

Employees' Perceptions on Corporate Governance: Empirical Evidence from Sri Lanka

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Abstract

In this study, the primary objective is to investigate employees' perceptions toward the corporate governance practices of Sri Lankan publicly traded companies. The objectives are based on the research problem and emerge through various aspects of corporate governance; components, performance implications, significant issues related to Directors, major issues affected for the company's well-being, and the current status in Sri Lankan Corporate Governance. The quantitative research approach is adopted, and primary data is gathered using a questionnaire survey with a sample of 100 respondents. The questionnaire is addressed to employees in the companies listed in the Colombo Stock Exchange, where the sample was constructed out of the top 50 companies of the highest market capitalization. The analysis is done through a validity using factor analysis and reliability test followed by an analysis of variance (ANOVA) test and chi-square analysis. The results show that employees' perceptions of corporate governance factors differ concerning the changes in the demographical factors. The results generated through this study can be beneficial for employees, managers, practitioners, and students in developing a better understanding of employee perceptions and the concept of corporate governance. Furthermore, this research constructs a scale for measuring employee perceptions of corporate governance, which has significant theoretical and practical implications.

Keywords: *Employee Perceptions, Corporate Governance, Stakeholder theory*

Introduction

Corporate governance emerged from agency theory, with the primary objective of preserving and growing shareholder wealth (Anis and Hamid, 2017). Numerous researchers have developed theories to characterize the corporate governance code's mechanisms and practices, and one of the most influential is the stakeholder theory, which emphasizes the role of stakeholders in the organization because they are viewed as critical to the organization's success and sustainability (Anis and Hamid, 2017). Corporate governance has reached a tipping point in the modern world, as every organization strives for maximum success. Corporate governance is critical because it impacts the performance of organizations and their related parties, most notably employees, and it entails acts of ethical improvement in which ethics and customs play a significant role in the organization's advancement.

Traditionally, a stakeholder is defined as anyone who is directly or indirectly impacted by a company's decisions and actions (Freeman, 1984). While all stakeholders are critical to a business's success, some, such as employees, are more critical to the company's survival than others (Anis and Hamid, 2017). Employee perceptions are unavoidably critical in all aspects of corporate governance improvement. Corporate governance, the authors' observations and research indicate, is rarely discussed in employee perceptions. As a result, the authors emphasize employee perceptions of corporate governance practices in Sri Lankan publicly traded companies.

The authors conducted extensive research on current research in the field and discovered that employee perceptions of corporate governance are uncommon. Oladapo et al. (2017) explain stakeholders' perceptions of governance dimensions in the Islamic banking sector in Nigeria in their research on the Perception of stakeholders on governance dimensions in the Islamic banking sector, demonstrating that studies on stakeholders' perceptions of corporate governance have been conducted in general but not specifically on employees' perceptions.

Corporate governance practices regarding employees, the authors assert, are a critical factor in the current environment. Turban and Greening (1997) researched corporate social responsibility and organizational attractiveness to prospective employees, emphasizing the critical role of corporate image in influencing prospective employees' attraction to a firm. Additionally, Rupp et al. (2006) provide data on how employees react to corporate governance actions, specifically corporate social responsibility, in the same way, they do to justice-related events within the firm. While research on employees' perspectives on corporate governance has been conducted in several countries, there is a dearth in the Sri Lankan context. As a result, the authors chose to bridge the divide by researching employee perceptions of corporate governance. As a result, the study examines "whether there is a difference in employee perceptions of corporate governance practices among Sri Lankan publicly traded companies.

This study's main objective is to assess employee perceptions of corporate governance practices (Components of Corporate Governance: COMP, Performance Implications of Corporate Governance: PIM, Significant Issues Related to Directors: MIS, Significant Issues Affecting the Company's Well-being: MIS2) in Sri Lankan listed companies. The study's sub-objectives are as follows:

1. To examine the level of employee perceptions towards COMP, PIM, MIS, MIS2, and CST in Sri Lankan Corporate Governance.
2. To examine the difference in employee perceptions towards COMP, PIM, MIS, MIS2, and CST among the demographical factors.
3. To examine the relationship between COMP, PIM, MIS, MIS2, and CST and demographical factors.

The authors' research stakeholders' perspectives highlight the critical role of employee perceptions in corporate governance. Additionally, the authors' exhaustive checks and research indicate that this study on employee perceptions of corporate governance practices is being conducted due to a dearth of research in this area.

The importance of Sri Lankan employees' perceptions will be demonstrated primarily through real-world applications. Employees will be educated on various aspects of corporate governance, and this study will also emphasize the critical nature of corporate governance to employees. Additionally, this research will direct company management to increase employee awareness of corporate governance and take the necessary steps to improve corporate governance practices. Finally, policymakers will be provided with funds to educate the public about the importance of developing employee-related rules in the Sri Lankan context.

The investigation is organized as follows. Section 2 reviews prior research on this subject and identifies the knowledge gap that this study will fill. Section 3 discusses the methodology used to address the identified research objective, including the population,

sample, questionnaire development, and data analysis strategy. Section 4 discusses the findings of data analyses conducted using the proposed methodology, and the concluding section makes concluding remarks, makes recommendations and discusses policy implications.

Literature Review

Definitions of Corporate Governance

The system by which companies are directed and controlled is known as corporate governance (Cadbury, 1992). "corporate governance is the mechanism by which companies are rationalized, directed, controlled and monitored. Corporate governance coordinates different stakeholders such as shareholders, directors, managers, employees, creditors, customers, the global environment, and society to enhance corporate performance and well-being as a common goal. Major considerations of a system of corporate governance are: how successfully companies formulate the rationale; the reason for existence & future direction, how effectively corporate decisions are made; guidelines and procedures how well the board on behalf of shareholders appraise managers' decision making and monitor the execution, how fruitfully the different stakeholders are facilitated to achieve the goals" (Dissabandara, 2012).

Despite the frequent use of "governance" and "management" interchangeably, they are not synonymous. Corporate management is a broad term that refers to the overall process of decision-making within a business. On the other hand, corporate governance is the set of rules and practices that ensure a business serves all of its stakeholders. Corporate governance is all about a company's economic well-being (Manawaduge, 2012).

According to Demb and Neubauer (1992), corporate governance is the process by which the rights and desires of stakeholders are made relevant to businesses. Additionally, corporate governance can be defined as the influences on a business's processes, such as delegating the regulators responsible for manufacturing and selling goods and services (Turnbull, 1997).

On the other hand, corporate governance is thoroughly examined using various models, including the financial model, the stewardship model, the stakeholder model, and the political model. These theoretical perspectives offer numerous perspectives on contemporary corporations and their governance, resulting in many corporate governance concepts and definitions.

Definition of employee perception

According to Panimalar and Kannan (2013), employee perception is the process by which employees organize and interpret their sensory impressions to make sense of their surroundings. Perception is not always grounded in reality; it is simply one individual's assessment of a situation (Panimalar and Kannan, 2013).

Perception is critical in corporate governance because employee behavior is determined by their perception, which directly impacts their organizations' corporate governance practices. Additionally, employees are critical to the organization's health and operation (Panimalar and Kannan, 2013). Human instincts can be both straightforward and intricate. Understanding and appreciating employee perceptions at work enables management and corporate governance practices to be more effective.

It is a well-established fact that there is no hope of functioning in a business without Perception, as the working environment requires that all employees understand the same perception (Panimalar and Kannan, 2013). Forming teams and demonstrating signs of improvement in the workplace is a source of strength for managers. Perception enables each employee to complete work in various ways, as the organization requires a variety of perceptions to achieve productive results, particularly in corporate governance (Panimalar and Kannan, 2013).

Additionally, the actual test of corporate governance's ability to function is employee perceptions and attitudes, not the drafting of codes. Employee attitudes toward ethical standards are frequently highlighted as critical when addressing this issue. Employees' ethical perspectives will never be recognized unless and until governance programs make an effort to do so (Anis and Hamid, 2017).

Lower, 2009; Konzelmann, 2005; McDonnell, 2011; Muthusamy et al., 2011; Glavas and Godwin, 2013; Svensson et al., 2016 believe that employees are participants in corporate governance, which is concerned with specific issues such as an employee serving on the board of directors (Anis and Hamid, 2017). However, these studies do not adequately assess how well employees have identified and the extent to which corporate governance-related practices and issues matter to their organization. As a result, the current study examines employee perceptions of corporate governance issues in Sri Lankan Listed Companies and how they vary by demographic factor to increase awareness and improve corporate governance practices in the respective organizations.

The stakeholder theory

The stakeholder theory of business views the firm as a collection of stakeholders operating within the more extensive system of the host society, which provides the legal and market infrastructure necessary for the firm to operate (Clarkson, 1994). Freeman and Reed (1990) define the organization as the multilateral agreement between an enterprise and its stakeholders.

As a result, firms should be treated as institutional dispositions rather than as collections of shareholder-owned assets to regulate the relationships between all parties contributing firm-specific assets (Manawaduge, 2012). According to the report, the original stakeholders included shareholders, employees, customers, lenders, and suppliers (Freeman, 1984). On the other hand, a broader definition of stakeholders includes any group or individual that can influence or is influenced by the company's achievement of its goal (Manawaduge, 2012). According to the premise of stakeholder theory, corporate governance can be viewed as control components designed to ensure that an enterprise operates efficiently and in the best interests of its stakeholders. As is customary in a market economy, detaching proprietorship from control necessitates the existence of control systems (Manawaduge, 2012).

Stakeholder theory adoption has compelled organizations to reconsider their vision, strategic characteristics, and the various performance estimates relevant to various stakeholders. In today's world, where competitive advantage is increasingly based on intangible values such as human and social capital, the stakeholder approach is viewed as a necessary business practice (Manawaduge, 2012). As a result, businesses are increasingly setting goals that incorporate environmental and social responsibilities in addition to traditional financial metrics. As a result, societal pressures should significantly impact

corporate governance, where businesses must prioritize the broader community of stakeholders, particularly employees, who comprise the majority of the community of stakeholders (Manawaduge, 2012).

As a result, the theoretical framework's primary concern will be the stakeholder perspective, specifically the employee-related perspective based on stakeholder theory. The stakeholder theory is considered because it emphasizes the critical role of employees in an organization's success. Employee perceptions are critical for a company's development, and the current research study will shed light on employees' perceptions of demographic factors affecting various aspects of corporate governance.

The role of employees in corporate governance

According to Davies (2006), employees are critical stakeholders in any business because the business's success is contingent on their skills and experience, and employees use the organization to develop and enhance their curriculum vitae. Botha (2011) continues, "Employees should be aware of their company's corporate governance systems, as well as its objectives and directions because employee involvement significantly contributes to business improvement and builds confidence in the promotion of corporate governance principles. At work."

Poor employee relations can have a detrimental effect on productivity, morale, loyalty, innovation, and creativity and create conflicts of interest and make hiring and retaining employees more difficult (Metcalf, 1995). As a result, it is critical to engage and empower employees in corporate governance systems, increasing their efficiency and providing additional benefits (Jacoby, 2001). Employees, according to numerous academics, are critical in executing corporate governance (Botha, 2011).

In general, employee roles work in tandem with governance structures (Botha, 2011). As a result, employees should understand and support the organization's goals. Employee engagement on a strategic level is self-evidently critical to business success (Anis and Hamid, 2017). Additionally, a lack of trust between employees and management jeopardizes the performance of a business and may result in governance failure. As a result, the relationship between employees and managers within an organization is the most effective means of achieving meaningful alignment with corporate governance theory (Child and Rodrigues, 2004).

Methodology

Research approach

The authors use a quantitative research approach to conduct their research. Quantitative research methods can explain a problem or a phenomenon by collecting numerical data and analyzing it using mathematical methods (Aliaga and Gunderson, 2002). According to Leedy, Ormrod, and Williams, "quantitative research involves the collection of data so that information can be quantified and subjected to statistical treatment to support alternative knowledge claims" (Apuke, 2017).

The population related to the research is the Listed Companies of Sri Lanka. The Colombo Stock Exchange (C.S.E.) has 291 companies listed, representing 20 business sectors. Most corporate governance studies select samples according to market capitalization (Dissanayake et al., 2021; Kang et al., 2007; Melovic et al., 2019). Therefore, the sample contains 50 companies with the highest market capitalization when

questionnaires are distributed to two employees in each company, one from the accounts division and another non-accounts division employee.

Conceptual framework

The authors construct the conceptual framework of this study in order to illustrate that employee perceptions may differ on the COMP, PPM, MIS, MIS2, and CST in Sri Lanka concerning the demographical factors, namely; Gender, age categories, occupation, the years of service of employees and different levels of educational qualifications. The conceptual framework is constructed based on agency theory and stakeholder theory. The COMP, PPM, MIS, MIS2, and CST in Sri Lankan corporate governance are based on agency theory. The primary stakeholder related to the company is employees, and this study considers their Perception. Therefore, this study is based on stakeholder theory.

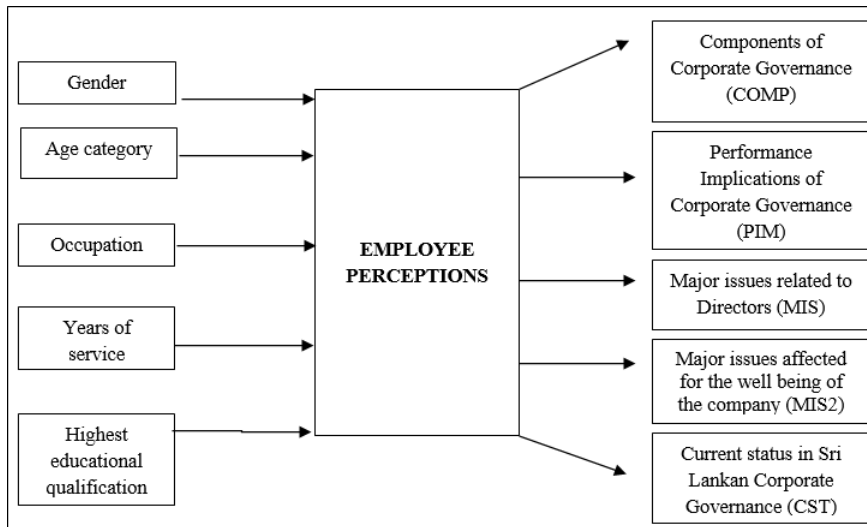


Figure 1: Conceptual Framework

Data collection

Primary methods determine the data collection required for the research. The researcher collects primary data through questionnaires distributed to selected employees of the companies under consideration. The researcher distributed 100 questionnaires to Sri Lanka's Listed Companies employees, using the criteria of the top 50 companies in market capitalization on the Colombo Stock Exchange (C.S.E.).

The questionnaire is distributed to two employees from each of the 50 companies, totaling 100 observations. Two employees, one from the accounts division and one from another department within the company, are chosen to represent their perceptions of corporate governance practices within their respective companies. The authors make a strong commitment to the confidentiality of the employees who participated in the survey.

The first section of the questionnaire collected professional demographics to determine whether changes in Perception occurred based on various demographic backgrounds towards Sri Lankan companies' corporate governance practices. The following sections of the questionnaire asked participants to rate their agreement on corporate governance practices using a five-point Likert scale (1 = 'strongly agree' to 5 = 'strongly disagree').

Nineteen questions covered the components and performance implications of corporate governance, sixteen questions covered the current status and major issues in Sri Lankan corporate governance, and eleven questions covered the strategies and practices of Sri Lankan corporate governance.

Data analysis

The data collected through the questionnaire survey is analyzed using factor analysis to determine the questionnaire's reliability and validity. A K.M.O. and Bartlett's test is also performed to ensure that the survey's sampling adequacy is adequate.

To quantify the statistical relationship between corporate governance factors, such as the components of corporate governance, the performance implications of corporate governance, the significant issues related to directors, the significant issues that affected the company's well-being, and the current status in Sri Lankan corporate governance, and the demographical factors a c To examine the differences in the means of the factors mentioned above, an analysis of variance (ANOVA) is performed.

Factor Analysis

Factor analysis is a technique for developing questionnaires that seek to identify the underlying unobservable factors or variables that indicate a pattern of correlations within a set of manifest or observed variables (Anis and Hamid, 2017).

Before checking the questionnaire's reliability, a Kaiser-Meyer Olkin measure (K.M.O. test) is used to determine whether the responses provided with the sample are adequate or not. The result of this test should be close to 0.5 for satisfactory factor analysis.

The reliability and validity of questionnaires are tested using factor analysis. A study's reliability is determined by its stability, consistency, and replicability. Furthermore, reliability implies that a study's findings are consistent and replicable over time. To be reliable, research or a research questionnaire must demonstrate that if it is conducted on a similar group of respondents in a similar context, it will produce similar results (Symeou and Lamprinou, 2008). The authors assess the questionnaire's reliability using a measure of internal consistency known as "Cronbach's Alpha."

Descriptive analysis

The level of employee perceptions toward COMP, PIM, MIS1, MIS2, and CST is investigated using descriptive analysis. The term "descriptive statistics" refers to the concise, descriptive coefficients that describe a particular data set. The research is conducted using a descriptive analysis that generates the mean, a measure of central tendency, and a measure of dispersion, which is also considered, i.e., standard deviation.

Analysis of Variance (ANOVA)

This study used a one-way ANOVA test to identify differences in employee perceptions of COMP, PIM, MIS, MIS2, and CST among selected demographic characteristics (age, gender, occupation, year of service, highest academic qualification). The analysis of variance determines whether or not a mean difference exists between groups. If the significance value at a 95 percent confidence interval is less than 0.05, the ANOVA test is significant. $P\text{-value} \leq \alpha$: The differences between the means are statistically significant

$P\text{-value} \geq \alpha$: The differences between the means are not statistically significant

This study checked the assumptions before conducting an ANOVA analysis

Chi-squared analysis

Chi-square analysis was used to investigate the relationship between corporate governance components, corporate governance performance implications, significant issues related to Directors, significant issues that affected the company's well-being, and the current Sri Lankan corporate governance status and demographical factors. The chi-squared analysis is used to determine the statistical relationship between two variables and is considered significant if the significance is less than 0.05 (0.05). The authors use a chi-squared test to determine whether there is a statistical relationship between two variables.

Findings and Discussion

Sample profile

The sample related to this study was set to 100, and the data was gathered using questionnaires distributed to the employees of Listed Companies in the Colombo Stock Exchange (C.S.E.). The sample of 100 was gathered through the 50 companies that had the highest market capitalization at the C.S.E. at a particular moment, and the authors distributed questionnaires to two employees of each company selected, one from the accounts division and the other from a non- accounts division. Online Surveys were used to collect data, and a sample size of 100 people was the target. However, only 91 respondents had completed the survey, where the response rate indicates a value of 91%.

As per the results, 53.8% of the respondents are females, and 46.2% are male employees, proving that most respondents are females. The findings show that most respondents who filled the questionnaire are 21-30 years (73.6%). The respondents of age categories 31-40 and 41-50 are 11%. Employees above 50 years have responded at a rate of 4%.

As the questionnaire was given to two employees to each company, one from accounts and another from a non-accounts division, the results show that the highest response rate is of Executives of non- accounts divisions with 34.1%. This study also determines that 33% of Executives of the accounts division responded, 17.6% Non-executive non-accounts, and 15.4% Non- executive Accounts employees, respectively.

The experience or the years of service of the employees shows that 65.9% of employees have served their respective companies less than five years. 13.2% of the employees are in the range of 5-10 years of service and 10-15 years of service. Only 7.7% of the employees who have experienced above 15 years have responded to the survey.

The study also determines the academic qualifications of the respondents as it is essential in this survey to be back up for their perceptions of corporate governance practices within their respective organizations. Most respondents possess a Bachelor's degree (63.7%), and 13.2% indicate their highest educational qualification is a Master's degree. The 22% of employees have a diploma in hand, and only 1% is of school-level education.

Factor Analysis

KMO Test

K.M.O. values less than 0.6 indicate the sampling is inadequate and that remedial action should be taken. The K.M.O. test of the survey, as per table I, indicates a proper level of

sample adequacy, which is 0.625. Bartlett's test shows a significance level of 0.000 which is less than 0.05, proving that this study's sample is significant.

Table I: K.M.O. and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.625
Bartlett's Test of Sphericity	Approx. Chi-Square	2586.007
	df	1035
	Sig.	.000

Reliability and validity of the questionnaire

The questionnaire was adapted from Manawaduge (2012) on corporate governance practices and their impacts on corporate performance in an emerging market: the case of Sri Lanka for this study. As a reliability and validity test was not done, the authors conducted a reliability test and deleted some of the items from the list of 46 items as they were not reliable.

Factor Analysis

The data were subjected to exploratory factor analysis with Varimax rotation to identify the perceived performance factors associated with the employee perception related to corporate governance. Due to the small sample size of 100 participants (Hair et al., 2019), only attributes with factor loadings equal to or greater than 0.40 were retained, and eigenvalues equal to or greater than one was used to extract factors from each factor. Finally, thirteen corporate governance factors were identified through factor analysis. Following reliability analysis is conducted for the thirteen factors.

Table II: Summary of factor loading

	Factor												
	1	2	3	4	5	6	7	8	9	10	11	12	13
COM- 01								.779					
COM- 02	.693												
COM- 03	.744												
COM- 04	.625												
COM- 05								.529					
COM- 06	.687												
COM- 07	.750												
COM- 08								.599					
COM- 09	.759												
COM- 10	.599												
PI- 01		.713											
PI- 02		.640											
PI- 03		.708											
PI- 04		.648											
PI- 05		.746											
PI- 06								.616					
PI- 07							.707						
CS- 01					.808								
CS- 02					.801								
CS- 03					.807								
CS- 04									.766				

CS- 05	.731	
CS- 06	.748	
MI- 01	.520	
MI- 02	.599	
MI- 03	.793	
MI- 04		
MI- 05	.544	
MI- 06	.736	
MI- 07	.512	.558
MI- 08	.822	
MI- 09	.794	
MI- 10	.746	
STR- 01		.556
STR- 02		
STR- 03	.572	
PRAC- 01		.866
PRAC- 02	.518	.542
PRAC- 03		.862
PRAC- 04	.876	
PRAC- 05	.568	

Next, the authors deleted some of the items from the list of 46 items as they were not reliable. The new five factors with questionnaires items that were reliable were included as;

F1 – Components of Corporate Governance (COMP)

1. Judiciary system of the country
2. Regulatory framework including monitoring institutions of the country
3. Financial reporting framework of the country
4. Code of best practices of corporate governance
5. Corporate culture and practices
6. Code of conduct and ethics applicable in business
7. Culture and value system of the society

F2- Performance Implications of Corporate Governance (PIM)

1. Improve financial performance
2. Improve ability to generate equity capital
3. Improve access to the new capital
4. Increase the market value of shares
5. Reduce share price volatility

F3- Major issues related to Directors (MIS)

1. Insider trading
2. Conflicts of interest of directors
3. Drain off of funds through associate or subsidiary companies
4. Lack of transparency about directors' remuneration

F4- Major issues affected the well being of the company (MIS2)

1. Lack of integrity and ethics among top management
2. Lack of transparency in financial reporting
3. Independent directors do not exercise true independence in decision making
4. Ineffective connectivity between board and management
5. Inadequate and inefficient risk management

F5- Current status in Sri Lankan Corporate Governance (CST)

1. The existing CG regulations are adequate to ensure good CG in Sri Lanka
2. Existing CG regulations are effectively implemented by most Sri Lankan firms
3. Regulatory monitoring of CG compliance is adequate
4. Most listed companies have already taken measures to strengthen their CG

Split half reliability

There were only 25 items under the new five dimensions. Split-half reliability was concerned to ensure the reliability of these measures. This S.P.S.S. output indicates the all these data were supportive of the reliability of the measurement.

Table III: Reliability Statistics

Cronbach's Alpha	Part 1	Value	.866
		N of Items	13 ^a
	Part 2	Value	.822
		N of Items	12 ^b
Total N of Items			25
Correlation Between Forms			.515
Spearman-Brown	Equal Length		.680
Coefficient	Unequal Length		.680
Guttman Split-Half Coefficient			.678

Composite Reliability and Average Variance Extracted

The authors calculated Composite Reliability (C.R.) to ensure the reliability of this measure. The Composite Reliability of a construct indicates its dependability and internal consistency. To achieve composite reliability for a construct, C.R. must be greater than 0.6. According to table IV, the composite reliability indicates that the selected factors are reliable.

Table IV: C.R. values

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Composite Reliability	0.775	0.732	0.745	0.736	0.743

In order to ensure the convergent validity, Average Variance Extracted (AVE) was calculated. A Value of AVE>0.5 is required in order to achieve convergent validity. All the factors that exhibit higher AVE values confirm the convergent validity of the questionnaire. In addition, AVE is greater than SMC between factors that ensure discriminant validity (Hair et al., 2019).

Finally, a new scale was developed with five reliable and valid factors to conduct further analysis.

Descriptive Analysis

The descriptive statistics for the main corporate governance components of the questionnaire (perceptions of corporate governance practices) are summarized in Table V. The mean values of the four factors appear to cluster around point four (agree) on the instrument scale except for CST, which indicates that the measure of central tendency (mean values) is appropriate. The factor about COMP yielded the highest mean value, which was obtained by accrediting organizations (4.10). The fact that none of the mean scores falls on

the disagreement side of the scale (points one and two) indicates that the vast majority of respondents agree with these statements about corporate governance practices, issues, and current corporate governance level is an indication of this. The standard deviation is the measure of dispersion that is employed. The scores are less than one, indicating that responses did not differ significantly from the mean scores.

Table V: Descriptive Analysis

	Minimum	Maximum	Mean	Std. Deviation
PIM	1.80	5.00	4.0352	.67567
MIS	1.50	5.00	3.8462	.78773
MIS2	2.00	5.00	3.9099	.73953
CST	1.00	5.00	3.2610	.79575
COMP	2.43	5.00	4.1005	.71190

Analysis of Variance

Gender

When the One-way ANOVA test was used to determine any statistically significant mean differences in responses based on Gender for the 04 dimensions, it revealed no statistically significant mean differences ($p > .05$) between the groups.

Age

In order to determine whether there are statistically significant differences among the four age groups (21-30 years; 31 – 40 years; 41 – 50 years; and Above 50 years) that were selected, a one-way ANOVA analysis was performed, and the results are presented in Table VI. Performance implications and MIS were statistically significant differences ($p < .05$) among the different age groups among the responses. In terms of the other dimensions, no statistically significant differences ($p > .05$) were found between the age groups of the used sample. Furthermore, Weerasinghe & Ajward (2019) revealed significant differences ($p < .05$) in responses across age groups with the 'Board members do not receive initial and ongoing training relevant to the performance of their duties, and Disclosures are made selectively by companies'. Therefore the results are consistent with MIS.

Table VI: ANOVA - Age

		Mean Square	F	Sig.	
MIS * Age Category	Between Groups	(Combined)	1.758	3.024	**
	Within Groups		.581		
	Total				

Occupation

The one-way ANOVA analysis results suggest occupations (Accounts and Non-Accounts) differ in their perceptions of COMP. In terms of the other dimensions, no statistically significant differences ($p > .05$) were found between the occupation groups of the used sample.

Table VII: ANOVA - Occupation

			Mean Square	F	Sig.
COMP * Occupation	Between Groups	(Combined)	1.575	3.352	**
	Within Groups		.470		
	Total				

Years of Service

In order to determine whether there are statistically significant differences among the four service groups (less than 5 years; 5-10 years; 11 – 15 years; and Above 15 years) that were selected, a one-way ANOVA analysis was performed, and the results are presented in Table VIII. Performance implications of corporate governance Significant issues related to directors and years of service tend to be statistically significant ($p < .05$). All the other factors of corporate governance and the years of service are statistically insignificant as per the results.

Table VIII: ANOVA – Years of Service

			Mean Square	F	Sig.
PIM * Years of service	Between Groups	(Combined)	2.265	5.748	**
	Within Groups		.394		
	Total				
MIS * Years of service	Between Groups	(Combined)	2.277	4.041	**
	Within Groups		.563		
	Total				

Highest Education Qualification

A one-way ANOVA analysis was conducted to determine whether there are statistically significant differences between the four educational groups (school level, diploma, bachelor's degree, Master's Degree) selected, and the results are presented in Table IX. The test further explains that a mean difference can be seen between the highest educational qualifications and components of corporate governance and performance implications being statistically significant ($p < .05$). According to the findings, all other aspects of corporate governance and Highest education Qualifications are statistically insignificant. In the same vein, Weerasinghe & Ajward(2019) also found that insignificant relationship between educational qualifications and corporate governance issues in Sri Lanka.

Table IX: ANOVA – Highest Education Qualifications

			Sum of Squares	F	Sig.
COMP * Highest educational qualification	Between Groups	(Combined)	4.886	3.480	.019
	Within Groups		40.726		
	Total		45.612		
PIM * Highest educational qualification	Between Groups	(Combined)	4.756	3.796	.013
	Within Groups		36.331		
	Total		41.087		
Total			56.989		

Chi-squared analysis

The results of the chi-square analysis show the relationship between the factors of corporate governance and each of the demographical factors; gender, age category, occupation, years of service, and highest educational qualification.

Components of Corporate Governance

The relationship between components of corporate governance and Gender, male and female, is insignificant as the value is 0.136. The age category and COMP with a value of 0.089 is also insignificant. By analyzing the other demographic factors with the components of corporate governance, it is seen that all of them show a value greater than 0.05 being insignificant as per the table shown below.

Table X: Chi-Square (Components of C.G.)

	Value	df	Asymp. Sig. (2-sided)
Gender and COMP	18.593 ^a	13	.136
Age category and COMP	65.103 ^a	51	.089
Occupation and COMP	67.599 ^a	51	.060
Years of service and COMP	59.493 ^a	51	.194
Highest Educational Qualification and COMP	67.546 ^a	51	.060

Performance implications of corporate governance

The relationship between performance implications of corporate governance and Gender, male and female, are insignificant as the value is 0.110. The age category and the performance implications of corporate governance with a value of 0.164 are also insignificant. Occupation and the performance implications of corporate governance are also insignificant, as shown in table XI. By analyzing the years of service with the performance implications of corporate governance, it is seen that it shows a value less than 0.05 being significant. Therefore years of service have a statistical relationship with the performance implications of corporate governance. The highest educational qualification and the performance implications of corporate governance are also insignificant.

Table XI: Chi-Square (Performance Implications of C.G.)

	Value	df	Asymp. Sig. (2-sided)
Gender and PIM	19.438 ^a	13	.110
Age category and P.I.M.	47.540 ^a	39	.164
Occupation and PIM	44.387 ^a	39	.255
Years of service and P.I.M.	59.608 ^a	39	.018
Highest Educational Qualification and PIM	45.073 ^a	39	.233

Significant issues related to directors

As per the results, it is seen that a statistical relationship is built between years of service and the significant issues related to directors being significant (0.000). The other four demographical factors are insignificant as all the values are more significant than 0.05, as shown in table XII.

Table XII: Chi-Square(Major issues related to Directors)

	Value	df	Asymp. Sig. (2-sided)
Gender and MIS	18.593 ^a	13	.136
Age category and M.I.S.	46.856 ^a	39	.181
Occupation and MIS	47.167 ^a	39	.173
Years of service and M.I.S.	75.901 ^a	39	.000
Highest Educational Qualification and MIS	42.575 ^a	39	.320

Major issues affected the well-being of the company

The relationship between the major issues affecting the well-being of the company and the age category is significant as the value is 0.011, having a statistical relationship between the two variables. The years of service and the significant issues affecting the company's well-being with a value of 0.019 are also significant (Table XIII). By analyzing the other demographic factors with the major issues affecting the company's well-being, it is seen that all of them show a value greater than 0.05, being insignificant, as per the table shown below.

Table XIII: Chi-Square (Major issues affected for the well-being of the company)

	Value	df	Asymp. Sig. (2-sided)
Gender and MIS2	14.889 ^a	12	.248
Age category and MIS2	58.359 ^a	36	.011
Occupation and MIS2	49.944 ^a	36	.061
Years of service and MIS2	55.695 ^a	36	.019
Highest Educational Qualification and MIS2	34.674 ^a	36	.532

Current status in Sri Lankan corporate governance

The relationship between the current status in Sri Lankan corporate governance and Gender is significant as the value is 0.03 creating a statistical relationship between the two variables. By analyzing the highest educational qualifications with the current status in Sri Lankan corporate governance, it is seen that it shows a value less than 0.05 being significant as per the tables shown below (Table XIV). Therefore highest educational qualifications have a statistical relationship with the current status in Sri Lankan corporate governance. The other three demographical factors are insignificant as all the values are more significant than 0.05.

Table XIV: Chi-Square (Current status in Sri Lankan C.G.)

	Value	df	Asymp. Sig. (2-sided)
Gender and CST	26.637 ^a	15	.032
Age category and C.S.T.	58.725 ^a	45	.082
Occupation and CST	58.226 ^a	45	.089
Years of service and C.S.T.	56.630 ^a	45	.115
Highest Educational Qualification and CST	68.445 ^a	45	.014

Conclusion

This study aimed to investigate the employee perceptions towards the corporate governance practices in the listed companies in Sri Lanka. The questionnaire was addressed to employees in the companies listed in the Colombo Stock Exchange, where the sample was constructed out of the top 50 companies of market capitalization. The results generated through this study can be beneficial for employees to a greater extent and the managers of

the organizations, practitioners, and students in developing a better understanding of employee perceptions and the concept of corporate governance.

When it comes to perceived corporate governance practices as measured by the questionnaire's descriptive statistics (mean values), the four factors' mean values appear to cluster around point four (agree) on the instrument scale, except for CST, which indicates that the agreed level of corporate governance practices by the employees. The scores are less than one standard deviation from the mean, indicating that responses were not significantly different.

The results of the ANOVA test show that the perceptions of employees on the factors of corporate governance; the components of corporate governance, performance implications of corporate governance, significant issues related to Directors, significant issues related to the well-being of the company, and the current status in Sri Lankan corporate governance differ concerning the changes in the demographical factors; gender difference, age, occupation, years of service and educational qualifications. Educational qualifications and occupation impact the components of corporate governance, showing that a relationship exists between the components and the demographical factors. The Performance Implications of Corporate Governance and the demographical factors such as educational qualifications and the years of service show a significant relationship, affecting performance through the above demographic factors. Studies such as (Manawaduge, 2012) also highlight the fact that the performance of the companies shows a positive impact on improving corporate governance practices in Sri Lanka. Furthermore, the significant issues related to Directors show a relationship with the factors, age, and years of service as per the study. According to the survey, significant issues that affected the company's well-being have no demographical factors. The changes in the current status in Sri Lankan corporate governance do not impact the demographical factors as per this study.

This study on employee perceptions towards corporate governance practices of the listed companies in Sri Lanka highlights the survey results through the chi-square analysis in a precise manner achieving the study's objectives. The components of corporate governance and gender, age, and years of service show no relationship where we can conclude that there is no difference in employee perceptions. On the other hand, the components of corporate governance and occupation and highest educational qualification have a relationship showing a difference in employee perceptions. There is no difference in employee perceptions as the performance implications of corporate governance and gender, age, occupation, and highest educational qualification show no relationship with each other. The performance implications of corporate governance and years of service have a relationship where employees' perceptions change accordingly. The major issues related to directors and Gender, age, occupation, and highest educational qualification show no relationship where there is no difference of employee perceptions. There is a difference in employee perceptions concerning the significant directors' and years of service depicting a relationship. There is a difference in employee perceptions as the significant issues affecting the company's well-being and age and years of service show a relationship. The significant issues that affected the company's well-being, Gender, occupation, and highest educational qualification show no relationship has no difference in employee perceptions. The current status in Sri Lankan corporate governance and age, occupation, and years of service show no relationship where we can conclude that there is no difference in employee perceptions. In contrast, there is a difference in employee perceptions concerning the current status in Sri Lankan corporate governance and Gender and highest educational qualification.

Table XV: Summary of Findings

Objectives	Results
To examine the level of employee perceptions towards COMP, PIM, MIS, MIS2, and CST in Sri Lankan Corporate Governance.	Average level(around 4) of perceptions towards the level of employee perceptions towards components of corporate governance, performance implications of corporate governance, significant issues related to Directors, significant issues that affected the company's well-being, and current status in Sri Lankan Corporate Governance found
To examine the difference in employee perceptions towards COMP, PIM, MIS, MIS2, and CST among the demographical factors.	The components of corporate governance and occupation and highest educational qualification have a difference in employee perceptions The performance implications of corporate governance and years of service have a difference in employee perceptions The major issues related to directors and years of service has a difference in employee perceptions The significant issues affected the well-being of the company, and age and years of service has a difference in employee perceptions The current status in Sri Lankan corporate governance and Gender and highest educational qualification has a difference in employee perceptions
To examine the relationship between COMP, PIM, MIS, MIS2, and CST and demographical factors.	The components of corporate governance and occupation and highest educational qualification have a relationship. The performance implications of corporate governance and years of service have a relationship

This research will be a benchmark as it presents the employee perceptions on corporate governance, which is a rare area that other researchers did not explicitly touch. Moreover, as per the findings, it is proved that most of the employees have mixed perceptions of corporate governance, and remedies should be taken to improve corporate governance in Sri Lanka, especially considering employees as a massive contribution is backed by the employees towards corporate governance.

Theoretical Implications

The research, done using empirical evidence through direct and indirect experiences and observations, can be implied theoretically, taking the stakeholder theory into the study. The authors conducted the research considering the stakeholder perspective, specifically the employees, to prove how significant employee perceptions are to corporate governance in several areas.

Practical Implications

A significant need is raised for more involvement of the employees in enhancing and widening their scope of knowledge about corporate governance practices and practicing them within their organizations. Employee perceptions towards corporate governance practices, which were discussed throughout the research, will be helpful for employees to be more knowledgeable regarding different aspects of corporate governance.

The management of organizations will also be directed to provide more knowledge regarding corporate governance to employees by observing this research study and will be a guide or a helping hand for the management to observe and take necessary steps to improve corporate governance practices in companies. Moreover, the policymakers will be funded with awareness to develop employee-related corporate governance aspects by observing employees' perceptions towards corporate governance in Sri Lanka.

Limitations

The limitations of this study that are identified could be overcome in future research. A highly significant limitation was that the study's sample size was only 100 respondents where the whole population, the 291 companies listed in the Colombo Stock Exchange under the 20 sectors, was not considered.

The research study was done as a quantitative study, and the mode of data collection was questionnaires. The accuracy of the data collected by the employees is questionable as employees may be biased and subjective where factual information was not revealed. As a questionnaire was distributed to the employees, it is not easy to determine whether the information received is 100% accurate.

Even though the authors created the questionnaire to cover all areas related to corporate governance to know the employee-related perceptions in each matter, the questionnaire consisted of 46 statements, and the length of the survey would also have created a lack of attention and focus, considered to be one of the limitations.

Moreover, budgetary constraints can also be considered a limitation as the authors lacked financial resources to distribute a more significant number of surveys by hiring agents or interviewers for assistance in surveying with more employees.

Future Research

Further research could be conducted taking this study as a form of comparative research that could evaluate the findings and consider the previously mentioned limitations. In order to increase the validity and reliability of the research findings, other studies may seek a larger sample size more significant than the sample used by the authors in this particular study.

Furthermore, the study could be extended to investigate the employee perceptions not through questionnaire surveys but through direct interviews, which would give a more robust impact on the employees to give accurate and unbiased opinions.

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