

**THE IMPACT OF THE CORPORATE GOVERNANCE
PRACTICES ON BANK'S FINANCIAL PERFORMANCE IN SRI
LANKAN BANKING SECTOR**

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ABSTRACT

The Sri Lanka experience, even though it has been a short one, has demonstrated that business communities passed various stages towards adopting effective corporate governance practices, the first and most important stage is raising awareness. Much progress has been made in the regulatory environment in Sri Lanka during the last years.

The Central bank play Key role in enhancing corporate governance practices in banking sector is the Central Bank of Sri Lanka. The Central Bank of Sri Lanka is continuing its efforts to enhance corporate governance in the Sri Lanka banking system.

This research evaluated the effect of corporate governance on financial performance of banking industries; special references with Licensed Commercial Banks in Sri Lanka. Evaluation done by accordance with Corporate Governance practices introduced by Institute of Chartered Accountants of Sri Lanka and Stock Exchange Commission.

Sample is selected as annual reports from 2008 to 2011 in order to view the corporate governance practices and financial performance in selected LCBs. Furthermore, this research only focuses on the secondary data. Researcher' used three types of data analysis methods to analyse. Descriptive statistical analysis, Karl Pearson Correlation and Analysis of Variance (ANOVA). These techniques are used to test the hypotheses, solve research questions, and achieve goals and objectives of the study

The principles of good Corporate Governance are necessary, but not sufficient, conditions for bank performance. As more experience is gained and feedback received, suitable revisions will be made in future versions of this research.

Key Words : Corporate Governance, Financial Performance.