CORPORATE GOVERNANCE PRACTICES AMONG THE PUBLIC LIMITED COMPANIES IN THE FINANCIAL INDUSTRY IN SRI LANKA

Ву



GALMANGODA GURUGE ISHARI UPEKSHA SUMANASURIYA

(EU/IS/2012/COM/61)



(COM 1561)

A Project Report Submitted to the Faculty of Commerce and Management,

Eastern University, Sri Lanka as a partial fulfillment of the requirement for the

Degree of Bachelor of Commerce (BCOMHons)

DEPARTMENT OF COMMERCE
FACULTY OF COMMERCE AND MANAGEMENT
EASTERN UNIVERSITY, SRI LANKA

ABSTRACT

The purpose of this study is to examine is the level of corporate governance practices among the listed companies in Sri Lanka. Sixty five listed companies representing Banking, Finance and insurance companies in Sri Lanka and are selected of 25 listed companies in financial industry. Secondary data resources collection methods are used in this research. The secondary data is collected from annual reports of selected companies. The objective of this study is to determine the level of corporate governance practices among the limited companies in financial industry in Sri Lanka. The conceptualization framework of this study is consisted of four variables such as Board size, Board sub committees, Board meetings, Firm Size are identified as independent variables and corporate governance practices among the public limited companies in the financial industry in Sri Lanka is dependent variable in this study. Further collected data are analyzed by using the SPSS computer package for interpreting and obtaining the conclusion. Univariate analysis is used to find out the values for mean, standard deviation and percentage by using the variables and sub dimension to evaluate the high, moderate and low contribution towards the service. The overall research finding indicates that the level of corporate governance practices among the limited companies in financial industry in Sri Lanka.

Key words: Board Size, Board Meetings, Board Sub Committees, Firm Size

Table of Contents

ACKNOWLEDGEMENT
ABSTRACT
TABLE OF CONTENT
LIST OF TABLES
LIST OF FIGURES
CHAPTER ONE
INTRODUCTION
1.1 Background of the Study
1.2 Problem Statement
1.3 Research Questions
1.4 Objective of the study
1.5 Significance of the study
1.6 Scope of the study
1.7 Summary
CHAPTER TWO
LITERATURE REVIEW
2.1 Introduction
2.2 Concept of Corporate Governance
2.3 Corporate Governance in Sri Lanka
2.4. Theories related to the study
2.4.1 Agency theory
2.4.2. Stakeholder theory
2.4.3. Stewardship Theory
2.4.4. Resource Dependence
2.4.5.Legitimacy Theory 12

2.5. Characteristics of Corporate Governance	13
2.5.1. Board Size	13
2.5.2 Board Sub Committees	13
2.5.3. Board Meetings	14
2.5.4. Firm Size	15
2.6. Variables impact a Bank and Financial companies Performance.	15
2.6.1 GDP Growth	15
2.6.2 Inflation	15
2.6.3. Exchange rate	16
2.7. Summary	16
CHAPTER THREE	
CONCEPTUALIZATION AND OPERATIONALIZATION	
3.1 Introduction	17
3.2 Conceptualization	17
3.3 Conceptual Framework	18
3.3.1. Board Size	18
3.3.2 Board Sub Committee	18
3.3.3. Board Meetings	19
3.3.4. Firm Size	19
3.4 Operationalization	19
3.5 Summary	20
CHAPTER FOUR	
METHODOLOGY	
4.1 Introduction	21
4.2 Study Setting, Study Design and Method of Survey	21
4.3 Study Population and Sample	21
4.4. Data Collection	23

4.5. Methods of Measurements	23
4.6. Methods of Data presentation	23
4.7. Methods of Data Analysis and Evaluation	23
4.7.1. Univariate analysis	24
4.7.2 Mean	24
4.7.2.1. Board Size	24
4.7.2.2. Board Sub Committees	25
4.7.2.3. Board Meetings	25
4.7.2.4. Firm Size	25
4.7.2.5. Standard deviation	
4.8. Summary	26
CHAPTER FIVE	
DATA PRESENTATION AND ANALYSIS	
5.1 Introduction	27
5.2 Frequency Distribution Analysis	27
5.2.1. Board Size	27
5.2.2.Board Sub Committees	29
5.2.3. Board Meetings	30
5.2.4.Firm Size	31
5.3.Overall Analysis among Corporate Governance practices	32
5.3.1.The Board Size	32
5.3.2. Board sub committees	34
5.3.3. Board Meetings	35
5.3.4. Firm Size	37
5.2. Summary	38

CHAPTER SIX

DISCUSSION

6.1. Introduction	39
6.2 Discussion on Company Profile	39
6.3. Discussion on Research Information	39
6.3.1. Discussion on the Level of Board Size	39
6.3.2. Discussion on the Level of Board subcommittees	40
6.3.3. Discussion on the Level of Board Meetings	40
6.3.4. Discussion on the Level of Firm Size	41
6.3.5. Discussion on the Overall Service Quality	41
6.4. Summary	41
CHAPTER-SEVEN	
CONCLUSIONS AND RECOMMENDATION	
7.1 Introduction	42
7.2. Conclusions	42
7.3. Recommendation	
7.4. Limitations of the study	45
7.5. Suggestions for future researches	45
7.6. Summary	46
Reference	47
Appendix - output of the analysis	49