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Corporate Governance and Stock Liquidity: Evidence from Listed Companies in Sri Lanka

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Corporate Governance and Stock Liquidity: Evidence from Listed Companies in Sri Lanka

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ABSTRACT

Purpose: This study aims to investigate the relationship between corporate governance and stock liquidity in listed companies in Sri Lanka.

Design/Methodology/Approach: Corporate governance was evaluated using an index constructed of the board of directors, audit committee, remuneration committee, nomination committee, related party transaction review committee, frequency of meetings, and gender diversity. Stock liquidity was measured using the Amihud illiquidity ratio. A Quantitative research study was performed based on the data collected from 100 Sri Lankan listed companies excluding companies in the Banking, Finance, and Insurance sectors due to its inherent nature of being highly regulated.

Findings: It was found that the mean (median) values of corporate governance of Sri Lanka are 0.706 (0.714) and the mean (median) values of stock illiquidity are 0.839 (0.379). The results of the correlation and regression analysis revealed that a weak association between corporate governance and stock liquidity relationship. Therefore, this study concludes that corporate governance has no significant impact on stock liquidity. Nonetheless, this study analyzed a limited sample of 100 companies, focusing primarily on board and its committee-related corporate governance attributes.

Originality: This study provided new insights into relationship between corporate governance and stock liquidity which has a practical significance for managers, shareholders, investors, traders, financial analysts, and policy makers in Sri Lanka. It introduces a novel corporate governance index tailored specifically to Sri Lankan companies highlighting its potential improve the stock liquidity at both the company and market levels which will ultimately lead the country towards economic growth.

KEYWORDS

Corporate Governance,
Stock Liquidity

JEL CLASSIFICATION

G3, G34, G10

I. Introduction

Corporate governance and stock liquidity have been deemed to be one of the most discussed topics in the recent past with the large-scale corporate scandals in both local and foreign contexts and as a tool which exaggerates the economic growth of a country from a capital market perspective (Yosra, 2010). Sri Lanka has reported several corporate collapses and cancellations of licenses by the Central Bank due to poor governance and management, weak internal controls, frauds and less regulatory oversight. In the year 2002, Pramuka bank was collapsed and Golden key credit card

company went bankrupt resulting liquidity problems for eight subsidiary companies in the Ceylinco Group in 2008. Subsequently in 2020, Central Bank has cancelled the license of The Finance Company PLC which is under the same group. Further the license of the Central Investments and Finance PLC was cancelled in 2018 and ETI Finance Ltd and Swarnamahar Financial Services PLC were suspended in 2020 (Central Bank, 2020).

Liquidity is the ability to trade large volumes with minimal price impact, cost and delay (Krishnan & Mishra, 2013). Stock liquidity is a form of liquidity related to

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stocks. A capital market which is completely liquid, each quantity of a particular stock of that market might be immediately transformed into cash, with a zero or minimum transaction cost (Dumitrescu, 2010). It is one of the significant parameters in measuring the growth and efficiency of the market (Singh et al., 2015). High Stock liquidity assists the smooth functioning of the capital markets which encourages investors to buy and sell stocks in capital markets. One of the issues that have been examined in terms of liquidity is corporate governance, as effective governance plays a vital role in boosting investor confidence and expanding and strengthening the capital market (Al-Jaifi et. al., 2017).

Liquidity is a critical precondition for financial market and growth (Wang 2013). Low stock liquidity has a negative impact on economic growth of a country in a wider perspective and has a negative impact on firm value in a narrow perspective where it would limit the capital flows to the country which weaken the capital investments and economic growth. Further less stock liquidity would increase the cost of capital and consequently firm value would decrease (Chung et al. 2012). Therefore, reduced stock liquidity would create lots of negative consequences directly and indirectly in both country and company perspectives.

Corporate governance serves as a protection for the shareholder rights and ensures financial and operational transparency of the organizational activities. According to Cadbury Committee Report (1992, p.15), 'Corporate Governance is the system by which companies are directed and controlled'. After several corporate scandals due to poor governance; Pramuka Bank, Golden key credit card company, The Finance Company PLC, ETI Finance Ltd and Swarnamahar Financial Services PLC, the need of strong corporate governance was emerged leading development of corporate governance codes both internationally and locally to ensure the success, stability, and survival of business organizations

(Edirisinghe, 2015). Investors are attracted to successful businesses where they can secure their investment and earn a solid return. Good governance plays a crucial role in creating a foundation for business success, offering investors' confidence and a sense of security in their investments.

The first code was issued titled "Code of Best Practice on matters related to financial aspects of Corporate Governance" in 1997 by the Institute of Chartered Accountants of Sri Lanka and afterwards reviews and revisions were made through a consultative process in 2003, 2008, 2013, 2017 and 2023 (Code of Ethics, 2023). It is a mandatory requirement for listed entities to comply with corporate governance rules with effect from the financial year commencing on or after 01.04.2008 and the annual reports should contain the relevant affirmative statements (Section 7.10 of Continuing Listing Requirements). In this regard, the Colombo Stock Exchange (CSE) recognizes the importance of corporate governance practices in boosting stock liquidity and building investor trust, ultimately enhancing overall stock market performance.

Strong governance is expected to improve transparency reducing information asymmetry where liquidity providers experience less adverse selection problems (Chung et al., 2010). Efficient corporate governance facilitates active and efficient stock markets (Dumitrescu, 2010). Through better corporate governance practices companies can reduce the information asymmetry and increase shareholders trust through transparent disclosure of information in terms of financial transparency, operational transparency, and information disclosure.

While many studies explore the influence of corporate governance on different firm outcomes, there has been limited focus on its impact on stock liquidity. Further the most of the prior studies focuses on the advanced capital markets in developed countries (Sidhu & Kaur 2019). Sri Lankan capital market is characterized by lower trading

volumes and frequencies with highly volatile price movements (ADB consultant report, 2016). Therefore, this study aims at investigating the relationship between corporate governance and stock liquidity in Sri Lankan listed companies.

The remainder of the study is structured as section 2 reviewing prior literature and developing hypothesis, section 3 deals with the research methodology and the next section presents the findings and discussions. Final chapter provides the conclusion of the study.

II. Literature Review

Several prior studies have conducted to investigate the relationship between the corporate governance and stock liquidity concentrating on the cross-country differences. Corporate governance focuses on resolving conflicts of interests between managers and shareholders and consequently mitigates the agency costs. According to Shleifer and Vishny (1988), Corporate governance deals with the way suppliers of finance guarantee themselves of receiving a return on their investment. Amihud (2002) has defined the liquidity in terms of the securities traded as one of the prominent factors which is considered by the investor in investment decisions.

Agency Theory

The agency theory was built based on the separation of ownership from management which will create conflict of the interests (Panda & Leepsa, 2017). This separation cause provision of less information or distorted information for the investors for investment decision making lowering the investor trust towards the company resulting less stock liquidity (Omar et al., 2017). Corporate governance focuses on resolving conflicts of interests between managers and shareholders and enhancing financial transparency, operational transparency, and information disclosure transparency. Effective corporate governance practices affect stock market liquidity because it

improves financial and operational transparency which decreases information asymmetries between inside and outside parties (Chung et al., 2010). Firms with poor corporate governance practices are usually associated with a low level of transparency and with low level and quality of disclosures and that would imply a greater information asymmetry and lower stock liquidity (Prommin et. al., 2014).

Efficient Market Hypothesis and Adverse Selection

Efficient market hypothesis depicts that price of a security includes all information available in the market (Fama, 1970). As per the efficient market hypothesis new information which are released should be reflected in the price and bid ask spread should be zero as there is no asymmetry of information (Welker 1995). Adverse selection theory discusses adverse selection cost which will arise due to lack of information in the hands of buyers or sellers (Huang & Stoll, 1997). Adverse selection theory indicates that concentrated ownership creates information asymmetry which will result a decrease in liquidity. Block holders as a powerful party have access to valuable private firm information, which places a better position to earn abnormal returns with insider information.

This information gap creates an information asymmetry. Corporate governance can be used to reduce this information asymmetry to a greater extent as corporate governance would increase the quality of disclosures and make the information available to all the market participants. Botosan (1997) states that an increase in disclosures that a firm disclose reduces information asymmetry. Lang and Lundholm (1999) conclude that a higher level of transparency in information and higher quality of disclosure resulted lower information risk and smaller transaction costs.

Effective corporate governance practices affect stock market liquidity because it improves financial and operational transparency which decreases information

asymmetries between inside and outside parties (Chung et al., 2010). Diamond (1985) shows that reducing information asymmetries between management and traders leads to decrease the incentive to acquire private information which are not publicly available, leading to less speculative positions among informed traders (Chung et al., 2010). Firms with poor corporate governance practices are usually associated with a low level of transparency and with low level and quality of disclosures and that would imply a greater information asymmetry and lower stock liquidity.

All the above discussed theories can be used to explain the relationship between corporate governance and stock liquidity. But agency theory would be more appropriate as it describes the conflict of interest between managers and shareholders where corporate governance could be used to mitigate the agency conflict and enhance investors trust towards the company which will result high liquidity in shares.

Empirical Review

Giannetti and Koskinen (2010) indicate that portfolio investors are less likely to invest in companies or countries which have poor corporate governance. Munisi et al. (2014) state that internal and external corporate governance mechanisms can mitigate the agency problem in developed economies. A recent study done by Chen et al. (2007) has concluded that highly effective corporate governance leads to a high stock liquidity using a sample of companies which are listed on New York and American stock exchanges. Further Ali and Hwang (2000) also found that corporate governance and stock market liquidity are closely associated where the findings are based on four dimensions of corporate governance in Australian firms. Chung et al. (2012) states in their study that stock market liquidity is greater for firms with better corporate governance regardless of their legal origins of the country due to less information asymmetry.

Brockman and Chung (2003) provide evidence through their study that quality of investor protection has a favorable impact on stock liquidity, and it reduces the adverse selection costs. Karmani et al. (2015) found that effectiveness of corporate governance was significantly associated with stock market liquidity in French firms which focuses on four dimensions of corporate governance; board of directors, audit quality, ownership structure and the disclosure of information reducing the agency conflicts. Subramaniam et al. (2016) has examined the relationship between board sized and stock liquidity in his study which is done in Malaysian stock market which is characterized by high agency problems and high earnings management. Similarly, Foo and Zain (2010) have investigated the association between board independence, board diligence and stock market liquidity and found that there is a positive relationship between those variables.

According to Bacidore and Sofianos (2002) who studied the developed markets has also identified that both internal and external corporate governance mechanisms contribute to improve stock liquidity through enhanced investor trust minimizing the agency conflict. Jain et al. (2008) found that Sarbanes Oxley Act, 2002 which provides regulations relating to corporate governance which is mandatory to be complied with, had significant positive impact on stock liquidity. Further Gompers et al. (2003) in his study found that governance can directly influence stock prices. Chen and Jaggi also (2000) highlighted there is a positive link between corporate governance and stock liquidity through the investigation of the relationship between external directors and the spread of information in Hong Kong Stock Exchange firms.

By referring to the literature aforementioned the following hypothesis is formulated.

H₁: There is a significant relationship between corporate governance and stock liquidity.

III. Methodology

This study uses a positive paradigm and quantitative approach to investigate the relationship between corporate governance practices and stock market illiquidity and the level of corporate governance practices and stock market illiquidity in Sri Lanka based on the secondary data extracted from the annual reports published by 100 non-financial listed companies in Colombo Stock Exchange financial year ending 31st March.

The sample was selected considering the sectors listed in Colombo Stock Exchange excluding banking and finance sector due to the inherent nature of being highly regulated and use of financial statements which are different from that of other companies.

Operationalization of Variables

Table 1 below indicates the operationalization of independent, dependent and control variables.

Table 1. Independent, Dependent and Control variables and their measurement techniques

Variable	Measurement	Related Studies
Corporate governance $CGI_{i,t}$	Corporate governance Index for firm i at the period t .	Chung et al. (2010), Durnev and Kim (2005), Black et al. (2005), Bai et al. (2004)
Stock Illiquidity $ILL_{i,t}$	Stock Illiquidity Ratio/ Amihud Ratio for firm i at the period t .	Prasanna and Menon (2012), Jiang et al. (2014), Sharif et al. (2015), Asem et al. (2016)
Control Variables		
Return Volatility $RVOL_{i,t}$	Annual average of the standard deviation of equity returns firm i at the period t .	Tang and Wang (2011), Chung et al. (2010)
Firm Size $FSIZE_{i,t}$	Natural logarithm of total assets for the firm i at the period t .	Mashayekhi and Bazaz (2008) Heflin and Shaw (2000)
Firm Age $FAGE_{i,t}$	Natural logarithm of a number of years a firm has been in operation after incorporation firm i at the period t .	Mashayekhi and Bazaz (2008)
Leverage $LEV_{i,t}$	Calculated as: Total Debt $_{i,t}$ / Total Equity $_{i,t}$	Shahwan (2015)
Return on Assets $ROA_{i,t}$	Calculated as: EBIT $_{i,t}$ / Total Assets $_{i,t}$	Baklouti, Gautier and Affes (2016)

In this study, corporate governance index (CGI) was constructed including fourteen corporate governance attributes related to board of directors, audit committee, remuneration committee, nomination committee, related party transaction review committee, frequency of meetings and

gender diversity. These attributes enhance the investor trust towards the company to buy its shares while ensuring good governance mitigating the conflicts of interests between the owners and agents (prommin et. al., 2019).

Most of the prior researchers (Davidson et al., 2006, Bronson et al., 2009, Jaggi et al., 2009) have focused on the board, the directors, their remuneration, audit committee, accountability, and audit under corporate governance dimensions in developing corporate governance index in their studies. Further Sawicki (2009) and prommin et. al., (2019) have developed a corporate governance index based on nine governance attributes on the boards of directors, audit, compensation, and director nominations. Brown and Caylor (2006) have also formulated an index based on the governance standards recommended by the Institutional Shareholder Services (ISS) in their study.

The dependent variable of the study would be measured using the illiquidity ratio which was proposed by Amihud (2002) which is known as Amihud Ratio. It can be explained as a daily stock price response that is connected with one Rupee of trading volume.

First a daily ratio for firm i is calculated as follows.

$$\text{Daily Ratio}_{i,t} = |R_{i,t} / Vol_{i,t}| \quad (1)$$

Where $R_{i,t}$ is the return of firm i for day t and $Vol_{i,t}$ is the trading volume in rupees (Rs) on day t .

Annual Amihud ratio can be calculated as an average of daily Amihud ratios for firm i in a year as,

$$\text{Annual Ratio}_{i,t} = 1/D \sum_{i=1} (|R_{i,t} / Vol_{i,t}|) \quad (2)$$

Where D is the number of trading days in a year for firm i

Data which will be gathered from the annual reports of the public listed companies and CSE website will be cleaned and screened before performing any analysis.

In this research study, several control variables are considered in investigating the relationship between corporate governance and stock market liquidity. Firm Size, company age, return volatility, leverage and

return on assets have been introduced control variables of this study. Chung et al. (2010), Harris (1994), Munisi et al. (2014), Lins et al. (2013) had used the similar control variables in their studies in investigating the relationship between corporate governance and stock market liquidity.

Data Analysis Method

To achieve the objective of the study to assess the level of corporate governance practices and stock liquidity descriptive statistics including measures of central tendency and dispersions will be used. Under central tendency measures, mean, median and mode were computed. Hussainey and Aljifri (2012), Tang and Wang (2011), Chung et al. (2010) have used the measures of central tendency in their studies.

To assess the direct relationship between corporate governance and stock liquidity correlation and linear regression has been used. Prasanna and Menon (2012), Tang and Wang (2011), Jiang et al. (2014), Sharif et al. (2015), Asem et al. (2016) have used the above-mentioned analysis in investigating the relationship between corporate governance practices and stock market liquidity.

The general regression equation for the study to investigate the direct relationship between corporate governance practices and stock liquidity can be developed as follows.

$$ILL_{i,t} = \beta_0 + \beta_1 CGI_{i,t} + \beta_2 RVOL_{i,t} + \beta_3 FSIZE_{i,t} + \beta_4 FAGE_{i,t} + \beta_5 LEV_{i,t} + \beta_6 ROA_{i,t} + \varepsilon \quad (3)$$

Where $ILL_{i,t}$ is the dependent variable of the study which is stock illiquidity; β_0 is the intercept; β denotes the slope coefficients; $CGI_{i,t}$ denotes the corporate governance variable.

IV. Findings and Discussion

Descriptive statistics

Table 2. Descriptive Statistics of Corporate Governance

Variable	Min	Max	Mean	Median	SD
ILL_{it}^*	0.02	3.46	0.836	0.379	1.010
CGI_{it}	0.210	1	0.706	0.714	0.132
$FAGE_{it}$	1.390	5.020	3.603	3.555	0.635
$FSIZE_{it}$	8.780	18.670	15.161	15.354	1.519
LEV_{it}^*	0.010	3.220	0.722	0.434	0.830
ROA_{it}	-0.220	1.400	0.096	0.074	0.143
$RVOL_{it}$	0.000	0.120	0.028	0.025	0.015

* Due to the presence of significant outliers, winsorized version of 5% have been considered for descriptive statistics on Amihud Illiquidity Ratio (ILL) and Leverage (LEV). Also in other analysis depicted in Correlation Analysis and Regression Analysis.

In terms of stock illiquidity, Sri Lankan non-financial listed companies indicate 0.836 stock liquidity where the median value is 0.379. The range of stock illiquidity is between 0.02 and 3.46 with a standard deviation of 0.55 implying that there is a large variance between stock liquidity among different companies.

Corporate Governance Index (CGI) of Sri Lankan non-financial listed companies which is based on compliance with corporate governance best practices pertaining to board characteristics, the average compliance level is at 70.65%, while the median value is 71.42%. The range of CGI is in between 20% to 100%, with the standard deviation of 13.21% implying there is a variation in corporate governance mechanisms among the companies. Central tendency and dispersion for the control variables shows that Firm

Size (FSIZE) has a mean value of 15.161 and a standard deviation of 1.519. Leverage (LEV) which is calculated as Total debt/ Total Equity has a standard deviation of 0.83 with a mean value of 0.722. The mean value of Firm Age (natural logarithm) is 3.603 and standard deviation of 0.635. Finally, the mean value of the Return on Assets (ROA) is 0.096 and Return Volatility (RVOL) is 0.028.

Correlation Analysis

One of the research objectives is to examine the relationship between corporate governance and Stock liquidity. Pearson correlation analysis was performed to identify the relationships between independent, dependent and control variables and the given below Table 3 condense the results of the correlation coefficients of the variables.

Table 3. Correlation Table

	ILL_{it}^*	CGI_{it}	$FAGE_{it}$	$FSIZE_{it}$	LEV_{it}^*	ROA_{it}	$RVOL_{it}$
ILL_{it}^*	1						
CGI_{it}	-0.234**	1					
$FAGE_{it}$	-0.075	0.045	1				
$FSIZE_{it}$	-0.377**	0.394**	-0.065	1			
LEV_{it}^*	0.091	-0.06	-0.078	0.180**	1		
ROA_{it}	-0.204**	0.023	0.021	0.026	-0.096	1	
$RVOL_{it}$	0.473**	-0.379**	0.066	-0.547**	0.108	0.055	1

*p<.05, **p<.01

As per Table 3 Corporate governance Index shows a weak negative correlation ($P < 0.01$) with the stock illiquidity. Further under control variables, both Firm Size (FSIZE) and Return on Assets (ROA) shows a weak negative correlation ($P < 0.01$) with stock illiquidity. On the other hand, Return Volatility (RVOL) shows a moderate positive correlation with stock illiquidity ($P < 0.01$).

Linear Regression Analysis

Linear Regression model has been used to enable the test variables and control

variables to assess the hypothesis built in this study H1: “There is a significant relationship between the corporate governance and stock liquidity”. When performing this regression analysis, five control variables; Firm Age (FAGE), Firm Size (FSIZE), Leverage (LEV), Return on Asset (ROA) and Return Volatility (RVOL) has also been considered.

As the first step, a binary logistic regression analysis was performed to assess the relationship of corporate governance practices and the stock illiquidity.

Table 4. Regression Analysis (Dependent Variable – Stock Illiquidity)

	Bi	t
CGI_{it}	-0.042	-0.100
$FAGE_{it}$	-0.164	-2.095
$FSIZE_{it}$	-0.115	-2.732
LEV_{it}^*	0.062	0.978
ROA_{it}	-1.502	-4.330
$RVOL_{it}$	25.717	6.326
Constant	2.570	3.461
Adjusted R ²		0.292
F value		21.566
N		300

* $p < .05$, ** $p < .01$

As per this case, the regression formula can be presented as follows:

$$ILL_{it} = 2.57 - 0.042CGI_{it} - 0.164 FAGE_{it} - 0.115 FSIZE_{it} + 0.062 LEV_{it} - 1.502 ROA_{it} + 25.717 RVOL_{it} \quad (4)$$

The results of the Table 4 indicate negative relationship between corporate governance index and stock illiquidity where the coefficient is -0.042 though the relationship is not statistically significant. With respect to the control variables except the Return Volatility (RVOL) and Leverage (LEV) variable all other three variables shows a negative relationship with stock illiquidity.

As per the findings of regression analysis, R² value indicates that 30 percent of the

variation of stock illiquidity can be explained using the selected corporate governance practices. Further, the significance of the F-test is below 1% indicating that the overall model is valid.

Discussion

When assessing the level of stock liquidity in Sri Lanka, the findings of this research are in line with the previous findings of the research done by Al-Jaifi et al. (2017) which indicate an average Amihud illiquidity of 0.018 with a standard deviation of 0.065 in Malaysian listed companies. Similar results were shown in the research done by Tang and Wang (2010) which recorded a mean value of 0.046 with a standard deviation of

0.12 in listed companies of china. Those results indicate that Sri Lankan stock market is significantly lagging behind compared to regional competitors in liquidity perspective and it is highly volatile since the mean value of illiquidity is higher than its regional competitors.

The objective of this study is to investigate the relationship between corporate governance and stock liquidity. Amihud Illiquidity ratio (2002) was used in this study to measure the liquidity of stock. As per the findings of the correlation and regression analysis, there is a negative relationship between corporate governance and illiquidity of stock. As per Table 3, correlation between corporate governance and stock illiquidity was -0.234 ($P < 0.01$). This negative relationship between corporate governance and stock illiquidity denotes a positive association between corporate governance and stock liquidity. Most of the prior researchers have found a similar positive relationship between corporate governance and stock liquidity. Giannetti and Koskinen (2010) indicate that portfolio investors are less likely to invest in companies or countries which have poor corporate governance. A recent study done by Chen et al. (2007) has concluded that highly effective corporate governance leads to a high stock liquidity using a sample of companies which are listed on New York and American stock exchanges. Further Ali and Hwang (2000) also found that corporate governance and stock market liquidity are closely associated where the findings are based on four dimensions of corporate governance in Australian firms. Tang and Wang (2010) also found a positive relationship between corporate governance and stock liquidity in in China and recent research done by Al-jaifi et al. (2017) also found similar kind of positive relationship between stock liquidity and corporate governance using a sample of 2020 yearly observations in Bursa Malaysia over the period 2009-2012.

Conclusion

This study offers several insights on the corporate governance and stock liquidity in Sri Lankan listed companies. The level of compliance of the corporate governance is fairly at a satisfactory level in the Sri Lankan non-financial companies. As per Manawaduge (2012), local companies do not 100% comply with the aspects of corporate governance and the level compliance is depending on companies' interests in commitment to compliance. Dissa Bandara (n.d.) has also depicted in his findings that there is a considerable variance in corporate governance practices across industries (48% - 61%). But the level of liquidity is at a low level compared to its regional competitors.

As per the findings, it shows a negative relationship between corporate governance and stock liquidity which is consistent with the past results. The findings highlight the significant role of corporate governance in enhancing stock liquidity of companies. The research findings will help the managers to increase the compliance of the best practices of corporate governance to enhance the financial and operational transparency which consequently enhance the investor trust and stock liquidity. Further the findings would help the investors to avoid adverse selection and to make improved stock purchasing decision through increased information disclosures. Additionally, the findings of the research would be beneficial to the policy makers to improve the best practices on corporate governance to enhance the overall stock market liquidity.

However, the study was limited only for three year observations of 100 companies listed in Colombo stock exchange and excludes financial listed companies. A greater and inclusive sample may yield better estimates of the results. Further the study was limited only for assessing the corporate governance practices relating to the to board of directors, audit committee, remuneration committee, nomination committee, related party transaction review

committee. Future studies may incorporate relations with stakeholders, environment, society and governance, accountability and cyber security under corporate governance which would have an impact on the stock liquidity. Additionally, a weighed corporate governance index can be developed to assess the corporate governance focusing on the most appropriate factors affecting the stock liquidity. On the other hand, there are many factors affecting to the stock liquidity than the corporate governance. Despite the above mentioned limitations, the study contributes to the existing literature on the role of corporate governance and stock liquidity and provide valuable insights for the policy makers to develop applicable policies and practices.

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