

Analyzing The Impact of Corporate Governance on Firm Performance a Case Study of New Kabul Bank

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ABSTRACT

This study investigates the impact of corporate governance practices on the firm performance of New Kabul Bank in Afghanistan. Specifically, it examines the effects of board structure and independence, audit committee effectiveness, transparency and disclosure, and shareholder rights and protection on the bank's financial and operational performance. A quantitative research design was employed, and data was collected from 184 employees using structured questionnaires. Descriptive statistics, regression analysis, and inferential tests were conducted to examine the relationships between governance mechanisms and firm performance. The findings reveal that audit committee effectiveness and shareholder rights and protection have a significant positive impact on firm performance, highlighting their critical role in enhancing accountability, risk management, and stakeholder confidence. In contrast, transparency and disclosure, as well as board structure and independence, were found to have no statistically significant effect on performance, suggesting that these mechanisms may require stronger institutional support or cultural adaptation to influence outcomes effectively. The regression model explained 86% of the variance in firm performance ($R^2 = 0.860$), indicating that corporate governance practices collectively contribute substantially to organizational performance. The study concludes that targeted governance mechanisms that directly enhance oversight and investor protection are more effective in improving firm performance than structural reforms alone. Based on these findings, recommendations include strengthening audit committees, enhancing shareholder rights, and providing governance training to management and employees. The study is limited by its focus on single bank and cross-sectional design, and future research could expand to multiple banks, incorporate longitudinal data, and include additional governance variables for a more comprehensive analysis.

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INTRODUCTION

Firm performance is a central concept in business and management research, referring to an organization's overall health and success in achieving its strategic and financial objectives. It is a multidimensional construct that captures the outcomes of a firm's activities and strategic choices, essentially answering the question, "How is the company doing?" (Richard et al., 2009). For researchers, it serves as a critical dependent variable because it allows for the evaluation of the effectiveness of various managerial decisions, strategies, and external factors. The measurement of performance can be either objective or subjective. Objective measures rely on hard, quantifiable data from published financial reports. Subjective measures, often gathered through surveys where managers rate their firm's performance relative to competitors, are valuable when reliable public data is scarce or when capturing perceptual success. A comprehensive assessment of firm performance often requires a blend of these financial, operational, objective, and subjective measures to provide a holistic view of organizational effectiveness.

Board structure comprises the organization, composition, and framework of a company's board of directors. A key element within this structure is board independence, which signifies the proportion of directors who are not involved in the day-to-day management of the company and have no significant material or pecuniary relationship with it (Fama & Jensen, 1983). These individuals are known as independent or non-executive directors. Their primary role is to provide objective oversight of the executive team, mitigate agency costs (the conflicts of interest between managers and shareholders), and ensure that management's decisions align with the long-term interests of the shareholders (Johnson et al. 1996). The structure can also be defined by its leadership; for instance, whether the roles of CEO and Chairman of the Board are separate (duality) or combined.

An audit committee is a sub-committee of the board of directors, and its effectiveness is a measure of its ability to fulfill its mandated oversight responsibilities reliably. These responsibilities primarily include overseeing the financial reporting process, monitoring the choice of accounting policies, reviewing the internal control systems, overseeing the internal audit function, and recommending the appointment of the external auditor (DeZoort et al. 2002). Effectiveness is not a binary state, but a continuum influenced by several factors, most notably the committee's independence, financial expertise, diligence (measured by meeting frequency), and authority (Beasley, 1996).

Transparency and disclosure refer to the extent, quality, and timeliness of information that a firm provides to its stakeholders and the public. This information can be financial (e.g., detailed financial statements) or non-financial (e.g., environmental impact, corporate governance practices, risk management frameworks). The core idea is rooted in the principle of reducing information asymmetry the imbalance of information between corporate insiders (managers) and outsiders (shareholders, creditors) (Healy & Palepu, 2001). High-quality disclosure allows stakeholders to make informed decisions regarding investment, lending, and other relationships with the firm. It is a cornerstone of market confidence and corporate accountability (Bushman et al. 2004).

Shareholder rights and protection encompass the legal and procedural mechanisms that empower a company's owners (the shareholders) to hold management and the

board accountable. These are the safeguards that ensure shareholders can voice their opinions and influence corporate direction without fear of expropriation by insiders. Key rights include the right to vote on significant matters (e.g., election of directors, mergers), the right to receive dividends, the right to sue for wrongdoing (derivative suits), and the right to access relevant corporate information (La Porta et al. 2000). The strength of these protections is a central theme in corporate governance, directly addressing the agency problem.

Problem Statement

The Problem investigated is related to impact of corporate governance on firm performance in New Kabul Bank. Previous research studies have empirically mentioned that corporate governance had significant positive effect on firm performance. Corporate Governance has come to the forefront of academic research due to the vital role it plays in the overall health of economic systems Rezart Dibra (2016). Moreover, Ataüinal and Aybars (2017) argued that effective corporate governance will ensure the protection of shareholders' rights, it will ease finding investors and eventually result in decreased cost of capital. As previous studies not fully explored especially in New Kabul Bank. Therefore, this theoretical study investigates impact of Corporate Governance on firm performance in New Kabul Bank.

Research Objectives

To investigate the effect of board structure and independence on firm performance at New Kabul Bank.

To investigate the effect of audit committee effectiveness on firm performance at New Kabul Bank.

To investigate the effect of transparency and disclosure on firm performance at New Kabul Bank

To investigate the effect of shareholder rights and protection on firm performance at New Kabul Bank.

Research Questions

What is the effect of board structure and independence on firm performance at New Kabul Bank?

What is the effect of audit committee effectiveness on firm performance at New Kabul Bank?

What is the effect of transparency and disclosure on firm performance at New Kabul Bank?

What is the effect of shareholder rights and protection on firm performance at New Kabul Bank?

Research Hypotheses

There is a significant positive effect of board structure and independence on firm performance.

There is a significant positive effect of audit committee on firm performance.

There is a significant positive effect of transparency and disclosure on firm performance.

There is a significant positive effect of shareholder rights and protection on firm performance.

Research Importance

Corporate governance has become a popular discussion topic in developed and developing countries as it determines the firm performance, thus as we witnessed the collapse of Kabul Bank in 2010 due to epic governance failure, fraud, and political corruption, which remind us of the catastrophic consequences of corporate governance failure. Thus, it was felt the need to explore more about the corporate governance practices currently undertaken in New Kabul Bank, and the impact of Board structure, Audit committee, transparency and disclosure and shareholders rights on the overall performance of New Kabul Bank. The findings of this research will have valuable implications for New Kabul Bank, especially for managers and Board of Directors who will find the results useful in reviewing and improving their current corporate governance practices. This research provides practical guidelines for top management and decision makers (Board of directors and Board of Supervision) to develop and maintain effective corporate governance which will ensure Bank high performance.

The stability of banking system is very crucial and vital for restoring and strengthening of weak economic systems, investment attraction, and investors trust in country, Therefore the results of study of New Kabul Bank as it is amongst the large banks of Afghanistan can be recommendable to other financial institutions and Banks which in broader image can help the whole Banking sector in Afghanistan therefore this study has very huge importance. The findings of this research will analyze that whether the lessons from past are institutionalized or not. It will be very useful for policy maker, stakeholder and stockholders to develop more effective governance framework that could prevent future crises, gain customers trust, make safe customer's deposits and assist in economy recovery.

Finally, the research will contribute to the existing knowledge in corporate governance importance, cruciality, and need in Banking sector of Afghanistan. The findings of this study will serve as diagnosing tool for identifying the strengths and weaknesses in their current governance practices, it will serve as a valuable reference for future researchers and academicians interested in Banking sector studies, corporate Governance study in a challenging economic environment like Afghanistan.

LITERATURE REVIEW

Shareholder theory emphasizes that corporate governance mechanisms exist primarily to protect shareholder interests and enhance firm value. Several empirical studies have operationalized this theory using survey-based data collected from bank managers, board members, auditors, and shareholders. Al-Najjar and Hussainey (2019) conducted a survey of senior managers and board members in commercial banks to examine how shareholder rights, voting power, and access to information influence firm performance. Using Likert-scale questionnaire items, they found that stronger shareholder protection mechanisms significantly improved perceived financial performance and market confidence. Their findings support shareholder theory by showing that when shareholders are empowered, banks tend to perform better.

Similarly, Uddin et al. (2021) surveyed bank executives in South Asian banks to assess perceptions of shareholder participation, dividend policy transparency, and ownership concentration. The study revealed a positive relationship between shareholder rights and both financial and non-financial performance indicators, such as profitability, reputation, and long-term sustainability. In a study focusing on emerging economies, Khan and Zahid (2023) used questionnaire data from private and public banks to examine how shareholder protection policies influence strategic decision-making and performance. Their results indicated that banks with stronger shareholder-oriented governance structures reported higher operational efficiency and return measures, consistent with shareholder theory predictions.

Corporate Governance Theory views firm performance as the outcome of an effective system of rules, structures, and processes that guide corporate behavior. Many empirical banking studies have relied on survey instruments to capture governance quality beyond what secondary data can show. Puni and Anlesinya (2020) surveyed board members and senior managers in financial institutions to measure governance dimensions such as board structure, audit committee effectiveness, transparency, and disclosure practices. Using perception-based performance measures, they found that effective corporate governance practices had a strong positive impact on bank performance. Their results highlight the relevance of internal governance mechanisms emphasized by corporate governance theory.

Likewise, Saeed and Sameer (2022) collected questionnaire responses from bank compliance officers and internal auditors to evaluate governance compliance and performance outcomes. The study showed that governance quality, especially disclosure and accountability, significantly enhanced financial stability and performance. This supports the theory's claim that well-structured governance systems improve organizational outcomes. In addition, Abdi et al. (2024) applied a structured questionnaire to Islamic and conventional banks to compare governance effectiveness. Their empirical findings confirmed that banks with stronger governance frameworks reported better profitability, risk management, and stakeholder confidence.

Agency theory focuses on conflicts of interest between owners (shareholders) and managers and emphasizes monitoring mechanisms such as independent boards and audit committees. Survey-based studies are particularly useful in capturing perceptions of agency problems and monitoring effectiveness. Ntim et al. (2018) conducted a survey of bank directors and senior executives to assess agency conflicts, board independence, and monitoring effectiveness. Their results indicated that higher board independence and active audit committees reduced agency problems and improved firm performance. In another study, Rahman and Saima (2021) surveyed bank managers and internal auditors to examine how governance mechanisms mitigate opportunistic managerial behavior. The findings showed that strong audit committees and transparent reporting significantly reduced agency costs and enhanced performance, supporting agency theory assumptions. Similarly, Mansoor et al. (2023) used questionnaire data from commercial banks to assess perceived agency conflicts and governance effectiveness. Their empirical analysis demonstrated that governance mechanisms act as effective controls over managerial discretion, resulting in improved operational and financial performance.

Stewardship theory assumes that managers act in the best interests of the firm and that governance mechanisms should empower rather than constrain them. Several survey-based studies in banking support this perspective. Davis et al. (2019) used questionnaire data from bank executives to examine managerial motivation, trust, and performance outcomes. Their findings suggested that when managers are trusted and supported by the board, banks achieve higher strategic and financial performance. Al-Hawary and Banerjee (2020) surveyed senior bank managers to test stewardship behavior in decision-making and governance practices. The study found that cooperative board-management relationships positively influenced innovation, service quality, and profitability, consistent with stewardship theory. More recently, Hassan and Ahmed (2024) applied a structured questionnaire to banking executives to assess leadership autonomy, ethical commitment, and firm performance. The results indicated that managerial stewardship behavior significantly enhanced both financial performance and organizational reputation.

The relationship between board structure and independence and firm performance is widely explained through agency theory and corporate governance theory. Agency theory argues that independent directors reduce conflicts between managers and shareholders by strengthening monitoring and oversight (Jensen & Meckling, 1976). Empirical survey-based studies in the banking sector support this view. For example, Ntim et al. (2018) found, based on questionnaire data from bank directors and executives, that higher board independence improves monitoring quality and is positively associated with firm performance. Similarly, Puni and Anlesinya (2020) reported that well-structured and independent boards enhance decision-making effectiveness and strategic control, leading to improved financial performance in financial institutions. These findings also align with corporate governance theory, which emphasizes the role of board structures in ensuring accountability and performance (Saeed & Sameer, 2022).

Audit committee effectiveness is strongly grounded in agency theory and shareholder theory. From an agency perspective, effective audit committees mitigate managerial opportunism by improving internal controls and financial reporting quality (Jensen & Meckling, 1976). Survey-based empirical evidence supports this relationship. Rahman and Saima (2021), using questionnaire data from bank managers and internal auditors, found that independent and competent audit committees significantly reduce agency problems and enhance firm performance. Likewise, Mansoor et al. (2023) showed that audit committees with financial expertise and frequent meetings are positively associated with perceived financial and operational performance in banks. From a shareholder theory standpoint, audit committees act as a safeguard for shareholder interests by ensuring transparency and accountability, which ultimately improves firm value (Al-Najjar & Hussainey, 2019).

The link between transparency and disclosure and firm performance is primarily explained by agency theory and shareholder theory, with support from corporate governance theory. Agency theory suggests that transparent disclosure reduces information asymmetry between managers and shareholders, thereby lowering agency costs (Healy & Palepu, 2001). Empirical survey-based studies confirm this relationship in banking institutions. Saeed and Sameer (2022) found that enhanced disclosure practices improve trust, regulatory compliance, and overall firm performance. Similarly, Puni and Anlesinya (2020) reported that transparency and

disclosure significantly improve financial performance by strengthening governance credibility. From a shareholder theory perspective, transparent reporting enables shareholders to make informed decisions and effectively monitor management, leading to better firm outcomes (Uddin et al. 2021).

The relationship between shareholder rights and firm performance is best explained by shareholder theory, with reinforcement from agency theory. Shareholder theory posits that firms perform better when shareholder interests are well protected and aligned with managerial actions (Friedman, 1970). Empirical survey-based studies in banking support this view. Al-Najjar and Hussainey (2019) found that stronger shareholder rights and access to information are positively associated with firm performance. Similarly, Khan and Zahid (2023), using questionnaire data from bank executives, demonstrated that shareholder protection mechanisms reduce managerial entrenchment and improve strategic discipline, resulting in higher financial performance. Agency theory further explains that empowered shareholders serve as an external monitoring mechanism that reduces agency costs and enhances performance (Rahman & Saima, 2021).

Firm performance in banks reflects the combined influence of governance mechanisms explained by multiple theories. Agency theory emphasizes efficiency gains from monitoring and control (Jensen & Meckling, 1976), while shareholder theory focuses on value maximization and ownership protection (Friedman, 1970). Corporate governance theory highlights the importance of structures, rules, and accountability systems in driving performance (Saeed & Sameer, 2022). In contrast, stewardship theory suggests that when managers are trusted and supported, they act as stewards of organizational value, improving long-term performance (Davis et al. 2019). Survey-based empirical studies in banking indicate that firm performance improves most when governance mechanisms balance effective monitoring with managerial empowerment (Hassan & Ahmed, 2024).

Finally, empirical evidence demonstrates that board structure and independence, audit committee effectiveness, transparency and disclosure, and shareholder rights and protection are complementary governance mechanisms that jointly influence firm performance in banks. While agency and shareholder theories emphasize control and protection, stewardship and corporate governance theories stress trust, collaboration, and structural effectiveness. Survey-based studies consistently show that banks achieve superior performance when these governance mechanisms operate together rather than in isolation (Puni & Anlesinya, 2020; Mansoor et al., 2023).

RESEARCH METHODOLOGY

This chapter outlines the research methodology used to investigate the relationship between corporate governance and firm performance at New Kabul Bank. The model identifies corporate governance dimensions, board structure and independence, audit committee effectiveness, transparency and disclosure, and shareholder rights and protection as independent variables, with firm performance as the dependent variable.

Research Approach

The validity of research can be increased depending on the research approach used by the researchers (Creswell 2013). The deductive approach and quantitative approach were applied as well as multiple linear regression was used to determine the direction

and how much influence the independent variables the dependent variable. The independent variable in this research was corporate governance and its four Dimensions (board structure and independence, audit committee effectiveness, transparency and disclosure, shareholder rights and protection) while the dependent variable was firm performance at New Kabul Bank.

Target Population

Saunders, Lewis, and Thornhill (2019) explained that the concept of research population forms the foundation for sampling, which involves selecting a subset of the population to represent the whole. Since studying an entire population is often impractical due to constraints of time, cost, and accessibility, researchers rely on samples that reflect the population's diversity and characteristics. By doing so, the researcher can make statistically valid inferences about the population based on data collected from the sample. The target population in this research was employees of New Kabul Bank and population size was 350 employees.

Sampling Technique

According to Creswell and Creswell (2018), sampling techniques help ensure that the individuals chosen to participate in the study accurately reflect the characteristics of the population from which they were drawn, thus supporting the generalizability of results. This study employed a simple random sampling technique to select respondents from the population of New Kabul Bank employees in Kabul. Simple random sampling ensures that every individual in the population has an equal probability of being selected, thereby minimizing selection bias and enhancing the representativeness of the sample. This approach is particularly appropriate in quantitative research, as it supports the generalization of findings to the larger employee population.

Sample Size

According to **Sekaran and Bougie (2019)**, the sample size should be large enough to represent the characteristics of the entire population adequately but small enough to remain manageable in terms of time, cost, and data analysis. They emphasize that a well-determined sample size enhances the precision of estimates and reduces sampling error. The target population consisted of approximately 350 employees of New Kabul Bank main office in Kabul, including staff from operational, administrative, and managerial roles. Based on online calculator net, the required sample size was calculated 184 respondents, which was sufficient to achieve statistically reliable results.

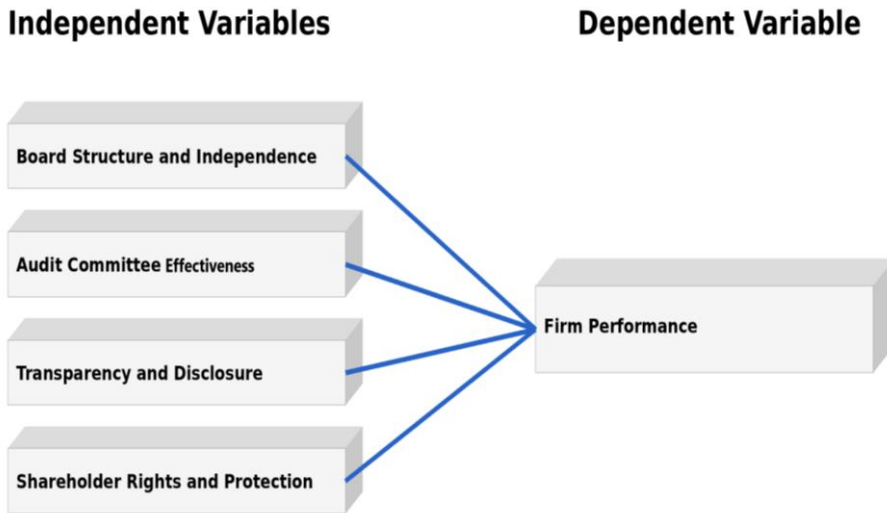
Data Collection Method

Saunders et al. (2019) stated that effective data collection is guided by research design and must ensure reliability, validity, and ethical integrity. They noted that in descriptive correlational studies, the most common method is the use of structured questionnaires containing closed-ended questions measured on a Likert scale, allowing for the quantification of relationships among variables. Bryman (2016) further argued that the credibility of any empirical research depends on the rigor and

transparency of the data collection process, as poor data quality can lead to misleading conclusions. Data for this study was collected using a structured self-administered close ended questionnaire based on Five Likert scale. The questionnaire was designed to capture quantitative data on impact of corporate governance on firm performance in New Kabul Bank. Moreover, the data was analyzed in SPSS (version 27).

Conceptual Research Model

The conceptual model of the study was with four independent variables, and one was dependent variable and diagram is given below.



RESULTS

This chapter presents a summary of the research into population characteristics and the results of the data analysis. The statistics used for data analysis in this research are descriptive statistics to analyze data via statistical tools through the SPSS program and using multiple linear regression, normality test, and hypothesis test using multiple linear regression. Moreover, t-test, f-test, and R^2 test are also used.

Missing Data

Handling missing data is a critical step in ensuring the accuracy and validity of statistical analyses. Various approaches have been recommended in the literature for addressing missing values. One commonly employed method involves the deletion of cases with incomplete responses. In the present study, quantitative data were collected through a structured questionnaire, yielding a total of 190 responses. Upon data screening, 6 questionnaires were identified as incomplete and were therefore excluded from further analysis. As a result, 184 valid questionnaires were retained for subsequent statistical procedures. This approach was deemed appropriate considering the use of multiple regression in this research. Those cases containing missing data were removed from the dataset prior to conducting the statistical analyses

Validity of Instrument

A pretesting was conducted to obtain the preliminary assessment of internal validity of the research survey instrument questionnaire. For this purpose, primary data was collected from thesis superior and 15 employees of New Kabul Bank in Kabul city. The results of the pretesting confirmed the internal reliability of the instrument deployed and hence, the same instrument was used in the identified sampling areas to collect the primary data needed for the present study.

Reliability of Instrument

The survey instrument was tested with appropriate reliability analysis comprising the computed value of Cronbach alpha and the alpha value for all the study variables taken up in the survey instrument was found to be well above the suggested value of 0.6 (Nunnally, 1978) and 0.7 by literature. The following table 4.1 shows the overall Cronbach's Alpha which is more than 0.7.

Table 4.1

Reliability Statistics	
Cronbach's Alpha	N of Items
.933	30

The reliability of the questionnaire was assessed using Cronbach's alpha, which is widely used in empirical studies to evaluate internal consistency of measurement instruments. Based on the literature, a Cronbach's alpha value of 0.70 or above indicates acceptable reliability, while values exceeding 0.90 reflect excellent internal consistency (Nunnally & Bernstein, 1994; Hair et al., 2019). In this study, the questionnaire consisted of 30 items measuring share values, board structure and independence, audit committee effectiveness, transparency and disclosure, shareholder rights and protection, the dependent variable was firm performance, and overall Cronbach's alpha was 0.933, demonstrating a very high level of reliability. Consistent with prior studies, this high alpha value indicates that the items are strongly correlated and effectively capture the underlying constructs (Hehanussa, 2025; Rouhou et al., 2022). Moreover, no item was deleted during the reliability analysis, as all items contributed positively to the overall internal consistency and showed satisfactory item total correlations with the item. This result confirms that the questionnaire items, which were adapted from well-established literature, are stable, coherent, and suitable for further statistical analysis.

Data Normality Test

The descriptive statistics for all variables indicate that the data are approximately normally distributed as the mean value, and standard deviation suggesting a moderate level of dispersion in respondents' perceptions and the median values of all variables were very close to the mean, which indicated that the distributions of all variables were not affected by extreme values or outliers and remains relatively symmetrical. Therefore, it can be concluded that all variables' data meets the normality assumption and are suitable for the application of parametric statistical techniques such as correlation and multiple regression analysis in this study.

Table 4.2

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.928 ^a	.860	.857	.39786
a. Predictors: (Constant), Board Structure, Transparency Disclosure, Shareholder Rights, Audit Committee				

The model summary for the regression analysis in table 4.2 indicates a strong relationship between the independent variables (corporate governance practices) and the dependent variable (firm performance) of New Kabul Bank. The multiple correlation coefficient (R) is 0.928, which suggests a very strong positive correlation between the predictors and firm performance. The R Square value is 0.860, meaning that approximately 86% of the variance in firm performance can be explained by the independent variables included in the model. The adjusted R Square of 0.857 accounts for the number of predictors in the model and confirms that the model provides a highly reliable fit. The standard error of the estimate is 0.398, indicating a relatively small average distance between the observed values and the regression-predicted values. Overall, these results suggest that corporate governance practices have a substantial and statistically significant impact on the firm performance of New Kabul Bank.

Table 4.3

ANOVA ^a						
	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	174.737	4	43.684	275.969	.000 ^b
	Residual	28.335	179	.158		
	Total	203.071	183			
a. Dependent Variable: Firm Performance						
b. Predictors: (Constant), Board Structure, Transparency Disclosure, Shareholder Rights, Audit Committee						

The ANOVA results for the regression model in table 4.3 indicate that the overall model is statistically significant in explaining the variation in firm performance at New Kabul Bank. The regression sum of squares is 174.737 with 4 degrees of freedom, and the mean square for regression is 43.684. The F-value is 275.969 with a significance level (p-value) of 0.000, which is less than the conventional threshold of 0.05. This indicates that the independent variables board structure and independence, audit committee effectiveness, transparency and disclosure, and shareholder rights and protection jointly have a significant effect on firm performance. The residual sum of squares is 28.335 with 179 degrees of freedom, reflecting the variation in firm performance not explained by the model. Overall, the ANOVA results confirm that the regression model provides a strong and statistically significant fit for predicting firm performance based on corporate governance practices.

Table 4.4

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.079	.217		-.362	.718
	Audit Committee	.744	.061	.811	12.160	.000
	Transparency Disclosure	.071	.070	.067	1.007	.315
	Shareholder Rights	.303	.058	.233	5.241	.000
	Board Structure	-.125	.070	-.069	-1.773	.078

a. Dependent Variable: Firm Performance

The regression coefficients in table 4.4 provide insight into the individual effects of each corporate governance variable on firm performance at New Kabul Bank. The constant term is -0.079 with a p-value of 0.718, indicating it is not statistically significant and does not contribute meaningfully to the model on its own. Among the independent variables, audit committee effectiveness has a strong positive effect on firm performance, with an unstandardized coefficient (B) of 0.744, a standardized beta of 0.811, and a p-value of 0.000, indicating it is highly significant. This suggests that improvements in audit committee practices are strongly associated with higher firm performance.

Shareholder rights and protection also have a significant positive effect, with a B of 0.303, beta of 0.233, and p-value of 0.000, indicating that stronger shareholder rights contribute positively to the bank's performance. **Transparency and disclosure**, however, show a small positive coefficient (B = 0.071, beta = 0.067) but are not statistically significant (p = 0.315), suggesting that in this study, transparency practices do not have a measurable impact on firm performance. **Board structure and independence** have a negative coefficient (B = -0.125 , beta = -0.069) and a p-value of 0.078, which is slightly above the conventional significance threshold of 0.05. This indicates that, in this sample, board structure does not have a significant effect on firm performance, and the slight negative coefficient may suggest a weak inverse relationship. Overall, the results indicate that audit committee effectiveness and shareholder rights are the most influential corporate governance practices affecting the firm performance of New Kabul Bank, while transparency and board structure show limited or no significant impact in this context.

Discussion of Results

The findings of this study generally align with the broader empirical literature on corporate governance and firm performance, though some relationships vary in strength and significance depending on the governance mechanism examined. In this study, audit committee effectiveness emerged as a highly significant positive predictor of firm performance, consistent with prior research that highlights the critical role of audit committees in enhancing financial oversight and contributing to improved

organizational outcomes. For example, empirical studies in banking contexts outside Afghanistan have shown that the expertise and quality of audit committee operations are positively associated with improved risk disclosure and financial transparency, which can contribute to stronger performance outcomes (Akbar, Zeb & Zada, 2025).

Similarly, shareholder rights and protection were found to have a significant positive impact on firm performance. This finding supports agency theory and empirical evidence that well-protected shareholder interests help reduce agency conflicts and improve firm valuation. Previous research has observed that firms with stronger shareholder rights tend to exhibit better financial performance and higher market value, suggesting that governance mechanisms that protect investors enhance corporate outcomes (Gompers et al., 2003 as cited in transparency and disclosure research; Brown & Caylor, 2004). These results provide evidence from an emerging-market banking context that aligns with international studies showing the importance of shareholder protections for firm performance.

In contrast, transparency and disclosure did not show a statistically significant effect on firm performance in this study, despite theoretical expectations rooted in agency theory that better transparency reduces information asymmetry and improves performance. Other empirical studies in the banking sector have often found a positive relationship between transparency practices and performance measures, suggesting that clear and comprehensive disclosure enhances investor confidence and operational outcomes (e.g., studies on transparency and disclosure in Pakistani banks). The lack of a significant effect in the New Kabul Bank context may reflect specific institutional or reporting environments where disclosure practices have not yet translated into measurable performance advantages.

Similarly, board structure and independence did not show a significant positive effect on firm performance, and in this study the coefficient was weakly negative. This outcome resonates with some empirical findings in other markets where the influence of board independence on performance has been mixed or context dependent. For instance, research in Greece found that a higher proportion of independent directors did not necessarily translate into stronger performance, suggesting that governance roles may play an advisory rather than purely monitoring function in certain contexts (Lee et al., 2018). These variations underscore that the influence of board structure on performance is not uniform across settings and may be mediated by local governance practices, regulatory enforcement, and cultural factors.

Overall, the empirical evidence in both this study and the wider literature highlights that not all corporate governance mechanisms exert identical effects on firm performance. Governance practices that directly enhance accountability and investor protection, such as audit committee effectiveness and robust shareholder rights, tend to show consistent positive relationships with performance. In contrast, structural variables like board independence and practices such as transparency and disclosure may require supportive institutional frameworks to realize their full impact. These findings reinforce the complex and multifaceted nature of corporate governance, particularly in emerging markets such as Afghanistan, and suggest that targeted governance reforms may be more effective in improving banking sector performance than broad structural changes alone.

CONCLUSION

The study concludes that not all corporate governance mechanisms have the same influence on firm performance. Specifically, audit committee effectiveness and shareholder rights and protection are the most impactful mechanisms at New Kabul Bank, significantly enhancing financial performance, risk management, and stakeholder confidence. On the other hand, board structure and transparency practices did not demonstrate significant effects, suggesting that structural governance reforms alone may not guarantee improved performance without supportive implementation and enforcement. These findings underscore the importance of focusing on practical governance mechanisms that directly influence accountability and stakeholder protection in emerging-market banking contexts.

Recommendations

1. The bank may continue to enhance the effectiveness of its audit committees through regular training, ensuring the independence of members, and enforcing strict oversight of financial reporting and internal controls.
2. Policies that protect minority shareholders encourage active participation and ensure equitable treatment can be maintained and strengthened to support firm performance and investor confidence.
3. While board structure and transparency are important, the bank may prioritize governance mechanisms that directly affect monitoring, accountability, and risk management to achieve measurable performance improvements.
4. Management and employees would be trained in governance policies and practices to bridge the gap between formal structures and actual implementation.

Future Research Directions

1. Future studies could include multiple banks in Afghanistan to allow for comparative analysis and improve generalizability.
2. Longitudinal studies could be conducted to assess the impact of corporate governance practices on firm performance over time.
3. Research could integrate additional governance variables, such as executive compensation, board diversity, or regulatory compliance, to explore their effects on performance.
4. Future research could include perspectives from shareholders, regulators, and customers to provide a more comprehensive understanding of governance effectiveness

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