

CORPORATE GOVERNANCE AND COMPANY PERFORMANCE

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Abstract

Corporate governance and its impact to the company performance are much debated areas. In the past incidental research has shown significant relationship between various corporate governance features and corporate performance. Good corporate governance is effect to the lower risk of the investors, attaching more investments and improving the performance of companies. And also agency theory suggested that a better governed firm should have better performance and higher valuation due to lower agency cost. For example, better governed U.S. firms have higher Return On Equity and higher Return On Assets.(Gompers, Ishii, and Metrick (2003)).However impact of corporate governance is vary between developing countries and developed countries.

This study examines the relationship between corporate governance features and company performance in Sri Lanka. Some of corporate governance variables are Board size, Proportion of non-executive directors, leadership style and Board committees and ROE and ROA can be used as Performance measures. The selected sample is 20 listed firms from top 25 listed companies in the business today top 25 2012- 2013. Data collection methodology is secondary sources. Data will be obtained by Annual reports. Data will be analyzed by using SPSS model to obtain quantitative measures of descriptive statistics, regression analysis and correlation. The importance of this analysis is, it provides the evidence to find the positive relationship between Board sizes, Board committee, Non-executive directors' impact, leadership structure firm performance which results in higher return.

Key Words: Corporate governance, Firm Performance, Listed companies, Sri Lanka.