THE EMPIRICAL RELATIONSHIP BETWEEN BOARD SIZE AND FIRM PERFORMANCE OF LISTED COMPANIES IN SRI LANKA

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Abstract

A many studies investigate to the link between board size and firm performance in listed companies in Sri Lanka. The evidence on this area is very thin in Sri Lanka being a developing countries. The structure and size of the board and its impact on the performance of the firm is one of the most discussed issues of corporate governance. Board size, gender, duality, education, board age and Independent were the board structure variables, and ROA and ROE were the measurement device of firm Performance. Good corporate governance practices are regarded as important in reducing risk for investors, attracting investment capital and improving the performance of companies. Sri Lanka does not have large number of studies on corporate governance issues. Therefore, these kinds of studies on corporate governance issues will help to improve the corporate governance practice in Sri Lanka. Therefore, this study will provide a new perspective in studying the relationship between board size and firm performance.

The purpose of this study is to examine the relationship between board size and firm performance in Sri Lanka for the extent of compliance of the CBP recommendations by the companies. Further, to investigate the relationship between the CEO duality and firm performance, to investigate the relationship between proportion of non-executive directors and firm performance.

Key words: Corporate governance; board size; firm performance; ROA; board of directors