

The Impact of Corporate Governance and Ownership Structure on Financial Performance of Materials Sector Companies in the Colombo Stock Exchange

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Abstract

Corporate governance and ownership structure are becoming vital concepts of the organizations for last decades which contribute to the firm performance. This study investigates the impact of corporate governance and ownership structure on financial performance of materials sector companies in the Colombo Stock Exchange (CSE) in Sri Lanka. The findings of previous empirical researches are differ from one to another and this topic is not sufficiently investigated in Sri Lankan context. Therefore this research focuses on the impact of corporate governance and ownership structure on the financial performance of materials sector companies in CSE. The purpose of this study is to investigate the impact of corporate governance and ownership structure on financial performance which is measured by the Earning per Share (EPS) of materials sector companies. Number of board directors, number of non-executive directors, number of family directors and CEO duality are used as corporate governance variables and percentage of individual ownership, institutional ownership, resident ownership and non-resident ownership are used as ownership structure variables. The study uses secondary data of 20 materials sector companies in Colombo Stock Exchange (CSE) of Sri Lanka covering the period of 2011/2012 to 2018/2019. Data will be analyzed using a multiple regression model. The findings of this study will be important for managers and investors. Potential and existing investors may use the findings to propose better corporate governance and ownership practices as well as managers can use the findings to design corporate strategies and make investment decisions in the areas of profit goals.

Keywords: Corporate Governance, CSE, Financial Performance, Ownership Structure, Sri Lanka