



2<sup>nd</sup> Interdisciplinary Conference of Management Researchers  
Empowering Sustainable Tourism, Organizational Management and  
Our Environment

19<sup>th</sup> – 21<sup>st</sup> October 2017 – Sabaragamuwa University of Sri Lanka

## **Impact of Corporate Governance on Financial Performance: Evidence from Listed Commercial Banks in Colombo Stock Exchange**

SP Muditha Lakmali Jayathissa<sup>1,\*</sup>, DGL Rasika<sup>2</sup>

<sup>1,2</sup>Department of Accountancy and Finance, Sabaragamuwa University of Sri Lanka

\*mudithalakmali92@gmail.com

The concept of corporate governance has subjected to argument among scholars as well as professionals with the witness of high profile company collapse and corporate failures in the world with the start of Enron. The study was conducted with the objective of investigating the impact of corporate governance on the financial performance of the commercial banks in Sri Lanka by employing secondary data extracted from audited annual reports of ten listed commercial banks in Colombo Stock Exchange from 2007 to 2016. Board Size, Board Meeting Frequencies, Separate Leadership, Board Composition, Board Committees, Disclose of Remuneration, Annual General Meetings, Corporate Reporting, Sustainability Reporting and Firm Size were used as proxies of corporate governance and financial performance of the banks was measured through Return on Equity (ROE) and Return on Assets (ROA). Descriptive statistics and Panel data regression were used for data analysis. According to the descriptive analysis, almost all the selected banks have followed corporate governance practices at satisfactory level except concept of sustainability reporting which has newly introduced in 2013 under the cord of best practice of corporate governance.

According to the panel data regression; Board Comitities, Board Composition, Board Size, Disclose of remuneration, and Firm Size have a positive relationship with ROE whereas Board Composition, Board Comitities, Sustainability Reporting, Annual General Meetings and Board Meeting Frequency have a positive relationship with ROA. The policy makers of commercial banks should take actions to upgrade the sustainability reporting practices in order to enhance the financial performance.

**Keywords:** Colombo Stock Exchange, Corporate Governance, Financial Performance, Listed Commercial Banks