

The Relationship between Board Characteristics and Firm Performance of Banking and Insurance Sector Companies Listed in Colombo Stock Exchange

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The expectation of this study is to review the effect of board characteristics and firm performance. Henceforth numerous studies have been done to look at the connection between board characteristics and firm performance in developed countries. The Empirical evidence on this area is very narrow in Sri Lanka being a developing country. Hence, this study was undertaken with the intention of fulfilling the gap. The study examined the impact of board characteristics on firm performance of Banking and Financial Companies. This study employs a cross sectional analysis of 50 banking and financial companies as sample of listed in Colombo Stock Exchange for the financial year ending 2013 and 2014 and multivariate analysis are used to test the proposed hypotheses. The paper uses both financial and non-financial data from annual report of the listed companies. The board characteristics variables being the independent variables and firm performance variable being the dependent variable are tested under correlation and regression model. The results of the study shows that board size and CEO duality are associated with Return on assets (ROA) negatively. The study also documents that board independence is negatively related with ROA and director ownership is positively related with ROA but both are not significant. Furthermore, control variables of firm size and dividend yield are significantly positively linked with ROA and leverage is negatively related with ROA though not significant. These findings provide some implication for future research on the effectiveness of board characteristics on firm performance.

Keywords: Board characteristics, firm performance, corporate governance, Banking and Finance

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