

Corporate Governance and Agency Costs in Non-Financial Listed Companies in Sri Lanka

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The purpose of this research study is to analyze the corporate governance mechanisms on agency costs in Sri Lankan listed firms. To analyze this effect; board size, board independence, remuneration, and managerial ownership are considered as effective governance mechanisms in this study. The study was adopted a quantitative research approach and panel data analysis was used to estimate the association between corporate governance and agency costs using the annual reports' data of 50 non-financial listed firms in Colombo Stock Exchange during 2016-2019. The empirical results indicated that board size, independent directors on the board, managerial ownership have negative impact on the assets utilization ratio also firm size is negatively related to the assets utilization ratio. But remuneration and leverage has a positive impact on agency cost. Evidence of this study revealed that there is a significant relationship between corporate governance mechanisms and agency costs in Sri Lanka. This study supports shareholders, managers, and other stakeholders on how internal corporate governance practices are affected to minimize conflict of interest between principal and agent.

Keywords: *Agency theory, Corporate governance, Stakeholder theory, Stewardship theory*

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