

Corporate Governance and Working Capital Management Efficiency: A Comparative study Between Capital Good Sector and Food, Beverage & Tobacco Sector

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Abstract

The issue of corporate governance has risen in prominence while the confidence of the private sector has grown world-wide. The Asian Economic Crisis (1997) further pointed out why the issues of transparency and accountability in corporate governance are important to the reliance of investors and for national economic performance. The aim of this study is to identify the impact of corporate governance on working capital management efficiency in selected capital good sector and the Food, Beverage & Tobacco sector in Sri Lanka. Prior studies have given less attention to the Food, Beverage & Tobacco sector companies and comparative studies haven't been done between two sectors. Therefore, this study focuses on doing a comparative study between the Capital Good sector and the Food, Beverage & Tobacco sector in Sri Lanka to fulfill this gap. Data are gathered from the published audited annual reports of 20 companies listed under the Capital Good sector and the 20 companies listed under the Food, Beverage & Tobacco sector for the period from 2015 to 2020. Multiple regression analysis is used to find out the significant influence of corporate governance on working capital management in each sector, and an independent sample t test is used to compare the working capital management efficiency between these two sectors. The results of this study will provide useful insight to investors, stakeholders and regulators to develop guidelines and get better decisions.

Key words: *Corporate governance, Working capital management, Capital Good sector, Food, Beverage & Tobacco sector*