

## **The Impact of Corporate Governance on Firms' Financial Performance: Evidence from Listed Companies in Sri Lanka**

**D P H N M Pathirana<sup>1</sup>, S.D.P.Piyananda<sup>2</sup>**

Department of Finance, University of Kelaniya, Sri Lanka<sup>1,2</sup>  
[Pathiranbm18315@stu.kln.ac.lk](mailto:Pathiranbm18315@stu.kln.ac.lk)<sup>1</sup>, [dhanushkap@kln.ac.lk](mailto:dhanushkap@kln.ac.lk)<sup>2</sup>

### **Abstract**

**Introduction:** financial performance is a subjective measure of the accountability of an entity for the results of its policies, operations, and activities quantified for an identified period in financial terms. Thus, having a structured corporate governance mechanism in place within the business organization is helpful for them to enhance their financial performance. This study aims to investigate the impact of features of corporate governance on the financial performance of listed entities in Sri Lanka from the non-financial sector.

**Methodology:** To achieve the study objective annual data collected from 20 listed companies for the sample period from 2017-2022 were used in conducting the data analysis. Both Return on Asset (ROA) and Return on Equity (ROE) were used as proxies for financial performance indicators while Board Size (BSIZE), Board Composition (BC) and Board Gender (BGENDER), Audit Committee Size (ASIZE) were used as corporate governance indicators. Descriptive analysis, panel regression and correlation techniques were used in analyzing the data.

**Findings:** The estimation regression analysis findings showed that there is a negative and significant relationship between BC and ROE which is a contradictory finding with that of the previous studies. Also, study findings revealed that there is a significant positive relationship between ASIZE and ROE.

**Conclusion:** The study finding has practical implications highlighting the fact that listed entities shall think of the size of their audit committee together with the composition as it has a direct impact on financial performance of listed entities.

**Keywords:** Corporate governance, Financial performance, Board size, Board composition, Board gender, Audit committee size.