

The Impact of Corporate Governance on Firm Value: Evidence from Listed Manufacturing Companies in Sri Lanka

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Abstract

Good corporate governance is directly linked with the shareholder wealth creation and thereby positively impacting on the overall economic prosperity of entities. However, achieving the ideal outcomes from good corporate governance is vulnerable to a multitude of hindrances originating from the internal and external forces.

The purpose of this study is to examine how corporate governance practices impact on the firm value. Data collected through content analysis of annual reports of 27 Sri Lankan manufacturing firms listed in the Colombo Stock Exchange from 2012 to 2016. The study used descriptive statistics and multiple regression analysis to analyze data.

Findings revealed that the number of board meetings and internal control and risk management system of listed manufacturing companies capable of improving firm value. The study has social and policy impact as it highlights the importance of corporate governance practices in Sri Lankan entities. Focusing on one industry sector is an inherent limitation of the study, and industry sector comparison would be a potential future research area.

Keywords: corporate governance, firm value, manufacturing sector, Sri Lanka