CORPORATE GOVERNANCE OF FINANCIAL INSTITUTIONS IN BATTICALOA DISTRICT

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ABSTRACT

Corporate governance is wide range of practices which are affected the way of directing the organization. This is an emerging concept which is considered as an important suggestion for growth of companies in recent years. Meanwhile this concept has admired more attention and several analyses were taken place in recent past decades. Such analyses have found that Corporate Governance helps to make efforts to survive from major financial failures which were caused to the organizations. Good corporate governance practices have the impact of improving satisfaction level of stakeholders and enhancement of organization. This research paper investigates corporate governance of financial institutions in Batticaloa district. Factor analysis was employed to ensure the variables and as per analysis, variables were categorized into 4 factors such as board size, corporate governance mechanism, communication strategies, and code of conduct. Questionnaire was used to collect data for this study. 125 management respondents were selected for this study and simple random sampling method was used. Findings show that there is high level corporate governance among financial institutions in Batticaloa district. These findings would be useful to consider more on Corporate Governance practices to avoid the corporate collapses in future.

Keyword: - ***Corporate Governance, Board Size, Corporate Governance Mechanism, Communication Strategies, and Code of Conduct.***

1. INTRODUCTION

Corporate governance is set of rules, procedures, and processes by which management of organization is controlled and directed. It is a system in which organization attempts to safeguard the interests of all stakeholders by ensuring way of directing and controlling through set of mechanisms. It is a structure through which corporation's decision making are being done and implemented in order to achieve its goals and objectives. Each decision makings affects all stakeholders' interests and solving the problems. Corporate governance play vital role in network of managers, board of directors, and shareholders. Therefore, expectation of all stakeholders could be satisfied through effective corporate governance. However, unethical conduct and scandals are being increased in recent years due to poor governance system. Corporate governance concept flows over mind of corporate world to reduce problems and affairs. Because collapse of organizations shows that corporations involved in abuse of power and unethical decision makings, and misconducts without considering sustainability of organization. Corporate governance of financial institutions is a backbone to economy of Sri Lanka. The failure of financial institutions affects all the stakeholders such as depositors, investors, and people of country. Therefore, this corporate governance system has received significant attention in the organization. Purpose of research arises due to financial institutions' failure in Sri Lanka which occurred during past years such as failure of Pramukha savings and development bank and bankruptcy

occurred in Seylan bank. It adversely affects the country's economy by losing investors', depositors', and peoples' confidence over financial institutions. This problem might be caused due to failure of corporate governance system or implementation of system in Sri Lanka. It forms best interest to study the corporate governance among different types of financial institutions.

2. LITERATURE REVIEW

The developing role of market has evolved in corporate culture, conduct of conduct, globalization, privatization, and corporate ethics which are seen as essential to survive in the market (Arya, Tandon, & Vashisht, 2003). Then corporate scandals, frauds, and misconducts have occurred in recent years which have upset confidence of the stakeholders of companies. All stakeholders expect high level of transparency in corporate information, operations, and accountability of company management. Nowadays, investors are seeking opportunities beyond boundaries of countries for the purpose of minimize the risk. They anticipates high level of transparency in financial reporting and fulfillment of stakeholders thus corporate governance becomes as important concept in the corporate world.

In literature, Cadbury (1992) states "the system by which companies are directed and controlled". It is not easy to define due to expansion of margin in the concept (Roche, 2005). A definition emerges as result of application of corporate governance in different context even though concept is same (Armstrong & Sweeney, 2002; Heenetigala, 2011). However, corporate governance basically defined in two ways such as value creation and value protection (Rezaee, 2009). Value creation of corporate governance focuses on creating value in the mind of shareholders to retain in the organization by satisfying interest of them through successful long term strategies. On the other hand, value protection focuses on accountability of management and to protect interest of all stakeholders (Rezaee, 2009).

Corporate governance is mechanical process of forming rules and regulations which govern the relationship between shareholders and management (Osisioma & Osisioma, 2002; Thomsen, 2005). Corporate governance is administration of the organization for profit maximization which creates value for shareholders and management (Stone & Andrew et al., 1998).

In context of Sri Lanka, after the financial crisis in Asia, it significantly affects corporate governance systems (Mashayekhi et al., 2008). It had undergone several changes in corporate governance systems such as board size, corporate governance mechanisms, communication strategies, and code of conducts. The World Bank also states that there are two mechanisms such as internal and external corporate governance mechanisms. Internal corporate governance mechanism includes fulfillments of shareholder's interest and monitoring board of directors (Wu, 2009). External governance mechanism includes monitoring and supervising managers' activities by external regulations (Wu, 2009). According to Arya, Tandon, & Vashisht (2003), most of the companies face corporate governance issues due to failure of corporate control by internal mechanism. Therefore, proper governance should be designed and implemented in the companies.

Board Size is vital on the quality and level of corporate governance (Khanchel, 2007). Most of research scholars argue that small board is better in making decisions faster than large board and vice versa. Jensen (1993) and Lipton and Lorsch (1992) state that board size is important to monitor and control the management of company but if a company has large number of board of directors, it is difficult to coordinate directors which affects negatively corporate governance. On other hand, other researchers suggest that large number of board of directors provide diversity of skills, corporate strategy, innovation, creativity, and expertise which promotes competitive advantage for the companies (Dalton et al., 1999; Provan, 1980). Ideal size of board size varies according to the researches have been done in different context. Lipton and Lorsch (1992) state that ideal size of the board should be eight to nine. Adams & Mehran (2011) stated that ideal size of board is 10-12 members. Jensen (1993) stated that seven or eight directors are ideal for the board.

Corporate governance mechanism is tools, techniques, and instruments through which accountability of management is assured and it is carried out to support to achieve the goals and objectives of companies (Peters & Bagshaw, 2014). Adekoya (2012) defined corporate governance mechanism as "the processes and systems by which a country's company laws and corporate governance codes are enforced".

Communication strategies is improving tool of effectiveness of board through number of meetings (Conger et al., 1998). Code of Best Practices on Corporate Governance (2003) indicates that boards should use the Annual general meeting to communicate with shareholders and should encourage their participation and the minutes, agenda and papers required for a Board Meeting should ordinarily be provided to Directors at least seven days before the meeting, to facilitate its effective conduct. Lipton and Lorsch (1992) and Jensen (1993) argued that due to allocation of limited time on board meeting, directors cannot exchange their ideas significantly, so it reduces the effectiveness of the board. Therefore, board meeting is important for profit seeking as boards have extra time to discuss strategy setting (Azar et al, 2014).

Keller (2005) states that code of conduct can be defined as "commitments voluntarily made by companies, associations or other entities, which put forth standards and principles for the conduct of business activities in the marketplace". Hurst (2004) states that company teaches how company's employees to conduct the business responsibly.

3. METHODOLOGY

3.1 STUDY POPULATION

This paper studies one variable as corporate governance which is measured by manager of financial institutions. According to Central Banks of Sri Lanka (2016), there are 25 Licensed Commercial Banks (LCBs) & 7 Licensed Specialized Banks (LSBs), and 46 Finance & Leasing Companies. According to Insurance board of Sri Lanka (2017), there are 27 Insurance Companies.

3.2 SAMPLE SIZE

This paper studies financial institutions which are established in the Batticaloa District. There are 13 Licensed Commercial Banks (LCBs) & 6 Licensed Specialized Banks (LSBs), 24 Finance & Leasing Companies, and 23 Insurance Companies in Batticaloa district. Thus, 66 financial institutions were considered as the population.

3.3 SAMPLING METHOD

Total numbers of financial institution were 66 in Batticaloa district. There are 125 management respondents. Simple random sampling method was applied to select the samples of management respondents as the population framework was clearly identified.

3.4 VALIDITY AND RELIABILITY
3.4.1 VALIDITY

Factor analysis is employed to ensure the validity. It is a statistical tool employed to ensure factor structure of set of observations (Field, 2009). It is employed to examine validity and to eliminate items which are not strengthened the factors they represent (Koech et al., 2016). This analysis measures validity by factor loading values. According to Kaiser (1974), factor loading values ranges from 0 to 0.5 are considered as unsatisfactory and discarded from the analysis.

3.4.2 RELIABILITY

Reliability defined as "the degree to which measures are free from error and therefore yield consistent results" (Zikmund, 2000). According to DeVellis (1991) and Carole & Almut (2008) Cronbach's alpha Coefficient (CAC) is the most accepted index in testing and evaluating the reliability of data for internal consistency. Cronbach's alpha Coefficient (CAC) ranges vary from 0 to 1 and values close to 1.00 indicating high consistency, and value close to 0 indicating no consistency.

3.5 UNIVARIATE ANALYSIS

Board size is explained by the ideal number of board of directors which was identified and stated in the earlier researches and those are mentioned in literature review. Therefore, board size is converted into three classifications such as smaller, optimum, and larger board size. It is developed for study and stated as below.

Table 1: Decision Criteria for level of board size

Range for Decision Criteria	Decision Criteria	Decision Attribute
More than 12 board of directors	$X_1 > 3$	Larger board size

7-9 board of directors	$X_1 = 3$	Optimum board size
1-3 board of directors	$X_1 < 3$	Smaller board size

Where X_1 = mean value of board size

Other dimensions such as corporate governance mechanism, communication strategies, code of conduct are assessed through the below decision criteria.

Table 2: Decision Criteria for Univariate Analysis

Decision Criteria	Decision Attribute
$1.0 \leq X_i \leq 2.5$	Low Level
$2.5 < X_i \leq 3.5$	Moderate Level
$3.5 < X_i \leq 5.0$	High Level

Where X_i = mean values of an dimension/indicator/variable

3.6 BIVARIATE ANALYSIS

Bivariate analysis is to test hypothesis of association between the Corporate Governance dimensions. This study assesses the significant relationship of study variables, if the respective p-value is less than the 0.05. However, the correlation is considered meaningful to an extent as indicated in table 3, beyond the significance of the correlation coefficient.

Table 3: Decision Criteria for Bivariate Analysis

Range	Decision attributes
r=0.5 to 1.0	Strong positive relationship
r=0.3 to 0.49	Moderate positive relationship
r=0.1 to 0.29	Weak positive relationship
r =-0.1 to -0.29	Weak negative relationship
r=-0.3 to -0.49	Moderate negative relationship
r=-0.5 to -1.0	Strong negative relationship

Note: Table 3 implies no correlation between two variables, if the range of r is: $-0.1 < r < +0.1$.

4. FINDING AND DISCUSSION

4.1 PERSONAL INFORMATION

Table 4 Type of Financial Institution

Type of Financial Institution

	Frequency	Percent	Valid Percent	Cumulative Percent
Commercial Bank & Specialized Bank	45	36.0	36.0	36.0
Finance & Leasing Company	48	38.4	38.4	74.4
Insurance Company	32	25.6	25.6	100.0
Total	**125**	**100.0**	**100.0**	

(Source: Survey data)

The frequency table shows that there are 45 Management respondents from Commercial & Specialized Banks, 48 Management respondents from Financial & Leasing Companies, and 32 Management respondents from Insurance Companies in Batticaloa district.

4.2 RESEARCH INFORMATION

4.2.1 FACTOR ANALYSIS ON CORPORATE GOVERNANCE

Table 4 Test for sample adequacy using KMO and Bartlett's Test

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.852
Bartlett's Test of Sphericity	Approx. Chi-Square	665.353
	df	120
	Sig.	.000

(Source: Survey Data)

According to the table 4, KMO value was 0.852 which falls above 0.6 therefore it is adequate for factor analysis. Chis- square is 665.353 with 120 degree of freedom which significant at 0.05 level of significance. It can be concluded that factor analysis is valid.

Table 5 Total Variance Explained

Total Variance Explained

	Initial Eigenvalues			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.353	33.457	33.457	3.152	19.699	19.699
2	1.979	12.369	45.826	2.715	16.968	36.667
3	1.237	7.730	53.556	2.357	14.731	51.398
4	.964	6.024	59.580	1.309	8.182	59.580
5	.879	5.494	65.074			
6	.808	5.049	70.123			
7	.752	4.699	74.822			
8	.662	4.138	78.960			
9	.586	3.665	82.625			
10	.521	3.255	85.880			
11	.495	3.094	88.974			
12	.420	2.627	91.600			
13	.385	2.407	94.008			
14	.348	2.176	96.184			
15	.325	2.034	98.217			
16	.285	1.783	100.000			

Extraction Method: Principal Component Analysis.

(Source: Survey Data)

According to Varimax rotation table 5, 4 factors have been extracted. 16 variables were classified into 4 factors. These 4 extracted factors explained 59.58% of variability.

Table 6 Rotated Component Matrix(a) and name of four factors

Rotated Component Matrix[a]

	Component				Name of the factors
	1	2	3	4	
Board Size	-.093	-.206	-.249	**.614**	Board Size
Recording minutes	**.504**	.277	.050	.043	Corporate Governance Mechanism
Shares owned by board	**.748**	.129	-.011	.326	
Meeting information	**.794**	.044	.204	.057	
Performance monitoring	**.693**	.203	.130	.239	
Reasonable practice by board	**.827**	.145	-.180	-.182	
Clear policy for board	**.638**	.113	.296	.114	
Public access	.245	.014	**.763**	-.263	Communication Strategies
Critical information	.458	.283	**.510**	-.155	
Accessible through internet	.116	.263	**.643**	-.276	
Annual general meeting	.216	.258	**.691**	-.155	
Assessing mechanism	.135	.407	**.554**	.128	
Changes in ownership structures	-.093	**.644**	.344	.134	Code of Conduct
Rights and responsibilities of shareholders	.189	**.604**	.429	.079	
Awards and bonus	.121	**.864**	.025	-.024	
Consideration of all stakeholders	.417	**.582**	.160	-.170	

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.[a]
a. Rotation converged in 7 iterations.

(Source: Survey Data)

The rotated factor matrix represents the rotated factor loading which shows correlations between the variables. To identify the variables, maximum value of each row has been selected. The values are highlighted in each 16 variables into 4 factors. According to characteristics of variables, those are named as board size, corporate governance mechanism, communication strategies, and code of conduct.

4.2.2 RELIABILITY

Table 7 Cronbach's Alpha Coefficient for Variables

Variables	Number of statements	Cronbach's Alpha coefficient
Corporate Governance		
Corporate Governance Mechanism	6	0.779
Communication Strategies	5	0.770
Code of Conduct	4	0.718

(Source: Survey data)

Godard, Ehlinger & Grenier (2001) and Malhothra (2005) indicate that the data can be reliable, when the CAC is more than or equal to 0.7. This condition is satisfied in this study. Therefore, all the dimensions are considered to be reliable.

4.2.3 UNIVARIATE ANALYSIS

4.2.3.1 BOARD SIZE

Table 8 Frequency and Level of Board Size

	Frequency	Percent	Valid Percent	Cumulative Percent
Smaller Board Size	29	23.2	23.2	23.2
Optimum Board Size	59	47.2	47.2	70.4
Larger Board Size	37	29.6	29.6	100.00
Total	**115**	**100.0**	**100.0**	
Mean	2.88			
SD	0.87			

(Source: Survey data)

According to the table 8, majority of financial institutions have optimum board size which shows that 47.2% of financial institutions have 7-9 board of directors in Batticaloa District. As a result, mean value of board size (X_1) is 2.88 and standard deviation is 0.87.

4.2.3.2 CORPORATE GOVERNANCE MECHANISM

Table 9 Level of Corporate governance mechanism

Criteria	Decision Attribute	Frequency	Percent
$1.0 \leq X_2 \leq 2.5$	Low Level	0	0.0
$2.5 < X_2 \leq 3.5$	Moderate Level	8	6.4
$3.5 < X_2 \leq 5.0$	High Level	117	93.6
	Total	125	100.0
Mean= 4.36	**SD=** 0.46	**CV=** 0.11	

(Source: Survey Data)

Mean of Corporate governance mechanism has high level at its in individual characteristic attribute in the Corporate Governance (Mean X_2 = 4.36). In addition, most of the respondents expressed the common opinion regarding the dimension of Corporate Governance Mechanism (SD = 0.46). It is also noted that about 93.6% of respondents have high level of dimensional attribute, while only about 6.4% of respondents have moderate level.

4.2.3.3 COMMUNICATION STRATEGIES

Table 9 Level of Communication Strategies

Criteria	Decision Attribute	Frequency	Percent
$1.0 \leq X_3 \leq 2.5$	Low Level	3	2.4
$2.5 < X_3 \leq 3.5$	Moderate Level	5	4.0
$3.5 < X_3 \leq 5.0$	High Level	117	93.6
	Total	125	100.0
Mean= 4.33	**SD=** 0.56	**CV=** 0.13	

(Source: Survey Data)

Mean of communication strategies has high level at its in individual characteristic attribute in the Corporate Governance (Mean X_3 = 4.33). In addition, most of the respondents expressed the common opinion regarding the dimension of communication strategies (SD = 0.56). It is also noted that about 93.6% of respondents have high level of dimensional attribute, while only about 4% and 2.4% of respondents have moderate level and low level respectively.

4.2.3.4 CODE OF CONDUCT

Table 9 Level of Code of Conduct

Criteria	Decision Attribute	Frequency	Percent
$1.0 \leq X_4 \leq 2.5$	Low Level	2	1.6
$2.5 < X_4 \leq 3.5$	Moderate Level	13	10.4
$3.5 < X_4 \leq 5.0$	High Level	110	88.0
	Total	125	100.0
Mean= 4.27	**SD=** 0.58	**CV=** 0.14	

(Source: Survey Data)

Mean of code of conduct has high level at its in individual characteristic attribute in the Corporate Governance (Mean X_4 = 4.27). In addition, most of the respondents expressed the common opinion regarding the dimension of code of conduct (SD = 0.58). It is also noted that about 88% of respondents have high level of dimensional attribute, while only about 10.4% and 1.6% of respondents have moderate level and low level respectively.

4.2.3.5 CORPORATE GOVERNANCE

Table 10 Level of Corporate Governance

Description	Corporate Governance
Mean	3.96
Standard Deviation	0.34
Maximum	4.75

Minimum	3.05
Number of data	125

(Source: Survey Data)

Mean of corporate governance has high level as whole characteristics of four dimensions (Mean X_4 = 3.96). Standard deviation is 0.34 which shows most of the respondents expressed the common opinion regarding the corporate governance.

4.2.4 HYPOTHESIS

4.2.4.1 HYPOTHESIS 1: DIFFERENCE BETWEEN BOARD SIZES AMONG TYPES OF FINANCIAL INSTITUTIONS

H_0 *There are no significant difference between board sizes among types of financial institutions*

H_1 *There are significant difference between board sizes among types of financial institutions*

Table 11 Hypothesis 1: Difference between board sizes among types of financial institutions

Measure	**Commercial Bank & Specialized Bank**	**Finance & Leasing Company**	**Insurance Company**
Mean	2.53	3.21	2.91
Standard Deviation	0.81	0.92	0.69
Number of observation	45	48	32
Test of Homogeneity of Variances		**ANOVA**	
Levene Statistics	2.45	F-Value	7.710
Sig.	0.091	Sig.	0.001

(Source: Survey Data)

Levene's test homogeneity of variance with a significant value of 0.091indicates that variances for board size of each of the Financial Institution groups do not differ significantly (p-value 0.091 is greater than 0.05). As the p-values for all the study variables from the t-test for equality of means, is less than the significance level 0.05 (p-value 0.001 < 0.05), Thus, null hypothesis is rejected and it can be concluded that there is sufficient evidence to say, at the 5% level of significance, that "There are significant difference between board sizes among types of financial institutions".

4.2.4.2 HYPOTHESIS 2: DIFFERENCE BETWEEN CORPORATE GOVERNANCE MECHANISMS AMONG TYPES OF FINANCIAL INSTITUTIONS

H_0 *There are no significant difference between corporate governance mechanism among types of financial institutions*

H_1 *There are significant difference between corporate governance mechanism among types of financial institutions*

Table 12 Hypothesis 2: Difference between corporate governance mechanisms among types of financial institutions

Measure	Commercial Bank & Specialized Bank	Finance & Leasing Company	Insurance Company
Mean	4.28	4.45	4.36
Standard Deviation	0.51	0.46	0.39
Number of observation	45	48	32
Test of Homogeneity of Variances		**ANOVA**	
Levene Statistics	1.157	F-Value	1.572
Sig.	0.318	Sig.	0.212

(Source: Survey Data)

Levene's test homogeneity of variance with a significant value of 0.318 indicates that variances for corporate governance mechanism of each of the Financial Institution groups do not differ significantly (p-value 0.318 is greater than 0.05). As the p-values for all the study variables from the t-test for equality of means, is less than the significance level 0.05 (p-value 0.212 > 0.05), Thus, null hypothesis is accepted and it can be concluded that there is sufficient evidence to say, at the 5% level of significance, that "There are no significant difference between corporate governance mechanisms among types of financial institutions".

4.2.4.3 HYPOTHESIS 3: DIFFERENCE BETWEEN COMMUNICATION STRATEGIES AMONG TYPES OF FINANCIAL INSTITUTIONS

H_0 *There are no significant difference between communication strategies among types of financial institutions*

H_1 *There are significant difference between communication strategies among types of financial institutions*

Table 13 Hypothesis 3: Difference between communication strategies among types of financial institutions

Measure	Commercial Bank & Specialized Bank	Finance & Leasing Company	Insurance Company
Mean	4.24	4.40	4.36
Standard Deviation	0.55	0.59	0.55
Number of observation	45	48	32
Test of Homogeneity of Variances		**ANOVA**	
Levene Statistics	0.249	F-Value	1.036

Sig.	0.780	Sig.	0.358

(Source: Survey Data)

Levene's test homogeneity of variance with a significant value of 0.780 indicates that variances for communication strategies of each of the Financial Institution groups do not differ significantly (p-value 0.780 is greater than 0.05). As the p-values for all the study variables from the t-test for equality of means, is less than the significance level 0.05 (p-value 0.358 > 0.05), Thus, null hypothesis is accepted and it can be concluded that there is sufficient evidence to say, at the 5% level of significance, that "There are no significant difference between communication strategies among types of financial institutions".

4.2.4.4 HYPOTHESIS 4: DIFFERENCE BETWEEN CODES OF CONDUCT AMONG TYPES OF FINANCIAL INSTITUTIONS

H_0 *There are no significant difference between codes of conduct among types of financial institutions*

H_1 *There are significant difference between codes of conduct among types of financial institutions*

Table 14 Hypothesis 4: Difference between codes of conduct among types of financial institutions

Measure	**Commercial Bank & Specialized Bank**	**Finance & Leasing Company**	**Insurance Company**
Mean	4.05	4.35	4.44
Standard Deviation	0.52	0.68	0.40
Number of observation	45	48	32
Test of Homogeneity of Variances		**ANOVA**	
Levene Statistics	2.286	F-Value	5.401
Sig.	0.106	Sig.	0.006

(Source: Survey Data)

Levene's test homogeneity of variance with a significant value of 0.106 indicates that variances for codes of conduct of each of the Financial Institution groups do not differ significantly (p-value 0.106 is greater than 0.05). As the p-values for all the study variables from the t-test for equality of means, is less than the significance level 0.05 (p-value 0.006 < 0.05), Thus, null hypothesis is rejected and it can be concluded that there is sufficient evidence to say, at the 5% level of significance, that "There are significant difference between codes of conduct among types of financial institutions".

4.2.4.5 HYPOTHESIS 5: DIFFERENCE BETWEEN CORPORATE GOVERNANCES AMONG TYPES OF FINANCIAL INSTITUTIONS

H_0 *There are no significant difference between corporate governances among types of financial institutions*

H_1 *There are significant difference between corporate governances among types of financial institutions*

Table 15 Hypothesis 4: Difference between codes of conduct among types of financial institutions

Measure	Commercial Bank & Specialized Bank	Finance & Leasing Company	Insurance Company
Mean	3.78	4.10	4.02
Standard Deviation	0.33	0.31	0.27
Number of observation	45	48	32
Test of Homogeneity of Variances		**ANOVA**	
Levene Statistics	0.473	F-Value	13.811
Sig.	0.624	Sig.	0.000

(Source: Survey Data)

Levene's test homogeneity of variance with a significant value of 0.624 indicates that variances for corporate governance of each of the Financial Institution groups do not differ significantly (p-value 0.106 is greater than 0.05). As the p-values for all the study variables from the t-test for equality of means, is less than the significance level 0.05 (p-value 0.000 < 0.05), Thus, null hypothesis is rejected and it can be concluded that there is sufficient evidence to say, at the 5% level of significance, that "There are significant difference between corporate governance among types of financial institutions".

4.2.5 BIVARIATE ANALYSIS

Table 16 Correlation Analysis: Pearson Correlation

	BS	CGM	CS	CC	CG
BS	1.000				
CGM	-.091	1.000			
CS	-0.339**	0.426**	1.000		
CC	-0.289**	0.423**	0.686**	1.000	
CG	0.348**	0.643**	0.638**	0.675**	1.000

** Correlation is significant at the 0.01 level (2-tailed)

According to table 16, there is moderate positive relationship between board size and corporate governance (0.348, $p < 0.01$), strong positive relationship between corporate governance mechanism and corporate governance (0.643, $p < 0.01$), strong positive relationship between communication strategies and corporate governance (0.638, $p < 0.01$), and strong positive relationship between code of conduct and corporate governance (0.675, $p < 0.01$).

6. CONCLUSION

This study has been conducted to investigate corporate governance of financial institutions in Batticaloa district. This paper concluded that financial institutions have high level of corporate governance in Batticaloa district. Corporate governance mechanism, communication strategies, and code of conduct have contributed more to achieve the corporate governance whereas board size has contributed less to achieve the corporate governance. This study found that there are no significant differences in corporate governance and communication strategies due to legal requirements of Central Bank. But there are significant differences in board size and code of conduct due to different structure of companies. Overall study found there is positive relationship among dimensions towards corporate governance of financial institutions in Batticaloa district.

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