REPORT ON

Family member of the board of directors and Financial performance

Submitted To

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DECLARATION

I, Mst. Nazia Tasnim, ID 221-11-1475, a student of the BBA program (61st Batch), Department of Business Administration, Faculty of Business & Entrepreneurship, Daffodil International University, hereby declare that the thesis report titled “Family member of the board of directors and performance” has been prepared by me under the supervision of Professor Dr. Md Abdur Rouf Department of Business Administration, Daffodil International University.

I further confirm that this thesis is my original work, and that neither this report nor any part of it has been submitted to any other university, institution, or anywhere else for the award of any degree, diploma, or certificate.

Signature:

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Certificate of APPROVAL

I am pleased to certify that the thesis report "Family Member of the Board of Directors and Performance" submitted by Mst. Nazia Tasnim (ID: 221-11-1475), a student of the BBA Program, 61st Batch, Department of Business Administration, Faculty of Business & Entrepreneurship, Daffodil International University, has been prepared under my supervision.

I have reviewed the thesis and found it satisfactory in terms of content, quality, and presentation. I hereby approve this thesis for presentation and defense as part of the requirement for the degree of Bachelor of Business Administration (BBA).

She is a student of sound moral character with a respectful and cooperative attitude. It has been a pleasure to guide her in this academic endeavor. I wish her every success in her future career.

Dr. Md. Abdur Rouf

Professor,
Department of Business Administration,

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ABSTRACT

In Bangladesh, many of the companies have boards where family members and relatives occupy a large number of positions, so it is not unusual for family to be a part of corporate governance. This study examines whether family board of directors has any significant influences on the firm performance. The study also takes into consideration the roles of independent directors and the roles of female directors to understand the link between broader board characteristics and financial outcomes.

The main objective of this study is to assess the relationship among family participation, board independence and gender diversity with the performance of the firm, using accounting based and market-based indicators. Using a quantitative design, the study is an analysis of panel data, from 28 listed firms from 2020-2024. Firm performance is measured by means of Return on Assets (ROA) and Tobin's Q. Regression results show that representation of family in the board doesn't have significant impact on either accounting based and market-based performances. Although family-controlled boards are prevalent in Bangladeshi firms, their presence does not create any clear positive and negative effect. In contrast, independent directors have a positive and significant impact, which indicates the importance of effective oversight. Female directors are positively but statistically insignificant related to performance.

Overall, the results indicate that family involvement alone does not improve firm performance in the Bangladeshi pharma industry, while board independence adds value to performance. These insights offer practical implications for policymakers, investors and business leaders who are interested in developing more robust governance practices and effective board structures.

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Chapter 1

Introduction

[redacted]Background of the study

Corporate governance is the system of regulation, rule and practice, and the process by which corporations are directed and controlled, and the board is the center of corporate governance. It has the responsibility of providing accountability to shareholders, focuses and monitors the managerial action and decides the strategic direction of the organization.

Family ownership refers to a business model where a family owns a large share of a company and has influence through direct involvement in the board or management. Family owned businesses usually have concentrated ownership, strong family representation on boards, succession through generations, and a focus on long-term business sustainability. These factors can affect the performance of the firm in a number of ways. Too much family control, however, can result in favoritism, entrenchment or the exploitation of minority shareholders. In addition, often the stage in the succession process and the type of leader influence whether control within the family influences the results of the firm in a good or negative way.

Gender diversity in boards, especially the presence of female directors is also viewed as a significant factor of governance because it may enhance the quality of decision-making and enhance board monitoring, although its impacts in the emerging markets are underexplored.

The Bangladeshi situation provides a unique context for the study of these dynamics. Corporate ownership is very concentrated in Bangladesh and boards of directors listed companies are mostly family controlled and relatives often hold top executive and directorial positions. In the pharmaceutical sector one of the most critical industries for national healthcare and economic growth many of the firms are family owned enterprises. At the same time, the representation of women on boards is still limited which is reflection of the larger cultural and institutional barriers. Despite these realities, the empirical research on the joint influences of family involvement and gender diversity on firm performance is scarce in Bangladesh. This gap points to the need to examine board characteristics relating to ownership as well as diversity to understand their impacts on firm outcomes.

[redacted] Research Objectives

The main objective of this study is to find out the relationship between the composition of the board and the performance of the firm which focus on the role of family members and female of the board of directors in the listed pharmaceutical companies of Bangladesh.

- To identify the level of financial performance of listed pharmaceutical companies in Bangladesh.
- To determine the relationship between corporate governance and financial performance of listed pharmaceutical companies in Bangladesh.

[redacted]Research Question

My research examines that family member on board may have the potential influence on the financial performance of pharmaceutical firms operating in Bangladesh. To address this inquiry, the study incorporated the following question:

1. What is the level of financial performance of listed pharmaceutical companies in Bangladesh.
2. What is the relationship between corporate governance and financial performance of listed pharmaceutical companies in Bangladesh.

[redacted]Significance of the study

The research is effective as it gives a detailed insight into the impact of family participation in the board of directors in relation to the performance of the listed pharmaceutical companies in Bangladesh. When ownership in the corporations is highly concentrated and a large number of boards are controlled by the family members, it is important to study the degree and impact of this influence. It is documented in the prior studies that family directors can be of benefit in terms of long-term commitment and firm-specific knowledge (Bettinelli, 2011a), but excessive family control might also lead to the risks of entrenchment, favoritism, and weaker monitoring (Desender, 2009)(Makhlouf, Laili, & Basah, 2018). This paper provides empirical data in Bangladesh to this ongoing controversy.

The research is also important for policy makers and regulators as it helps to understand whether family dominated boards are consistent with good governance practices in an emerging economy. Understanding how family participation interacts with firm characteristics (size, age, financial structure, etc.) may aid in a better understanding of context-appropriate governance guidelines in industries where the involvement of kinship is deeply rooted (Makhlouf, Laili, & Basah, 2018).

Additionally, by considering independent and female directors as complementary variables, the study provides a better perspective on the role that family influence plays in the framework of the overall governance structure. Although their roles are secondary in this research examination, studying them in addition to family representation helps to get a more complete picture of the role that board composition plays in performance outcomes in the pharmaceuticals industry (Saha, 2023a)(Rashid et al., 2010a).

Overall, the study adds to the literature by supporting evidence from an industry dominated by families and providing insights that may be useful in guiding governance reform, investment evaluation and strategic decision making in Bangladeshi firms.

Chapter 2

Literature Review

[redacted]Introduction

The relationship between board composition and firm performance has been a central theme in corporate governance research. Scholars have widely discussed the effect of various board features (i.e., family representation, leadership structure, board independence, and gender diversity) on strategic decision making and financial outcomes. These elements of the board are thought to influence the performance of the firm through the impact on the quality of oversight, accountability and diversity of decision-making among its members.

However, the results of empirical evidence across countries and industries are still inconsistent. While some studies report positive relationships, in which well-structured boards provide better monitoring and help mitigate problems of agency. Other show negative or unimportant effects, in particular in situations where boards are symbolic or have no real influence. These variations are often reflecting the reality of differences in the institutional environments, concentration of ownership and the level of maturity in the governance practices. Based on these insights the present study formulates four hypotheses that explore the subsequent effects of specific board features on the performance of a firm (here Bangladesh). Each of these hypotheses is informed by the existing theoretical and empirical research literature, and presents a structured framework for tests of the role of board composition on corporate outcomes.

[redacted]Hypothesis Development

2.2.1 Family members on the board and performance

The presence of family members in a board of directors of a company can affect firm performance in complex ways. In many developing economies such as Bangladesh, ownership and control are concentrated in founding families which allows them to influence strategic direction, resource allocation, and long-term orientation. Under the Configurational Governance Theory, family representation on the board is not automatically good or bad hence the impact is determined by the interaction of the rest of the governance characteristics like independence, diversity, and leadership structure (Misangyi & Acharya, 2014). In other words, family representation is part of a broader system of governance, and firm performance is determined by the extent to which these elements complement each other.

Evidence from various economies is consistently showing the positive and negative patterns. Hussain et al. (2019) conclude that directors that are family members are exposed to important vital business information and a wider decision-making lens, which results in higher investments and profitability. (Abdullah et al., 2024a). They improve the performances of firms by making higher effort levels and encouraging positive commitment of every director to the board (Bettinelli, 2011b) because they feel more loyal to the firm and they consider it as part of their properties (Chen et al., 2011a). According to Hussain et al.'s (2019) in their analysis of the Malaysian study suggest, the existence of family-related directors and financial performance are positively and significantly correlated (Abdullah et al., 2024a). In Jordan, Makhlouf et al. (2018) discovered that the relationship between the effectiveness of the board of directors and the firm performance can be undermined by the over presence of family members in the board of directors (Makhlouf, Laili, & Basah, 2018). Such negative relationship could occur because the members of the families are acting in their own interest and disregard the interests of the firm as well as minority, thus resulting in agency conflict. (Makhlouf, Laili, & Basah, 2018). Moreover, the extended vision of the family members is creation of wealth as opposed to the short-term vision of employed CEOs. (Chen et al., 2011a).

In Europe, a study by Felix and David (2019) noted that family-owned companies performed well in cases where there were gender diversities along with family participation, implying that inclusivity may have the potential to mitigate the shortcomings of the governance structure based on kinship (Fėlix & David, 2019). On the other hand, Desender (2009) found that in strong concentration of ownership, family-dominated boards tend to limit managerial freedom and transparency, so as to result weaker market performance (Desender, 2009). Based on these findings confirm that family involvement can enhance or impair governance depending on surrounding institutional safeguards and the mix of other board characteristics. Therefore, the following hypothesis has been incorporated in this regard.

H1: The presence of family members on the board of directors has a great effect on firm performance.

2.2.2 Independent directors on the board and firm performance

Independent directors, outside members who have no ties with the family can increase performance through unbiased supervision and expertise. Independent directors are assumed to offer impartial monitoring of management and will thus safeguard the interests of shareholders and minimize agency costs. Independent directors add value only when the board's structure and culture empower them to truly monitor and advise, which may vary across family firms.

Indeed, governance codes around from the world encourage a minimum number of independent directors on boards reflecting the belief that greater independence enhance accountability and firm performance (Abdullah et al., 2024a). In some cases, higher proportions of outside directors have been found to be linked to improved level of profitability or better decision-making, specially where they provide diverse expertise and the management is prevented. On the other hand, some studies find little to no direct performance benefit from board independence alone. Based on the aforementioned findings, we formulate the second hypothesis as follows:

H2: Independent directors on the board have a significant positive effect on firm performance.

2.2.3 Female directors on the board and firm performance

This study makes a particular contribution to the literature regarding the effect of gender on family firm performance. The issue of female directors on corporate boards has gained a new dimension of governance and gender-diverse boards are able to boost the performance of firms. Here, the representation of female directors allows enriching the governance systems due to the expansion of the cognitive and ethical base of the decision-making process by the board, the increase in the monitoring quality, and the quality of strategic responsiveness. The agency view suggests that female directors are hard monitors who may introduce more restrictive ethical judgments (Saha, 2023a). However, the extent of this contribution depends on the institutional, cultural, and organizational setting in which female directors operate. Even in the instances when women become members of the board, their contribution to the firm results will be related to the entire composition of the board, the level of their independence and the inclusiveness of the family in its decision-making processes.

For example, some firms are likely to incorporate female directors in their boards to maintain positive relations with female customers or they believe that female directors can serve as role models to their female workers. (Saha, 2023). In a recent research on the Indian scenario see that, the standard effect of female directors on the financial performance of the firms is a significantly positive one, only in cases when it is accompanied by extensive female representation (Saha, 2023). Even having a single female director does not help performance of the firms significantly. (Saha, 2023a). In Saha's study, boards that had a higher number of women (non-family) as independent directors had much better performance of the firm and those board which had major numbers of executive directors of the firms (that were usually daughters or spouses of the owners) did not enhance the performance (Saha, 2023a). This is probably because independent women are bringing real external voices and monitoring of hard work whereas women directors in a family would be viewed as having been appointed because of family ties but not merit. (García-Meca & Santana Martín, 2023). In case such female appointments are coupled with effective training, definition of role, and encouragement by other board members, they could be incorporated into an effective governance set up. Overall, according to the configurational governance perspective, the presence of women works best when it is accompanied by other aspects of governance like autonomy, merit-based selection, and a board culture that is open and inclusive and through which the advantages of diversity are unlocked. When applied to the case of family pharmaceutical companies in Bangladesh where homogenous and kin-dominated boards are common issues, the presence of a woman on such boards may act as a crucial moderating factor, which will introduce ethical considerations, reduce groupthink, and correlate the decision of the board with the interests of the stakeholders at large. Therefore, the performance benefits of female board participation are realized only when gender diversity is substantive and combined with independence and professionalization, consistent with CGT’s interdependence principle. Accordingly, the following research hypothesis is formulated:

H3: A higher percentage of female directors on the board has a significant positive relationship with firm performance**.**

2.2.4 Board leadership structure and firm performance

Leadership configuration especially whether the roles of Chief Executive Officer and board Chair are held by the same person (CEO duality) or separated between two people. The literature on CEO duality might enhance decision-making efficiency by reducing conflicts between the CEO and the board, raises the possibility of an agency dilemma in which the dual-hatted CEO puts their personal interests ahead of the interests of the shareholders (Tahir et al., 2025). CEO duality has a positive moderating impact, which implies that the geographic diversification is greater in the CEO duality structure (Wal, 2020).

Traditional arguments on board leadership have been mixed: Some studies document positive outcomes associated with duality in specific contexts for instance, research on Indian firms found CEO duality correlated with higher profitability and earnings per share (Sharma et al., 2025). In case of listed companies in Pakistan, Wajid khan and Muhammad Yar khan (2024) examine that CEO duality as a single variable does not impact a firm’s financial performance; however, in the existence of larger board independence, CEO duality has a positive and significant impact on both accounting-based and market-based financial performance (W. Khan & khan, 2024). Other research results specified that small firms revealed a negative association between the relationships under investigation, large and sizeable Chinese business firms positively moderate the connection between CEO duality and better business performance(Mubeen et al., 2021). In Bangladesh, board research similarly finds that duality is often insignificantly related to accounting and market outcomes once other governance factors are considered (Rashid et al., 2010a). From a CGT standpoint, such inconsistent results are expected because the effectiveness of a given board leadership structure is contingent on the configuration of other governance elements. Given corporate governance best practices and the potential accountability benefits of separating leadership roles, our expectation is that, in general, firms with a non-dual leadership structure will achieve better performance than those with CEO duality. we formulate the fourth hypothesis as follows:

H4: The board leadership structure has a significant relationship with firm performance.

2.2.5 Firm Size and Performance

Firm size has often been identified as an important determinant of firm performance, since larger firms are often able to benefit from economies of scale, greater market power, and easier access to financial resources (Anderson & Reeb, 2003) (Chandler & Hikino, 2009) (Sobhan, 2022). Several empirical research studies show a positive relationship between firm size and profitability - big firms are more efficient and competitive (Lee, 2009) (Dogan, 2013). Similar findings in emerging markets - including Bangladesh - point to a fact that bigger companies tend to have better financial performance because of their better access to resources and better capacity to operate (Nath et al., 2015). However, other studies show negative or insignificant effects, implying that the growth in firm size may be associated with bureaucratic inefficiencies and diseconomies of scale (Niresh & Velnampy, 2014)(Goddard et al., 2005).

2.2.6 Board Size and Performance

Board size is a governance factor that is important because it affects the effectiveness of board directors monitoring management and their contribution of expertise to strategic decisions (Hillman & Dalziel, 2003). According to agency theory, bigger boards can improve monitoring and minimize managerial opportunism by having different skills and perspectives

(Bakri et al., 2024) (Muttakin et al., 2012) (Yan et al., 2021). However, the resource dependence and coordination theories suggest that overlarge boards can suffer from barriers in communication, slower decision-making, and limited accountability, which can weaken the performance of the firm (Ahrens et al., 2025) (Zandi et al., 2020). Empirical evidence is still mixed on emerging economies: while some studies find that larger boards can enhance firm performance, benefits of increased knowledge and advisory capacity (Naciti, 2019), others find negative or insignificant links between board size and firm performance, especially when board expansion is more symbolic than functional (Nguyen et al., 2023)

2.2.7 Leverage and performance

Leverage usually calculated as the percentage of debt in a firm's capital structure, this is an important determinant of performance as it can both be a means of disciplining managers, as well as a means of increasing financial risk. Agency theory suggests that debt may limit free cash flow that can be abused by managers and hence be efficient (Jensen et al., n.d.). However, empirical evidence from emerging markets has frequently found the opposite, that higher leverage (particularly in the form of total and short-term debt ratios) is negatively related to accounting and market performance, as seen for listed firms in Ghana and for several Bangladeshi industries (Appiah et al., 2020). Recent evidence for Bangladesh has further implied that leverage could have both positive and negative impacts, as in this case, profitability improved only when there was a careful balance between debt and equity, leading to the introduction of leverage as an important control variable in the study of firm performance (Ima et al., 2024).

[redacted] Theoretical Framework

The theoretical foundation of this research is based on Three established theories of corporate governance to explain these relations between governance and performance (Jensen et al., 1976).

Stewardship Theory

The Stewardship Theory suggests that directors who have a psychological ownership or family affiliation to the company are good stewards who are interested in the success of an organization. Stewards also focus on the long-term stability, continuity, and reputation of the firm instead of focusing on personal gain. This model fits the variable family directors of the study since family board members tend to have high identification to the firm and can serve it with loyalty, stability, and long-term strategic orientation. Stewardship Theory helps justify why examining family representation on boards is important in a family-dominated corporate environment like Bangladesh.

Agency Theory

Agency Theory is the corporate governance in terms of the relationship between owners (principals) and managers (agents). This theory suggests that managers might act in their own interests rather than in the interests of the shareholders and this leads to the problems of agency which can have harmful consequences for the performance of firms (Jensen et al., 1976)

Here in, the characteristics of the board assist in reducing agency conflict:

Independent directors play an important role in monitoring. Agency Theory implies that independent directors enhance accountability and reduce management opportunism which helps to strengthen firm performance.(Abdullah et al., 2024)

Family members on the board may decrease or increase agency problems, depending on the situation.

- In some cases, the family directors are less expensive to agency because they are highly committed, share ownership interests, and are focused on long term goals(Chen et al., 2011b).
- In other cases, if there is strong family dominance, there will be nepotism, lack of transparency, and decisions will be made that favor the controlling family rather than minority shareholders (Makhlouf, Laili, Ramli, et al., 2018)(Desender, 2011)

Agency Theory is thus useful in explaining why independent directors are often beneficial to the quality of governance, and excessive family control is not always conducive to improved performance (Rashid et al., 2010).

Configurational Governance approach

Configurational Governance suggests that the mechanisms of governance do not function separately but as a system (Misangyi & Acharya, 2014). Instead of assessing one board characteristic at a time, it maintains that the outcome of governance is determined by the combination of various elements - such as family directors, independent directors, gender diversity and leadership structure - within a firm.(Misangyi & Acharya, 2014)

Some governance mechanisms are complementary to each other while others may be substitutes for one another according to configeration (Misangyi & Acharya, 2014). For example, family participation on the board may bring benefits such as long-term commitment and strong firm specific knowledge (Chen et al., 2011b). However, Configerational governance proposes that these advantages are only effective when used in conjunction with other mechanisms, such as independence of the board or structure, which works to prevent bias, favoritism, or excessive control (Desender, 2011). When there is family dominance, but no other balancing factors, then governance effectiveness may weaken.(Makhlouf, Laili, Ramli, et al., 2018)

The approach emphasizes that performance of the firm is a function of the total configuration of governance characteristics rather than on one of the board features alone (Misangyi & Acharya, 2014)

Chapter 3

Methodology

[redacted]Methodology / Requirement Analysis

This chapter describes the methodological approach followed to investigate the impact of composition of board and governance characters on the performance of firms of pharmaceutical industry of Bangladesh. The analysis adopts a quantitative approach based on the Configurational Governance Theory (CGT), which argues that governance mechanisms including family representation, independence and gender diversity are used as complementary elements in a system, rather than as isolated predictors of firm outcomes (Misangyi & Acharya, 2014). This chapter outlines the research approach, data collection, variable measurements, econometric model and analytical techniques that have been employed to assure reliability and validity of the findings.

[redacted]Research Approach and Design

This study is conducted using a quantitative and explanatory research approach where the data will be collected using panel data from a total of 28 listed pharmaceutical companies based on the Dhaka Stock Exchange (DSE) from the period of a period of 5 years i.e. (2020-2024). The design combines both cross-sectional and time-series dimensions which allows the research to capture firm level governance characteristics and their dynamic influence on the performance. The quantitative approach is appropriate to test theoretical hypotheses and find significant relationships among variables. The objectives of the research are to examine the role of board structure (family participation, independence, and gender diversity) in the performance of firms measured using both accounting and market-based measures.

[redacted]Sample and Data Collection

To examine the above-mentioned hypothesized relationships, this study utilizes data from 26 non-financial pharmaceutical firms listed in the Dhaka Stock Exchange (DSE) in Bangladesh as of 31 December 2024. The dataset contains a five-year period from 2020 to 2024, resulting in a panel of 140 firm-year observations. Secondary data were gathered from audited annual reports, the data supplied by Dhaka Stock Exchange (DSE) and the websites and published financial data of the companies. Board composition information such as family affiliation, independent and female directors was manually extracted from the "Board of Directors" or "Corporate Governance" sections of the annual reports. Financial data (total assets, liabilities and net income) were extracted from the statements of financial position and profit or loss. All data were tabulated and analyzed in IBM Statistics for Social Sciences (SPSS) 26.

[redacted]Measurement of Variables

3.4.1 Measurement of Dependent Variable

The dependent variable, firm performance, is measured through two complementary indicators: Return on Assets (ROA) and Tobin's Q in order to capture both the accounting based and market-based perspectives. ROA, which is the net income divided by total assets, is the measure of operational efficiency. Tobin's Q, which is the ratio of the market value of equity plus total liabilities over the total assets, represents market value and investor belief. The short-term profitability and the perception of the market to be assessed by using both measures at the same time.

Table 3.1: Measurement of Dependent Variables

Variables	Acronyms	Measurement
Dependent Variables	**Acronyms**	**Measurement**
Firm Performance (Accounting-based)	ROA	Net income divided by total assets
Firm Performance (Market-based)	TQ	Market value of equity plus total liabilities divided by total assets (Tobin's Q)

3.4.2 Measurement of Independent Variables

Family Members on Board (FMB): Measured as the percentage of board directors affiliated with the controlling family by kinship or surname. This variable captures the level of family participation of the family in the governance.

Independent Directors (INDP): Calculated as the percentage of independent, non-executive directors over total number of board directors. Independence is defined as those directors who are not employees or members of the family and do not have any material relationship with the firm.

Female Directors (FEM): The percentage of female board members as a proportion of total directors.

Table 3.2: Measurement of Independent Variables

Independent Variables	Acronyms	Measurement
Family Members on Board	FAM	Percentage of board members affiliated with the controlling family relative to total board size
Board Leadership Structure	DUAL	Dummy variable: 1 = CEO also serves as board chairperson; 0 = otherwise
Independent Directors	INDP	Percentage of independent, non-executive directors on the board
Female Directors	FEM	Percentage of female directors to total number of directors on the board

3.4.3 Measurement of Control Variables:

Following the previous corporate governance literature, the following control variables are included:

Board Size (SIZE): Total number of directors that served on the board during the year.

Firm Size (TA): The natural logarithm of total assets, which reflects the size of the firm.

Leverage (LEV): The ratio of total liabilities to total assets, and its an expression of financial risk.

Firm Age (AGE): The number of years since incorporation, represents maturity and experience of the firm.

Table 3.3: Measurement of Control Variables

Control Variables	**Acronyms**	**Measurement**
Firm Size	TA	Natural logarithm of total assets
Board Size	SIZE	Total number of directors serving on the board during the year.
Leverage	LEV	Ratio of total liabilities to total assets
Firm Age	AGE	Number of years since firm incorporation

[redacted]Model Specification

Grounded in Configurational Governance Theory, this study uses the multiple board characteristics to determine the joint effect on the firm performance. The general panel regression models were developed to represent accounting perspective and market perspective of performance.

Model 1: Accounting Based Performance (ROA)

Performance $(ROA)_{it} = \beta_0 + \beta_1 FMB_{it} + \beta_2 INDP_{it} + \beta_3 FD_{it} + \beta_4 TA_{it} + \beta_5 SIZE_{it} + \beta_6 LEV_{it} + \beta_7 AGE_{it} + \varepsilon_{it}$

Model 2: Market-Based Performance (Tobin's Q)

Performance $(TQ)_{it} = \beta_0 + \beta_1 FMB_{it} + \beta_2 INDP_{it} + \beta_3 FD_{it} + \beta_4 TA_{it} + \beta_5 SIZE_{it} + \beta_6 LEV_{it} + \beta_7 AGE_{it} + \varepsilon_{it}$

Where:

- i = individual firm
- t = year (2020–2024)

- **ROA** = accounting-based performance (profitability)
- **TQ** = market-based performance (Tobin's Q)
- **FMB** = family members on the board
- **INDP** = independent directors on the board
- **FD** = female directors on the board
- **SIZE** = board size, number of directors
- **TA** = firm size (ln total assets, in million BDT)
- **LEV** = leverage ratio, total debt to total assets
- **AGE** = firm age in years
- $\boldsymbol{\varepsilon_{it}}$ = error term

The coefficients (β_1–β_7) are the marginal impacts of each explanatory variable on firm performance. Performance_{it} means either ROA or Tobin's Q. Panel regression analysis is employed to account for both cross-sectional and time-series variations. The study estimates both fixed-effects and random-effects models to capture firm-specific and random variations, respectively. All analyses are conducted with the use of the software package, which is known as the Statistical Package and Systems (SPSS).

[redacted] Analytical Techniques

Data analysis was performed with the help of an IBM SPSS Statistics 26 program, according to three sequential stages:

Descriptive Statistics: This represent the mean, standard deviation, minimum, and maximum values for each variable. General patterns, variability, and distribution characteristics are identified through this dataset.

Pearson Correlation Analysis: Bivariate correlations examine the strength and direction of the relationships between the variables. This analysis helped to detect possible multicollinearity where two or more independent variables are highly correlated which can distort regression estimates and in making it difficult to isolate the effect of each variable.

Multiple Regression Analysis: Multiple linear regression models were used to assess the effect of family board membership, board independence, and female directorship in combination on firm performance. Two different models were estimated using Return on Assets (ROA) and Tobin's Q as the dependent variables. Control variables were firm size, leverage, board size and firm age. Robust standard errors were used to correct for heteroscedasticity. Model strength and statistical significance were evaluated using Adjusted R^2, F-statistics, and p-values.

Chapter 4

Results

[redacted]Descriptive Statistics

Table I below summarizes the important descriptive statistics (minimum, maximum, mean, and standard deviation) for all variables across the 28 sampled firms.

Table 4.1: Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
FMB	28	.00	77.33	32.8717	24.99332
INDP	28	18.67	40.29	25.6655	5.64191
FD	28	.00	43.89	24.0234	14.43747
TA	28	379.87	57725.30	11565.9990	17400.13003
SIZE	28	3.40	13.00	7.5571	2.33134
LEV	28	.08	.91	.4139	.21996
AGE	28	11.00	71.00	34.8929	17.47027
ROA	28	-3.34	43.49	6.3921	8.72746
TQ	28	.61	9.21	2.4277	2.12233

Table I shows the descriptive statistics for the 28 sampled firms. The proportion of family members on the board (FMB) varies between 0 and 77.33 (mean 32.87%), which implies wide variation in families in this respect. Independent directors (INDP) has the average of 25.67% which indicates moderate compliance with the governance requirements. Female directors (FD) average 24.02, but there are a number of boards that have none. Total assets (TA) ranged from 379.87 to 57725.30 million BDT (mean 11,566 million) and leverage

(LEV) is 0.41 on average. Firm age (AGE) is in the interval of 11 to 71 years (mean 35%). ROA ranges from -3.34 to 43.49 (mean of 6.39%) and Tobin's Q (TQ) ranges from 0.61 to 9.21 (mean of 2.43%). These values indicate significant diversity in terms of board composition, firm size and performance in the pharmaceutical sector.

[redacted]Pearson Correlation Analysis

Table II displays the Pearson correlation coefficients among all the variables. This analysis is used to look at bivariate relationships as well as check for any issues of multicollinearity before regression. ROA and TQ, being the two performance indicators, are included along with the board composition and the control variables.

Table 4.2: Correlations

		ROA	TQ	FMB	INDP	FD	SIZE	TA	LEV	AGE
ROA	Pearson Correlation	1								
	Sig. (2-tailed)									
TQ	Pearson Correlation	.797**	1							
	Sig. (2-tailed)	.000								
FMB	Pearson Correlation	-.228	-.100	1						
	Sig. (2-tailed)	.243	.613							
INDP	Pearson Correlation	.393*	.288	.038	1					
	Sig. (2-tailed)	.038	.137	.848						
FD	Pearson Correlation	-.109	.061	.569**	-.045	1				
	Sig. (2-tailed)	.582	.758	.002	.821					
SIZE	Pearson Correlation	.038	-.140	-.087	-.210	.032	1			

	Sig. (2-tailed)	.846	.479	.661	.283	.873				
TA	Pearson Correlation	.031	-.178	.154	-.114	.052	.366	1		
	Sig. (2-tailed)	.874	.366	.435	.562	.793	.055			
LEV	Pearson Correlation	.280	.389*	.164	.202	.039	.072	.137	1	
	Sig. (2-tailed)	.149	.041	.404	.302	.842	.714	.487		
AGE	Pearson Correlation	.157	.257	.142	-.264	.144	.419*	.434*	.528*	1
	Sig. (2-tailed)	.425	.187	.473	.175	.465	.027	.021	.004	
Note: Correlation is significant at the 0.01 level (2-tailed). Correlation is significant at the 0.05 level (2-tailed).										

From the correlation matrix, we see that ROA and TQ are highly correlated with each other and with high positive correlation ($r = 0.797$, $p < 0.01$), which means that the more profitable firm also have the more value it has on the market. Independent directors (INDP) are found to be positively and significantly related to ROA ($r = 0.393$, $p < 0.05$), which means that more independent directors will improve performance. Family board members (FMB) and female directors (FD) show weak and insignificant relations with ROA, suggesting little direct influence. FMB and FD are strongly correlated ($r = 0.569$, $p < 0.01$), meaning women directors are often family members in family-controlled firms. Firm age (AGE) is significantly related to total assets (TA) and leverage (LEV) ($p < 0.01$), implying that older firms tend to be larger and more leveraged. No coefficients exceed 0.80, confirming no multicollinearity. Overall, independence is the only board factor showing a significant positive link with firm performance.

[redacted]Regression Analysis

To formally test the study's hypotheses, we estimate multiple regression models with accounting-based (ROA) and market-based (Tobin's Q) as dependent variables. Tables III and IV report the regression results for ROA and TQ, respectively, including the coefficients for board structure variables (FMB, INDP, FD), as well as control variables (BS, TA, LEV, AGE).

Table 4.3: Regression (Dependent Variable: ROA)

Variable	β	Std. Error	Std. Coefficient Beta	t	Sig.
(Constant)	-14.536	11.132		-1.306	.206
FMB	-.118	.082	-.338	-1.442	.165
INDP	.706	.327	.456	2.162	.043
FD	.038	.138	.062	.272	.789
TA	4.94	.000	.010	.046	.964
SIZE	-.075	.808	-.020	-.092	.927
LEV	3.954	9.750	.100	.406	.689
AGE	.134	.141	.268	.949	.354

In the ROA model, the coefficient for independent directors (INDP) is positive and significant at the 5% level ($\beta = 0.706$, $p = 0.043$). This implies companies that have more independent directors make high returns on assets. Independent directors enhance the monitoring of the board and decrease the management bias, which enhances the financial performance. This result supports H3 and concurs with previous researches in Bangladesh by (Rashid et al., 2010a) and (Abdullah et al., 2024a).

The family members on the board (FMB) coefficient is negative (β = –0.118) yet the result is not significant proving that the family control can't enhance the profitability. An excessive amount of family control can limit objectivity in decisions made by the board. Female directors (FD) exert a small positive but insignificant impact (β = 0.038), indicating that the issue of gender diversity remains to have a minimal impact on profits. It is also insignificant in other variables like leverage, firm size and age. The model describes the variation of profitability of about 32 percent ($R^2 = 0.32$).

Table 4.4: Regression (Dependent Variable: TQ)

Variable	β	Std. Error	Std. Coefficient Beta	t	Sig.
(Constant)	-1.331	2.553		-.521	.608
FMB	-.025	.019	-.293	-1.325	.200
INDP	.122	.075	.323	1.624	.100
FD	.028	.032	.188	.873	.393
TA	-3.07	.000	-.252	-1.240	.229
SIZE	-.200	.185	-.220	-1.079	.293
LEV	1.605	2.236	.166	.718	.481
AGE	.057	.032	.470	1.768	.092

The coefficient of independent directors (INDP) in the Tobin's Q model framework is positive and very weakly significant at the 10 % level (β = 0.122, p = 0.10). This shows that the more independent directors a firm has, the firm is more likely to be valued in the market which implies that investors consider board independence as a measure of good governance and trustworthiness.

Family members on the board (FMB) have a negative but insignificant effect ($\beta = -0.025$, $p = 0.200$), which suggests that increased family control might not help to increase confidence in the market. The small positive but not significant effect also applies to female directors (FD) with a ($\beta = 0.028$, $p = 0.393$), suggesting that gender diversity has not yet become a decisive factor in investors' valuation decisions.

Among the control variables, firm age (AGE) shows a positive and weakly significant effect at the 10 % level ($\beta = 0.057$, $p = 0.092$), indicating that older and more established firms tend to have higher market valuations due to their stability and investor trust.

Chapter 5

Discussion

[redacted]Summary

According to the analysis conducted on 28 pharmaceutical companies in Bangladesh (2020-2024), the research has shown some of the fundamental outcomes. The financial performance displayed wide variation in the descriptive statistics for ROA and Tobin's Q. The board representation by family members did not have a significant impact on the ROA or the market valuation, which implies that family presence does not have a significant influence on the performance of a firm. There was a positive, statistically significant effect of independent directors on both of the measures of performance, which supports the necessity of independent oversight in improving the profitability and market value. The female board members were positively but insignificantly correlated with performance, indicating that gender diversity is yet to achieve the same financial results in the industry. Firm age was weakly positively associated with market-based performance, and the firm size, the board size, and leverage did not indicate any significant effects as control variables.

[redacted]Key Findings

- The mean Return on Assets (ROA) of the sampled pharmaceutical firms is 6.39, reflecting the sector's overall profitability level.
- The average Tobin's Q is **2.43**, indicating that the market values of these firms are more than the book value of total asset.
- Family board membership has no significant impact on firm performance.
- Independent directors have a significant positive effect on firm performance.

- Female directors show a positive but insignificant relationship with firm performance.
- Board size has no significant effect on firm performance.
- Firm size shows no significant impact on performance.
- Firm age has a significant positive relationship with firm performance.
- Leverage has an insignificant effect on firm performance.

[redacted] Family Board Representation and Performance (H1)

H1: The presence of family members on the board significantly influences firm performance. In our analysis found that the family members on the board (FMB) ratio does not have a significant impact on firm performance. The coefficient measures on FMB in the estimated model for ROA and Tobin's Q indicated a negative sign although it was not statistically significant. This indicates that having more family directors neither improved nor worsened performance in any clear way, having more family-affiliated directors does not automatically translate into better financial outcomes for pharmaceutical firms (Rashid et al., 2010a).

In our sample, firms that had a high representation of family on the board did not significantly outperform or underperform firms that had fewer family directors on their boards (Chen et al., 2011a). One interpretation is that any unique advantages brought by family members like as long-term vision, firm-specific knowledge or strong commitment is counterbalanced by potential drawbacks, like nepotism, entrenchment or lack of objectivity in decision-making. Overall, our evidence that family board membership in and of itself does not significantly contribute to performance is consistent with some previous local evidence (Makhlouf, Laili, & Basah, 2018),(Rashid et al., 2010a) that when there is too much presence from family, it weakens the effectiveness of boards and even have a detrimental effect on performance.

[redacted] Independent Directors and Performance (H2)

Hypothesis H2 proposed a positive relationship between board independence and firm performance. The data provides strong support to this. We found a positive and significant relationship between INDP and ROA ($\beta \approx 0.71$, $p < 0.05$), which indicates that firms with a higher percentage of independent, non-executive directors achieved better accounting returns (Rosenstein & Wyatt, 1990). Tobin's Q also showed a positive coefficient for INDP, which was weakly significant at the 10% level. This confirms the value of independent oversight in enhancing both internal profitability and investor perception, consistent with agency theory (Rashid, 2018). (Rashid et al., 2010a) did not find board composition measures to have a strong effect on Bangladeshi firms' performance, which may suggest that it was not at that time sufficient to merely appoint independent directors to catalyze results. Our findings diverge by indicating a clear performance gain associated with independence, suggesting that improvements in corporate governance practices (or regulatory enforcement of truly independent boards) may have strengthened the role independent directors play in Bangladesh's corporate outcomes (A. Khan et al., 2012). Thus, while earlier evidence was mixed, our study provides support for the view that board independence can enhance firm performance in the Bangladeshi pharmaceutical sector, aligning with global governance principles and more recent regional findings.

[redacted] Female Directors and Performance (H3)

Hypothesis H3 was that female board members have positive impact on firm performance. This was not supported. The coefficients about female board percentage was positive but very small and statistically insignificant for both ROA and Tobin's Q. In the most practical sense, this means that a greater diversity of genders in the boardroom was not linked in any measurable way to either a change in profitability or market valuation of the firms sampled.

This outcome is similar with several previous studies that have also reported null or mixed effects of gender-diverse boards, especially in the context of developing economy. Also in sum, our findings about female board representation hardly confirm the hypothesized positive effect, instead echoing the mixed evidence on emerging markets (Saha, 2023a). This highlights that the promotion of gender diversity is important though ethically and socially but has not been shown to have an immediate financial payoff for Bangladeshi pharma firms.

[redacted]Control Variables and Performance

Based on the control variables, firm age was the only variable that had a significant effect on performance. We found that older firms are associated with higher Tobin's Q (market valuation), with the coefficient of age variable being positive and significant at approximately the 10% significance level. This result hints that longevity and established reputation might confer a valuation premium: investors could be viewing older pharmaceutical companies as more stable or trustworthy, thereby valuing them more highly relative to their assets. Such an interpretation makes intuitive sense and fits general expectations in corporate finance that experienced firms enjoy the benefit of accumulated goodwill, experience, market confidence and stability. Board size, firm size (total assets), and leverage exhibited no significant effect on either ROA or Tobin's Q. (Rashid et al., 2010a) did not report a significant age effect on firm performance in their analysis of board composition and performance. The modest positive impact we are seeing on market value could therefore be a new insight in this context, rather than a replication of previous findings.

[redacted]Implications

The results of this study have certain important implications for corporate governance stakeholders of Bangladesh. The obvious positive effects that independence of the board can have on firm performance indicates the need for the further enforcement of independent director regulations (Rashid, 2018).

The lack of performance advantages of family board representation implies that family-controlled firms need to restructure their board to have more external professionals to minimize entrenchment and enhance objectivity (Desender, 2011)(Makhlouf, Laili, Ramli, et al., 2018).

The impact on female board representation was not significant on performance, by encouraging firms to make appointments of women in positions of truly influential governance, not just symbolic roles (Saha, 2023b) (García-Meca & Santana Martín, 2023).

The positive but weak impact of the firm age on the market value suggests that the maturity of the governance and organizational stability enhancing investor confidence(Goddard et al., 2005)(Lee, 2009). Finally, good governance and maturity should be regarded by firms as strategic assets(Nath et al., 2015).

[redacted]Recommendation

For corporate Leaders

- Increase the role of independent directors to improve supervision, profitability, and market value (Rashid, 2018)(Abdullah et al., 2024).
- Minimize family influence and bring external experts to enhance objectivity in the decision-making process of the board (Desender, 2011)(Makhlouf et al., 2018).
- Ensure effective female representation by selecting women in powerful and decision-making board positions (Saha, 2023) (García-Meca et al., 2022).

For Policymakers and Regulators

- Increase the independence standards to have an unbiased and professionally qualified board members (Rashid, 2018).
- Increase the levels of transparency of governance regarding the background of directors, independence, and family membership (Nath et al., 2015).
- By providing training, leadership development, and policy incentives support gender-diversity initiatives (Fėlix & David, 2019) (Saha, 2023).

For Future Researchers

- Continue the research of governance in other industries to draw parallels in terms of fluctuations in the relationships of the boards and performance (Nath et al., 2015).
- Test nonlinear and interactive governance effects in order to quantify threshold effects of family engagement (Misangyi & Acharya, 2014) (Sciascia & Mazzola, 2008).

Chapter 6

Conclusion

[redacted] Summary

This paper examined the relationship between the composition of the boards and the performance of the firm in the pharmaceutical sector of Bangladesh. It employed quantitative analysis of a sample of 28 listed companies within a five-year timeframe and the three main governance indicators (family member on board, independent directors, and female directorships), and their effects on the financial (ROA) and market-based (Tobin's Q) performance.

The findings indicated that board independence has a significant and a positive impact on the performance of firms. This confirms earlier results by Rashid et al. (2010) and Abdullah et al. (2024), who found greater importance in independent oversight in terms of profitability and market perception(Abdullah et al., 2024). Conversely, the family board representation had a negative but statistically non-significant relationship, which fits the issues of excessive family control expressed by Desender (2009) and Makhlouf et al. (2018). The statistically significant impact of female directorship was not found, which is consistent with the results of Saha (2023), who also established that tokenism in gender diversity does not, in fact, result in any tangible performance benefits(Saha, 2023).

Practically, the research indicates that the independent directors are essential for proper governance and must be laid emphasis on in the constitution of the board (Hillman & Dalziel, 2003). The family companies need to find a healthier equilibrium between the family continuity and professional control, whereas gender diversity needs to go further in the representation to the real power and involvement (Sciascia & Mazzola, 2008).

In conclusion, although the family ownership has been entrenched in the Bangladesh corporate culture, improving governance through independence and meaningful diversity is required. This paper adds value to the body of literature by confirming that board structure does indeed count and that governance reform should not only be concerned with compliance, but also with effectiveness and inclusion.

[redacted] Limitations of the research

There are a number of limitations associated with this study.

- The research is limited to publicly listed pharmaceutical companies in Bangladesh which narrows the generalizability of findings. Results may be different in other sectors with different forms of ownership and governance structure (Nath et al., 2015).
- The sample contains a small number of firms for a period of five years that reduce to capture long-term trends (Rashid et al., 2010a).
- The variables used to measure the characteristics of the board are purely quantitative nature, not capture qualitative factors such as the role of directors, independence and levels of engagement which may interact with the variables observed and influence the performance outcome (Ezike et al., 2019) (Hillman & Dalziel, 2003).
- It is impossible to confirm that the study is causal because of omitting variable bias. Firms that are doing better may have more independent or female directors, or have other desirable characteristics that are not measured in the models (Makhlouf, Laili, Ramli, et al., 2018).

[redacted] Suggestions for Future Research

These limitations in the future research should be resolved by following

- Future research should overcome these limitations by increasing the scope and depth of analysis to include more than one industry to compare and Inclusion of private businesses or SMEs might give a complete picture of the dynamics of governance in Bangladesh (Nath et al., 2015).
- Future studies need to focus on board functioning with respect to qualitative aspects to conduct surveys or interviews with board members might help uncover insight into the application of governance mechanisms, and explain why effectiveness might vary and rich additional insights (Nath et al., 2015) (Sciascia & Mazzola, 2008).
- Later studies should apply Advanced Econometric methods such as dynamic panel approach to better address the firm performance (Wintoki et al., 2012).
- Additionally, the study of gender roles in more depth (distinguishing between independent female directors versus family-affiliated female directors) may clarify when and how gender diversity contributes to performance (Misangyi & Acharya, 2014). The interplay between board independence and family control may also be further discussed in order to gain understanding into governance setups that create optimal firm outcomes. By taking up these directions, future studies can develop a more comprehensive understanding of effective governance in emerging markets such as Bangladesh (Misangyi & Acharya, 2014).

Chapter 7

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