Board Structure Best Practices and Its Impact on Firm Performance: Empirical Evidence from Public Listed Companies of Sri Lanka

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Abstract

Board Structure is an important Corporate Governance mechanism, which would result in improved performance. Boards play an important role in advising top management. Purpose is this study was to examine the relationship between Board Structure and financial performance in Diversified Listed companies in Sri Lanka. In the existing literature, authors have studied the impact of board size and board composition on financial performance. However, studies of the above relationship in particularly unstable and there is paucity of research in Sri Lanka context. In order to fulfill this gap, the present study is initiated to find out that to what extent board size and board composition influence on financial performance. As per the identified board structure characteristics, the impact of board size, board balance, disclosure of board, board independence, board remuneration and CEO duality on the performance measures (ROA, ROE, and EPS) are investigated. The quantitative research approach is employed to investigate out the findings of the research study. This study tests the research hypotheses, the inferential tests used include the correlation analysis and regression analysis. The sample of the study comprises 40 listed companies in Sri Lanka and data obtained from published annual reports, company websites over the period of five years from 2014 to 2019. The findings of the study will be useful to decide board structure best practices in a way to ensure higher performance. Further, investors will have the opportunity to draw conclusions from the board structure of those institutions when making their investment decisions.

Keywords: Board Structure best practices, Financial Performance.