

# **CORPORATE GOVERNANCE AND EARNINGS MANAGEMENT: EVIDENCE FROM LISTED COMPANIES IN SRI LANKA**

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## **ABSTRACT**

Effective Corporate governance (CG) to oversee the financial reporting process is fundamental to preserve investors' confidence in the capital market. Many international firms endured corporate failure as a result of ineffective and inefficient CG and accounting malpractices. In Sri Lanka, several large firms collapsed due to the poor CG practices. This study aims to examine the influence of CG on the degree of Earnings Management (EMGT) of listed companies in Sri Lanka. The panel data regression model was used to analyse the impact of the CG on EMGT for a sample of 120 listed companies in Sri Lanka for the period from 2014 to 2019 and data has been collected for a period of 06 financial years from secondary sources of financial statements of listed companies in Colombo Stock Exchange. This study found that smaller board size, board independence and board gender diversity lead to lower level of EMGT. The insights may also provide investors, economic analysts and regulators with early caution indicators of potential problems in a corporation regarding CG failures and aid stakeholders in assessing the effectiveness and efficiency of the CG and EMGT methods. The finding of this study will help in monitoring and controlling fraudulent EMGT practices existing in listed companies in Sri Lanka. This study is the initial research about the presence of EMGT practices of listed companies in Sri Lanka.

**Keywords:** Corporate governance, Earnings management, Board size, Board independence