

The Effect of Corporate Governance on Performance of the banking Industry in Sri Lanka

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In the worst financial crisis, the banking sector faces to more difficulties. According to the studies that difficulties build on the lack of corporate governance in banks and companies. Purpose of this study was to identify the impact of Corporate Governance for the Banking Profitability in Sri Lanka. Board size, Board Ownership, Management ownership and the Board balance were used as the determinant factors and the Return on Assets was used for the performance indicator. Nine listed Commercial Banks over nine years were selected for the analysis. Descriptive analysis, Pearson Correlation and the regression analysis methods were used to find out relationship between the corporate governance and banking performance. One main model constructed under the regression analysis. Result of the analysis were found that there was significant relationship between Board size and the Board ownership. There was no significance relationship between Management Ownership and the Board Balance. According to the analysis the overall model is significant and the Corporate Governance is significantly affected to the Profitability of the banking industry in Sri Lanka.

Keywords: Performance, Corporate Governance, ROA, Profitability, Commercial banks