriptive statistics for all variables included in the study, utilizing 154 observations from 14 listed MNCs in Bangladesh for the period 2013 to 2024. The mean value of ROA stands at 12.8911%, accompanied by a standard deviation of 11.3320%. This indicates that while some businesses effectively turn assets into profit, others face losses. Tobin's Q, with a mean of 3.39, shows that the typical firm is valued beyond the cost of replacing its assets. The wide range reflects the varied growth potential of MNCs, with some companies valued below replacement cost despite many enjoying higher valuations (Vo & Ellis, 2017).

Table 2: Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Median	Min	Max	Skewness	Kurtosis
Performance Measures								
ROA	154.00	12.51	11.07	12.48	-20.10	53.65	1.00	5.87
Tobin's Q	154.00	3.29	2.71	2.66	0.17	13.10	1.67	5.84
Corporate Governance Factors								
Board size	154.00	8.62	2.26	9.00	5.00	15.00	0.25	2.83
Board independence	154.00	25.71	7.44	25.00	11.11	42.86	1.05	3.19
Managerial ownership	154.00	2.31	7.27	0.00	0.00	36.62	3.36	13.05
Ownership concentration	154.00	80.65	13.09	81.51	22.07	99.35	-0.69	4.12
Foreign ownership	154.00	59.20	28.43	60.66	0.00	98.32	-0.86	2.86
Firm Specific Factors								
Leverage	154.00	14.38	19.35	6.63	0.00	72.30	1.68	4.87
Firm size	154.00	29357.93	39350.94	12351.14	90.99	200420.20	2.27	7.88
Firm age	154.00	26.64	14.28	26.50	5.00	49.00	0.03	1.40
Earnings per share	154.00	32.82	36.97	26.02	-96.83	166.87	0.67	4.66
Unemployment rate	154.00	4.60	0.37	4.43	4.35	5.44	1.57	3.63

Notes: The table illustrates the descriptive statistics of the study variables, detailing their mean, standard deviation, maximum, and minimum values across multinational companies in Bangladesh from 2013 to 2024.

The boards of the sampled firms have an average of 8.62 members, providing an equilibrium between diversity and the efficiency of decision-making, with independent directors representing 25.71% of board composition, indicating compliance with the minimum threshold specified by the Bangladesh Corporate Governance Code (2018). Managerial ownership is low at 2.31%, suggesting limited direct control by managers, while ownership concentration is high at 80.65%, reflecting the dominant influence of major shareholders. Foreign investors hold an average stake of 59.20%, highlighting significant international participation in the governance and strategic decisions of these firms. Firms in the sample exhibit moderate leverage, averaging 14.38%, with considerable variation across companies. Firm size shows wide differences, averaging approximately 29357.93 million BDT. in total assets, while firm age averages 26.64 years, indicating a blend of both young and well-established firms. Earnings per share (EPS) display substantial variation, averaging 32.82 and ranging from negative to high positive values, indicating diverse profitability levels. The unemployment rate during the study period averages 4.60%, suggesting relatively stable macroeconomic conditions in Bangladesh. The skewness and kurtosis statistics for nearly all variables fall within acceptable thresholds of ±3 and ±10, respectively, indicating approximate normality of the data (Mazumder, 2024).

4.2 Correlation Matrix
Table 4 illustrates the correlation matrix of the variables applied in this study. Board independence, foreign ownership, and ownership concentration are positively

associated with both ROA and Tobin's Q, and foreign ownership exhibits positive correlations with Tobin's Q and ROA, highlighting the role of external oversight and foreign investors in strengthening corporate governance (Yasser & Mamun, 2017). Managerial ownership reveals a negative association with both ROA and Tobin's Q, indicating potential conflicts of interest or entrenchment effects. Firm size negatively correlates with Tobin's Q, implying that larger firms may face diminishing market valuation. Firm age shows a detrimental correlation with both ROA and Tobin's Q, reflecting potential inertia or slower growth in older firms. ROA and Tobin's Q are positively associated with EPS, consistent with higher earnings driving better performance. Overall, correlations among independent variables are below 0.3, indicating no serious issues of multicollinearity (Hasan *et al*., 2025). Moreover, the VIF of all the variables is below 2, which also indicates that there is no major concern of multicollinearity (Hasan & Priya, 2025).

Table 3: Correlation matrix

	1	2	3	4	5	6	7	8	9	10	11	12	VIF
1. ROA	1.00												
2. Tobin's Q	0.798***	1.00											2.02
3. Board Size	-0.288***	-0.2748***	1.00										1.82
4. Board Independence	-0.01	-0.03	0.06	1.00									1.44
5. Managerial Ownership	0.263**	0.290***	-0.10	-0.481***	1.00								1.88
6. Ownership Concentration	0.504***	0.502***	-0.247**	-0.01	-0.01	1.00							1.82
7. Foreign Ownership	0.534***	0.562***	-0.566***	-0.159*	0.281***	0.506***	1.00						2.49
8. Leverage	0.05	0.04	0.560***	-0.07	0.180*	-0.02	-0.312***	1.00					1.81
9. Firm Size	0.01	-0.221**	0.14	0.345***	-0.306**	0.146*	-0.304***	0.195*	1.00				1.55
10. Firm age	-0.237**	-0.14	0.255***	-0.02	-0.259**	-0.208**	-0.256**	0.13	-0.11	1.00			1.49
11. EPS	0.464***	0.396***	-0.195**	-0.07	0.195*	0.391***	0.400***	-0.01	-0.133*	0.14	1.00		1.52
12. Unemployment rate	-0.05	0.01	-0.01	-0.01	-0.03	0.02	-0.04	0.11	0.11	0.10	-0.10	1.00	1.07

Notes: The table displays the Pairwise Correlation Matrix, highlighting correlations between firm performance, corporate governance, and control variables from 2013 to 2024. Significance levels are indicated by p < 0.05 (*), p < 0.01 (**), and p < 0.001 (***), with t-statistics provided in parentheses.

4.3 Regression Analysis

The regression model exhibits the presence of cross-sectional correlation, heteroskedasticity, and autocorrelation. Thus, study applies a PCSE model, which effectively produces unbiased and consistent estimates following Ahmed and Akhter (2025) and Yang, Vitenu-Sackey, Hao, and Tao (2023). The outcomes of the analysis are reported in Table 4, which displays two models corresponding to firm performance indicators.

Table 4: Regression Results Using the Panel-Corrected Standard Errors (PCSE) Model

	Return on Asset (T-stat)	Tobin's Q (T-stat)
Board Size	0.605*	0.262***
	(2.11)	(3.54)
Board Independence	0.206	0.0689*
	(1.61)	(2.27)
Managerial Ownership	-0.158	-0.0400
	(-1.47)	(-1.48)

Ownership Concentration	0.167**	0.0710***
	(2.59)	(4.69)
Foreign Ownership	0.124***	0.0272***
	(4.99)	(4.26)
Leverage	0.112*	0.0308*
	(2.72)	(2.06)
Firm Size	0.00002*	-0.0000152***
	(2.18)	(-3.83)
Firm Age	-0.0744*	0.00326
	(-2.36)	(0.24)
EPS	0.0727**	0.00566
	(2.85)	(0.97) 45
Unemployment Rate	-0.904	0.162
	(-0.52)	(0.38)
Constant	-16.91***	-8.992***
	(-4.52)	(-3.41)
R2	0.4813	0.4979
Chi square	165.79***	114.95***
No of Obs.	154	154

Notes: The table shows the outcomes from the panel corrected standard error (PCSE) regression model, investigating the impact of corporate governance and control variables on performance of multinational companies in Bangladesh from 2013 to 2024. Significance levels are indicated by $p < 0.05$ (*), $p < 0.01$ (**), and $p < 0.001$ (***), with t-statistics provided in parentheses.

As shown in Table 4, Board size has a significant favorable influence on firm performance, showing a statistically positive association with ROA ($\beta = 0.605$, $p < 0.05$) and Tobin's Q ($\beta = 0.262$, $p < 0.001$), supporting hypothesis H_1. These findings align with Alodat *et al*. (2022) and Cheema and Din (2013), who emphasize that larger boards enhance managerial monitoring and performance. Consistent with resource dependence theory, Goel *et al*. (2022) and Kyere and Ausloos (2021) highlight that a larger board provides diverse knowledge and perspectives, strengthening decision-making, operational efficiency, and firm growth. Given mixed evidence in prior literature, the results should be interpreted cautiously and not generalized beyond the context of DSE-listed MNCs. Board independence shows a statistically insignificant relationship with ROA; however, it is significantly associated with Tobin's Q ($\beta = 0.0689$, $p < 0.05$), providing partial support for hypothesis H_2. This finding aligns with the concept of agency theory, which suggest that a greater proportion of outside directors enhances firm performance and reduces agency costs. Additionally, the outcome corroborates the results reported by Rashid (2020).

Managerial ownership exhibits a negative but statistically insignificant relationship with both ROA and Tobin's Q. Thus, hypothesis H_3 fails to be accepted, indicating that managerial shareholding does not play a meaningful role in enhancing firm performance among multinational companies. Ownership concentration is positively and significantly related to firm performance, as reflected in ROA ($\beta = 0.167$, $p < 0.01$) and Tobin's Q ($\beta = 0.0710$, $p < 0.001$), which validates hypothesis H_4. This indicates that concentrated shareholders are better positioned to exercise effective oversight over managerial actions, mitigate agency conflicts, and ensure efficient resource allocation, thereby enhancing performance (Yasser & Mamun, 2017). Foreign ownership has a beneficial effect on firm performance, with statistically significant coefficients for ROA ($\beta = 0.124$, $p < 0.001$) and Tobin's Q ($\beta = 0.0272$, $p < 0.001$). These results provide support for hypothesis H_5, indicating a strong connection between firm performance and foreign ownership. These results demonstrate that greater foreign ownership contributes to improved firm outcomes by strengthening managerial oversight and shareholder monitoring, thereby reducing agency costs, consistent with the findings of Nguyen *et al.* (2020) and Rashid (2018).

Regarding control variables, leverage exerts a positive effect on both ROA and Tobin's Q, suggesting that greater debt levels may enhance profitability possibly as a result of tax advantages along with investor trust in future growth prospects. These results are consistent with Abdullah, Ismail and Smith (2018) and Sarker & Hossain (2024). An increase in firm size corresponds to higher ROA and lower Tobin's Q, at statistically significant levels in Bangladesh's MNCs context. Larger firms benefit from economies of scale, easier access to financing, and regulatory advantages, boosting accounting returns. However, market valuations may be discounted due to agency problems, complex ownership, and governance challenges. This finding aligns with Mandacı and Gümüş (2010) and Rejeb and Missaoui (2019), while reflecting the institutional and market characteristics of Bangladesh. Firm age is negatively associated with ROA and exhibits no significant relationship with Tobin's Q, indicating that older firms may face structural rigidity, slower decision-making, and reduced operational efficiency, which lowers profitability without impacting market valuation. This negative finding corroborates the results of Rahman and Yilun (2021). Earnings per share (EPS) exhibits a strong and statistically significant relationship with ROA, indicating its direct impact on firm profitability. Higher EPS reflects greater earnings generation, which contributes to improved returns on assets (Habib, 2016). In contrast, EPS does not significantly affect Tobin's Q, suggesting that market-based valuation incorporates a wider range of factors beyond current earnings, such as growth prospects, risk, and governance quality. Unemployment rate appears to have no meaningful influence on firm performance.

4.4 Robustness Analysis

Driscoll–Kraay standard errors regression was applied to address diagnostic issues and to strengthen the credibility of the PCSE model results, following Bayrakdaroglu, Mirgen and Kuyu (2017) and Kaya (2025). The findings from Driscoll-Kraay's standard errors model are generally consistent with the PCSE model outcome, corroborating the validity, reliability and credibility, as presented in Table 5.

Table 5: Regression Results Using the Driscoll-Kraay standard errors model

	Return on Asset (T-stat)	**Tobin's Q** (T-stat)
Board Size	0.6050**	0.2620*
	(3.92)	(2.96)
Board Independence	0.2060*	0.0689***
	(2.97)	(10.40)
Managerial Ownership	-0.1580	-0.0400
	(-1.84)	(-1.03)
Ownership Concentration	0.167*	0.0710**
	(2.81)	(3.69)
Foreign Ownership	0.124***	0.0272**
	(8.96)	(3.32)
Leverage	0.1120*	0.0308*
	(2.23)	(2.34)
Firm Size	0.00002*	-0.00002**
	(2.35)	(-3.94)
Firm Age	-0.0744*	0.00326
	(-2.87)	(0.24)
EPS	0.0727*	0.00566
	(2.70)	(0.73)
Unemployment Rate	-0.904	0.162
	(-0.93)	(0.81)
Constant	-16.91**	-8.992***
	(-3.32)	(-4.68)
R2	0.4813	0.4979
F-Stat	0.6050**	0.2620*
N	154	154

Notes: The table displays the outcomes from the Driscoll-Kraay standard errors model regression model, investigating the impact of corporate governance and control variables on firm performance of multinational companies in Bangladesh from 2013 to 2024. Significance levels are indicated by p < 0.05 (*), p < 0.01 (**), and p < 0.001 (***), with t-statistics provided in parentheses.

5. Conclusion

This study analyzes the effect of corporate governance on the financial performance of multinational corporations (MNCs) in Bangladesh from 2012–2024. The study investigates 14 MNCs, incorporating firm-specific and macroeconomic control variables along with governance variables including board size, independence, managerial and foreign ownership, and ownership concentration to assess their impact on ROA and Tobin's Q. The analysis was conducted using Panel-Corrected Standard Errors (PCSE) and for robustness used Driscoll–Kraay standard errors regression to ensure the reliability of results. The findings highlight that the size of the board, ownership concentration, and foreign ownership consistently enhance performance, showing consistent and statistically significant positive relationships with company performance. In contrast, board independence positively influences market valuation (Tobin's Q). Furthermore, managerial ownership has no significant effect on firm performance

These findings carry important implications for regulators, investors, and corporate leaders. For policymakers, fostering optimal board size and encouraging strategic foreign ownership participation can enhance governance quality and strengthen firm performance. At the corporate level, MNCs should reassess their internal ownership and control structures to ensure a balanced alignment between managerial incentives and accountability. Moreover, Bangladesh's distinct institutional and economic setting suggests that global governance practices may not produce uniform outcomes, highlighting the need for context-specific adaptations rather than using a one-size-fits-all strategy.

This study possesses multiple drawbacks. Firstly, the study concentrates solely on 14 multinational corporations in Bangladesh, which limits the degree to which the results are generalizable more broadly to other sectors or domestic firms. It suggests that further research may benefit from an expanded sample size and examine firms across diverse industries to capture broader patterns. Another limitation of this study is the exclusion of qualitative governance aspects, such as board experience, audit quality, and ethical leadership. Incorporating these dimensions in future research could enrich the analysis and offer a broader knowledge of governance efficacy as well as its influence on organizational outcomes. Additionally, since this study includes only one macroeconomic variable, future research could consider a wider range of macroeconomic parameters, such as inflation, GDP growth and interest rates to better understand how external economic conditions interact with governance mechanisms. Furthermore, the restricted sample size and reliance on publicly available disclosures reduce generalizability beyond the listed MNC segment. Future studies could address potential selection bias using broader datasets or selection-correction models.

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