

**Corporate Governance and Earnings Quality: Evidence from Listed Companies in CSE**

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**ABSTRACT**

**Introduction-** Today, organizations tend to increase good governance with the objective of improving firms' performances, and its value together with earnings quality. Corporate governance and earnings quality are contemporary business issues and a debatable research area in the field of finance. Thus the main aim of this study is to investigate the effect of corporate governance on the earnings quality of listed companies in Colombo Stock Exchange.

**Design/Methodology-** This study employed Hirbar and Collin's Ratio, Dechow and Dichev's Ratio and Penman's Approaches to measure the earnings quality while Board Size, Board Independence, CEO Duality, External Audit, Audit Committee Independence, Audit Committee Quality and Gender Diversity have been used as the indicators of the corporate governance characteristics of listed companies. The research used secondary data based on the annual reports of the selected listed companies in the Colombo Stock Exchange over the period of 2015-2019 for the analysis.

**Findings-** Panel regression with random effect model used to analyse the data. The findings revealed that Board Independence, Audit Committee Independence and Gender Diversity are significant with firm's earning quality whereas Board Size, CEO Duality and Audit Committee Quality are insignificant in explaining the earnings quality of the companies.

**Conclusion-** The study found that in general the corporate governance effect on the earnings quality of listed companies in CSE. Thus, the companies should be given due attention on improving the quality of the governance practices in order to enhance the quality of company earnings and to reduce any managerial opportunistic behaviour.

**Keywords** *Corporate governance, Earnings quality, Listed companies, Dechow and Dichev's Ratio, Hirbar and Collin's Ratio*