

## **Corporate Governance and Financial Distress : Evidence from Listed Companies in Sri Lanka**

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### **Abstract**

The purpose of this research is to examine the influence of corporate governance on financial distress of listed companies in Sri Lanka. An analysis of literature reveals that dearth of studies available in the context of developing countries that examine the impact of corporate governance on financial distress. The study used CEO duality, board size, board activity, board independence and gender diversity as independent variables for corporate governance and financial distress as the dependent variable. This study utilized publicly available data from annual reports of a sample of 58 financially distressed companies and a sample of matched 58 non distressed companies of Colombo Stock Exchange for a period covering from 2013 to 2021. The sample of companies comprises of all the sectors except banking, insurance and diversified financing companies. The descriptive statistics were used to estimate the comparative investigate of distressed and non-distressed companies. A binary logistic regression analysis was used to identify the impact of corporate governance on the financial distress of listed companies. The paper offers an in depth understanding on how corporate governance characteristics associated with the financial distress situation from the emerging stock market. It would be educational to potential investors, accounting professionals, corporate managements, financial analysts and be helpful for regulatory authorities in making policies for corporate governance reformation.

**Key words:** *Corporate Governance, Board of Directors, Financial Distress*