

## ABSTRACT

Corporate governance systems are in a constant phase of adaptation due to changes in governance. After the extreme corporate failures of Enron and MCI WorldCom in 2001, corporate governance became an important issue throughout the world. Many shareholders had lost confidence in businesses and corporate governance codes of best practice were the main means of restoring investor confidence. However, according to the special requirements of a country, many different corporate governance systems have evolved. The practices of corporate governance used in this study include board size, composition and independence, Board structure, Management committees, Shareholders and internal control. The objective of this study was to determine the corporate governance practices at NIC bank and how they influenced the banks performance. The research study design was conducted using a case study. The study used both primary and secondary data. The primary data was collected through conducting of face to face interviews as well as questionnaires sent on email to the directors and top level management. Data analysis was conducted using content analysis, however in this study, all the disclosure items were given same weight which helps to reduce subjectivity; however, authority may place higher emphasis on certain elements of governance. Some aspect of governance may be considered to be a basic component or prerequisite to implementing others and thus should be given more weight. In summary from the study it is clear that corporate governance mechanisms have material effects on firm performance as shown in NIC bank. Moreover, findings somehow proceed to confirm that theories of corporate governance provide some support to explain the relationship between internal governance mechanisms and firm performance. Notably, this study has laid some groundwork by exploring the effect of internal attributes of corporate governance on firm performance upon which more detailed evaluation of other banks can be based. Finally, this study proposed to explore the impact of external governance mechanisms on performance. Based on the findings of this research, we therefore present the following recommendations which will be useful to stakeholders. Efforts to improve corporate governance should focus on board size, composition and independence, Board structure, Management committees, Shareholders and internal control, since it is positively related to both future operating performance and to the probability of disciplinary management turnover in poorly performing banks. Steps should also be taken for mandatory compliance with the code of corporate governance. Also, an effective legal framework should be developed that specifies the rights and obligations of a bank, its directors, shareholders, specific disclosure requirements and provide for effective enforcement of the law. Moreover there is the need to set up a unified corporate body saddled with the responsibility of collecting and collating corporate governance related data and constructing the relevant indices to facilitate corporate governance research in banks.