

Impact of Selected Board Characteristics on Firm Performance of Listed Non-Financial Firms in Sri Lanka

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Abstract

In the context of developing economies like Sri Lanka, corporate governance plays a vital oversight role in directing and evaluating organizational performance. This study explores the impact of selected board characteristics on the firm performance of non-financial firms in Sri Lanka. The study addresses both empirical and practical gaps in the local literature by focusing on five board characteristics: board composition, board size, CEO duality, frequency of board meetings and gender diversity. A quantitative methodology was employed, using secondary data derived from annual reports of 100 listed non-financial companies on the Colombo Stock Exchange (CSE) over a four-year period (2021-2024). Panel regression analysis was used to examine the impact of board characteristics on firm performance, which is measured through Return on Assets (ROA) and Return on Equity (ROE). The findings reveal that board composition has a statistically significant and positive impact on ROA. However, gender diversity showed a negative association with both the performance metrics highlighting concerns about inclusivity in Sri Lanka's context. The effects of board size, CEO duality, and frequency of board meetings showed mixed and statistically insignificant results highlighting the complexity and potential cultural specificity of governance dynamics in the country. These findings help regulators, investors, and company executives improve governance practices. The results contribute to the growing discourse on corporate governance by offering localized evidence and insights for policymakers, regulators and corporate stakeholders. The research also supports the refinement of governance codes and standards to better align with realities of the Sri Lankan business environment.

Keywords: board composition, CEO duality, corporate governance, firm performance, gender diversity, return on asset