

## **Duties of Directors in Relation to Corporate Governance in Sri Lanka: Its Adequacies and Weaknesses**

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The concept of corporate governance can be defined simply as how companies should be managed. The Companies Act No 07 of 2007 made significant changes to the then existing company law legislation and departed from the roots of the English Law that was the basis of our company law up to then. With the introduction of new Companies Act, the legislators were able to encapsulate the conceptual framework to have in place a better mechanism for having a good system of corporate governance. This helped to better facilitate the growth of corporate governance. With regard to corporate governance, the board of directors plays a vital role. They are responsible for the management of the company. They are entrusted with the capital of the shareholders. As there is a division between the ownership of the assets and its management the concept of corporate governance helps to balance out the conflicting interest that the parties may have. The Act has recognized many duties and obligations, which were not recognized under earlier laws and specially those relating to solvency and serious loss of capital. To further emphasize the matter listed rules that applies for a listed company in the stock exchange, corporate governance is made mandatory on an apply or explain basis. However, there are still shortcoming in the system as well. Since a company has got the opportunity to give an explanation as to why it has been unable carry out any aspect of corporate governance the adequacy of such explanations may be problematic as there is no guideline to measure the suitability of the explanation. Further, since the compliance is restricted to clicking the box the actual value of the corporate governance is not directly show in account and figures of a company and since it has been found that the share price and the corporate governance does not have much relationship with one another, the value of corporate governance is not emphasized to the potential investors. This articles examines how the newly imposed duties and obligations of the directors in the Companies Act of 2007 helps in establishing a better system of corporate governance and the adequacies and the inadequacies of the system.

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