Impact of Corporate Governance on The Firm Performance: A Study of Listed Companies in Sri Lanka

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ABSTRACT

Introduction: The main objective of this study is to examine whether there is any relationship between corporate governance and the firm performance.

Design/Methodology/Approach: This study uses data from 32 companies listed in the Colombo Stock Exchange (CSE) from 2019 to 2020. The Annual Reports of applicable companies in the corresponding year are used to collect data. Board Size, CEO duality and proportion of non-executive directors are considered as the independent variables The dependent variable is the firm performance (EPS, ROA and ROE). The control variables are firm size (SIZE), the number of years a given firm's stock has been traded on CSE (AGE) and leverage (LEV) of the firm. The analysis is mainly carried out using Multiple Regression.

Findings: Regression results show that Board Size is negatively associated with firm performance. Additionally, the attendance of outside directors has a negative impact on the performance. Further, there is a positive relationship between leadership structure and firm performance.

Conclusion: Larger Board Size is unfavorable for a company and CEO duality enhances the firm performance.

Keywords: *Corporate Governance, Board of Directors, CEO Duality, Proportion of Non-Executive Directors, Colombo Stock Exchange*