

# BOARD CHARACTERISTICS AND CORPORATE PROFITABILITY OF LISTED TRADING COMPANIES IN SRI LANKA

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## ABSTRACT

Corporate boards of directors play a vital role in the corporate governance of modern companies, and hence awareness this relationship is very important to our understanding of corporate governance. The relationship between board characteristics and corporate profitability has been widely studied with the aim of establishing the board characteristics that significantly affect profitability. This study investigated the effect of board characteristics variables of board size, board compensation, CEO duality and profitability as measured by Return on equity. The study is based on the Trading sector of the Colombo Stock Exchange for the period from 2011/2012 to 2016/2017. Secondary data was collected from the publicly available annual reports and financial statements of the companies. OLS Regression analysis, correlation analysis and descriptive statistics, Variable Inflation Factor and Residual Diagnosis test were used to analyze the data collected using Eviews software 10. The study found that Board size, has a significant impact on profitability. Further CEO duality has a significant positive affect with profitability as measured by Return of Equity. Board composition was also found to have a insignificant effect on financial performance as measured by return on equity.

**Keywords:** Board size, Board Composition, CEO duality and Corporate Profitability