

Corporate Governance and Profitability Evidence from Sri Lankan Banking Industry

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Abstract

The objective of this research is to examine the impact of corporate governance mechanisms on firm performance of 13 banks in Sri Lankan banking industry over the period of 2005-2014. This is an exploratory study which addresses the research problem of does corporate governance affect the bank performance in Sri Lanka. Return on Equity (ROE) is used as dependent variable and, Firm Size, Firm Leverage, Audit committee composition, Board Independence, Board Size and CEO Duality used as independent variables. This research has used only secondary data and main source of data includes the annual report of the selected companies. Empirical research was conducted based on the 130 observations and findings are based on regression analysis. Researcher employed panel data methodology as a method of estimation. Descriptive statistics, ANOVA and t-test applied on data by using SPSS. Correlation techniques method has been used to test the hypotheses, to solve the research problem, and to achieve goals and objectives of the study. Accordingly, there is a significant impact of corporate governance on Performance of the banking industry in Sri Lanka. Moreover, there is a positive relationship between bank performance and board independence and firm size.

Key word: *Corporate Governance, Board Size, Board Independence, Audit Committee Composition, Firm Size, Firm Leverage, Bank Performance*