

Correlation Analysis between the Corporate Governance and Financial Performance of Banking Sectors Using Parameter Estimation

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Abstract : Present paper deals with problems of determining the relationship between the variables of corporate governance and financial performance of Islamic banks. Here, we dealt with the corporate governance in the banking sector, where increasing the importance of corporate governance, due to their special nature, as the bankruptcy of banks affects not only the relevant parties from customers, depositors and lenders, but also affect financial stability and then the economy as a whole. Through this paper we dealt to the specificity of governance in Islamic banks, which face double governance: Anglo-Saxon governance system and Islamic governance system. In addition, we focused our attention to measure the impact of corporate governance variables on financial performance through an empirical study on a sample of Islamic banks during the period 2005-2012 in the GCC region. Our present study implies that there is a very strong relationship between the variables of governance and financial performance of Islamic banks, where there is a positive relationship between return on assets and the composition of the Board of Directors, the size of the Board of Directors, the number of committees in the Council, as well as the number of members of the Sharia Supervisory Board, while it is clear that there is a negative relationship between return on assets and concentration ownership.

Keywords : correlation analysis, parametric estimation, corporate governance, financial performance, financial stability, conventional banks, bankruptcy, Islamic governance system

Conference Title : ICCAM 2015 : International Conference on Computational and Applied Mathematics

Conference Location : Paris, France

Conference Dates : January 23-24, 2015