

Impact of Board Structure on Financial Performance: With Special Reference to Sri Lankan Banking Sector

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ABSTRACT

Introduction: Among the factors that influence bank performance, board structure plays a significant role in the Sri Lankan banking system. The study aims to seek the impact of the structure of the Board of Directors on the performance of banking institutions.

Design/Methodology/Approach: Board size, gender diversity and Board Independency in banks have been used as independent variables to capture the characteristics of the Board and Return on Assets and Return on Equity have been used as dependent variables. The impact of board structure on financial performance has been tested using balanced panel data for 18 banks for 2015 to 2019.

Findings: As per the study's finding, board independence and Return on Assets have a significant positive relationship, whereas other variables do not significantly impact the study. Furthermore, no relationship was depicted between independent variables and Return on Equity.

Conclusion: Board independence can be considered as a key influencing factor to the financial performance of banking organizations.

Keywords: *Return on Assets, Return on Equity, Board Size, Board Independence*