

THE IMPACT OF SELECTED BOARD CHARACTERISTICS ON FIRM PERFORMANCE OF NON-FINANCIAL LISTED COMPANIES IN SRI LANKA

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ABSTRACT

This study aimed to determine the impact of selected board characteristics on the performance of non-financial listed companies in Sri Lanka. Two hundred and ninety companies listed on the Colombo Stock Exchange (CSE) are considered the population, and the sampling process excluded Banking, Finance, and Insurance companies as they have identical financial characteristics. An efficient board is essential to achieve governance in an organization, where board size, board composition, CEO duality, number of board meetings, board gender diversity, and impact many board characteristics. This study analyzed 136 non-financial firms listed in the CSE from 2019 to 2022. ROA (Return on assets) and ROE (Return on equity) were considered independent variables. Further, leverage, firm age, and firm size were considered as control variables. Board size, board composition, CEO Duality, the frequency of board meetings, and gender diversity were the dependent variables. This study used regression analysis, descriptive tests, and correlation analysis. As per the findings of this study, board composition is positively associated with Return on Asset (ROA) and board composition is negatively associated with Return on Equity (ROE). CEO Duality is negatively associated with Return on Asset (ROA) and Equity (ROE). However, the gender diversity of the board shows a negative relationship between ROA, and the board shows a positive relationship with ROE. The study's findings support policymakers, especially top-level management and decision-makers, in obtaining strategic decisions about the firm to establish an effective board and evaluate the board's effectiveness inside the firm.

Keywords: Board composition, board size, CEO duality, frequency of board meetings, board gender diversity, ROA, ROE.