

Anandasayanan, S.  
PAPER

**The Impact of Corporate Governance on Firm Performance of Listed Banks in Sri Lanka**

S. Anandasayanan, Department of Financial Management, University of Jaffna

The issue of Corporate Governance arises because of the separation of ownership from control in modern corporations. The separation of ownership and control has had profound consequences on the nature of Corporate Governance. In Sri Lanka, the Financial Services Industry also plays a considerable role in economic development and business improvement. This paper seeks to investigate the relationship between Corporate Governance and firm's performance of twenty banks listed at the Colombo Stock Exchange.

The two variables related to Corporate Governance are included in this study (Board, Audit Committee). The performance of Corporate Governance is analyzed through Tobin's Q, while performance of the firms is measured by return on assets (ROA) and return on equity (ROE). The data set is obtained from the annual reports for the year 2008-2010. The multiple regression models are applied to test the significance of Corporate Governance and firm profitability. The result shows that the Board and Audit Committee have a significant relationship with Tobin's Q, which confirms a significant effect in measuring performance of the firm. It means that firms with good Corporate Governance measures perform well as compared to the firms having no or fewer Corporate Governance practices.