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**A STUDY ON RELATIONSHIP BETWEEN
DIRECTOR BOARD CHARACTERISTICS AND
FINANCIAL PERFORMANCE
(EVIDENCE FROM LISTED DIVERSIFIED
HOLDINGS IN SRI LANKA)**

This dissertation is submitted as a partial fulfillment of the degree of
Bachelor of Business Management in Entrepreneurship and Management

June, 2017

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UWU/EX/13/0219

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ABSTRACT

Director board characteristics was an important governance mechanism, which would accomplish the interests of shareholders and managers. Director boards play an important role in advising top management. Purpose of this study was to examine the relationship between director board characteristics and financial performance in listed diversified holdings in Sri Lanka. To complete the study objectives board size, board composition and CEO duality were identified as the proxies for director board characteristics. The dependent variable, financial performance was measured by return on equity (ROE), return on Assets (ROA) and Tobin's Q (TQ) based on the extensive literature. This study was narrow to post war era due to higher performance in CSE in the post war era. A sample of 15 companies was selected from the 19 listed diversified holdings in Sri Lanka. The selection was determined by the availability of the data in 2011-2016 periods. Data were obtained from annual reports and other relevant disclosures. The data were analyzed using E-views statistical software to obtain quantitative measures of descriptive statistics, correlation and panel data regression analysis. The study revealed that there is significant weak positive relationship between board size and ROA and a significant weak negative relationship between CEO duality with ROA. Moreover there is significant weak positive relationship between board composition and Tobin's Q. None of the independent variables were significant with ROE. Further the board composition with ROA and board size and CEO duality with Tobin's Q similarly insignificant in listed diversified holdings in Sri Lanka. Moreover conclusions of this study can be used as a determinants to strengthen the director board and top management in order to improve the financial performance. Further researches must be conducted in this area to develop more improved conclusions.

Keywords: Board Size, Board Composition, CEO duality, ROA, ROE, Tobin's Q