

# **Impact of Corporate Governance on Stock Price: Reference to Listed Manufacturing Firms in Colombo Stock Exchange**

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## **Abstract**

There is a widely spread necessity for improved corporate governance practices in order to delay potential instabilities in financial markets. Although there have been numerous research efforts on corporate governance and company performance in Sri Lanka, little has been done concerning the effects of corporate governance practices on share price of listed companies in the Colombo Stock Exchange, which is one of the most obvious aspects of company affairs. Accordingly, this research aims to examine the impact of corporate governance on stock price of listed manufacturing companies in the Colombo Stock Exchange. Data were collected for the five years from 2015 to 2019 from selected twenty manufacturing companies listed in Colombo Stock Exchange. Independent variables of the study represent corporate governance variables and the dependent variable was stock price which was measured by the annual average share price of each company. The data were analysed through descriptive analysis, correlation analysis, and panel regression analysis. The results revealed that there is a significant impact of board independence, chief executive officer duality, expertise of audit committee, frequency of audit committee, risk management & internal control, environmental social and governance reporting on the stock price of sample companies while board committees showed insignificant impact on the stock price. Finally, it could be concluded that corporate governance is significantly impact on the stock price of the companies listed in the Colombo Stock Exchange. The findings of the study hold practical implications for various parties such as managers, owners, investors, policy makers, society, and other stock market players such as brokers, portfolio managers' speculators, and others.

Keywords: Corporate governance, Colombo Stock Exchange, listed manufacturing companies, stock price