

All 03 Compliance of the code of best practices and its impact of directors remunerations on financial performance of quoted public companies under the dominant industry sectors in Sri Lanka

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Many of the codes and rules related to corporate governance structures in the world includes "Directors' Remunerations" as a main governance component as similarly as included in the Code of Best Practices on Corporate Governance (CBPCG) issued by Sri Lanka in 2008. Hence, we first study the level of compliance of Sri Lankan Listed Companies with best Practices on directors' remunerations coming under the aforementioned voluntary code. Next, we examine the impact of being complied with Directors' remunerations under the CBPCG to the Financial Performance measured by ROA and ROE of Corporates in dominant industry sectors in Sri Lanka. A sample of 105 companies was randomly selected from 11 dominant industry sectors based on the probability proportionate sampling technique representing 80% of the qualified population. The secondary data available in Published Annual Reports of the corporates were collected using a Composite Index for the years of 2008/09, 2009/10 and 2011/12. Descriptive statistics were used to scrutinize the level of compliance whereas Multiple Regression Analysis (MRA) was used to examine the impact between directors' remunerations and the corporate financial performance. It was found that the compliance level has been increased as 57.6% (2008/09), 80.8% (2009/10) and 94.5% (2009/10) with regard to the directors' remunerations. Results obtained through MRA reveal that directors' remunerations have significant impact on corporate performance with respect to the years of 2009/10 and 2011/12 whereas no significant impact is found relating to the year 2008/09 concluding that there is a strong impact of being complied with CBPCG to the corporate financial performance.✚

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