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# MODERATING ROLE OF FIRM AGE ON THE NEXUS BETWEEN CORPORATE GOVERNANCE AND SOURCES OF FINANCE: EMPIRICAL EVIDENCE FROM SRI LANKA

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## Abstract

*Corporate governance and sources of finance are two critical components of a company's overall financial management and business strategy. The sources of finance are crucial for businesses, governments, and individuals to fund their activities, investments, and operations. Older firms usually have a more stable financial history, which gives them better access to various sources of finance. The objective of this study is to find out the moderating role of firm's age on the nexus between corporate governance mechanism and sources of finance of listed companies in CSE. In order to attain this research objective, secondary data, which were taken from the 50 selected companies' annual reports retrieved from CSE official webpage, have been used. Data garnered from these annual reports belong to the period from 2016 to 2021. To measure the corporate governance mechanism, Board size, composition of the board, CEO duality and institutional ownership were taken as explanatory variables. Whereas sources of financing are measured by debt-to-equity ratio, debt to total asset ratio and current liability to total asset ratio. To ascertain the main objective of this survey, the Hierarchical regression models were applied. In accordance with the results, board size, CEO duality and institutional ownership have significantly positive impact on sources of finance. Meanwhile the findings confirmed that firm age has the significant moderating role on the factors such as board size, CEO duality and institutional ownership. These findings depict that companies which adopt the proper corporate governance mechanism can easily access the essential sources of finance when they are in need.*

**Keywords:** Board Size, CEO Duality, Corporate Governance, Debt to Equity Ratio, Firm Age, Institutional ownership

**JEL Codes**: M48, G18, G14

## 1 Introduction

The implementation of corporate governance (CG) mechanisms in companies confers numerous benefits. Efficient CG mechanisms ensure firms' responsibilities are upheld

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(Ahmed *et al*., 2024) and reduce investor risk. Consequently, investors are more inclined to invest their capital in the capital market, enabling companies to access capital at a lower cost, which in turn enhances profitability. Strong CG is indispensable for firms in both developed and developing countries (Palaniappan, 2017; Bhatt & Bhatt, 2017). Following the financial crisis in the US, CG has become a prominent topic of discussion globally (Coles *et al*., 2008). CG adoption provides several advantages for both countries and companies. These include improved trade performance, easier access to financing at reasonable costs, efficient resource utilization, enhanced company and country reputation, investor safety, robust internal auditing, conflict of interest prevention, and sustainability (Gugler *et al*., 2003). Investors perceive better performance through improved management, and better managers emphasise governance, making companies more attractive to investors (Heenetigala, 2011).

Sources of financing refer to the methods companies use to raise capital for operations, growth, or investments. According to Panday (2017), firms can obtain finance through debt or equity. Maintaining an appropriate balance between these two sources is crucial. Financing decisions, which include determining how, where, and when to obtain necessary funds, are critical for firms (Ahmed *et al*., 2024). When evaluating the sources of finance for a company, there are three key ratios typically used. Those are debt-to-Equity, Debt to Total assets and current liability to total asset ratio (Mande et al., 2012). Share capital and retained earnings are the primary elements that contribute to the total equity of a company. An optimal debt-to-equity ratio maximizes profitability and increases share market prices (Thomsen & Pedersen, 2000). However, excessive reliance on debt financing can reduce profits due to interest payments. The relationship between CG mechanisms and financing sources is critical. Strong governance structures enhance transparency and accountability, boosting investor confidence. Effective governance mechanisms, such as independent boards, regular financial disclosures, and shareholder rights protections, attract equity investors (Gugler, 2003). Companies with robust governance often enjoy lower borrowing costs due to reduced perceived risk, better credit ratings, and easier access to financing. Conversely, weak governance increases the likelihood of mismanagement or default, resulting in higher borrowing costs (Lazarides & Pitoska, 2009).

Firm age is a significant factor influencing performance and financing decisions. According to Kumar and Singh (2012), firm age reflects durability and impacts financing choices. Research indicates that firms undergo financial growth cycles, with capital source preferences

varying by age. Mature firms often achieve economies of scale and market share, enabling them to access financing more efficiently (Nandi & Ghosh, 2013).

Adopting CG mechanisms effectively allows companies to access capital at lower costs (Werake, 2023). Agency theory suggests that higher debt utilisation reduces reliance on owners' equity, highlighting the influence of agency conflict on capital structure decisions (Kieschnick & Moussawi, 2018). Financial decisions, as strategic choices, significantly impact firms' objectives (Bloomfield, 2013). By understanding the importance of CG mechanisms, stakeholders can better appreciate their role in enhancing company performance.

The aim of this study is to investigate the moderating role of firm age in the relationship between CG mechanisms and source of financing of listed companies in Sri Lanka. The subsequent sections of this article discuss empirical evidence, methodology, results, discussion, and conclusions.

## 2 Literature Review and Theoretical Framework

CG mechanisms play a critical role in shaping a company's access to various sources of finance. Governance structures influence investor confidence, reduce perceived risks, and facilitate access to favorable financing options. Theoretical and empirical evidence suggests that firm age may moderate this relationship, as older firms often demonstrate stronger reputations and established governance practices compared to younger firms. This section reviews relevant literature and theoretical frameworks supporting this proposition.

*Resource Dependence Theory*

Resource dependence theory emphasizes the importance of external resources and relationships in organizational sustainability. Older firms typically have broader networks and more established relationships with financial institutions, enabling better access to finance (Werake, 2023). Strong corporate governance structures further enhance resource acquisition by signaling transparency and accountability, which is crucial for financing decisions (Akwimbi, 2022).

*Agency Theory*

Agency theory explains the conflicts between managers and shareholders, which effective governance mechanisms aim to mitigate (Ali, 2018). Older firms often have well-defined

governance structures that reduce agency costs, improving investor confidence. This confidence translates into better financing terms, particularly for debt and equity capital (Shleifer & Vishny, 1997).

### 2.1 Board Size

For publicly traded companies, the board of directors usually has anywhere from 5 to 15 members (Naseem, 2017). Larger boards might have better access to diverse sources of financing due to a larger network and varied expertise, which can help in making informed decisions about capital structure. However, smaller boards might take more cautious and quicker financing decisions due to fewer layers of communication and reduced complexity in decision-making (Lazarides & Pitoska, 2009). Companies often consider a mix of executive (internal) and non-executive (external) directors to ensure independence and objectivity in decision-making. Strategic decision making has significant impact on the successful existence of the company as the board's size influences the company's strategic management (Kieschnick & Moussawi, 2018). As a result, many scholars and policy makers have been continuously making researches on board size. Capital structure decision takes prominent place in the company's decision making. A company can get its required fund on two bases, which are debt capital and equity capital. Nevertheless, by maintaining its optimum level, the company can gain sound profit in order to be stabilized in the work. According to the research findings of Okiro *et al*., 2015, Jaradat *et al*., 2021, Nazeem *et al*., 2017 and Ali, 2018, board size has negative impact on capital structure decision. Companies, which have higher board size, make proper funding decisions because of the experienced members in the board. Consequently, optimum capital structure is maintained.

### 2.2 Board Composition

The board size should ideally be large enough to bring diverse skills, experiences, and perspectives but not so large as to create inefficiencies. A well-balanced board can help in addressing various aspects of governance, such as risk management, strategy, compliance, and performance monitoring (Owusu & Weir, 2018). The main focus of board composition related researches is the independent directors' proportion in board room. Since they aren't engaged in the company's work, they are known as independent directors of the board's member (Owusu & Weir, 2018). Besides, when a company's board possesses a greater number of independent directors, firm's managers can't be dominant during the company

related decision taking circumstances. As an aftermath of this, the company can be run by the best decisions taken by the board. The studies of Abor (2007), Javeed and Azeem (2014), Ahamadpoar and Samini (2012) concluded that board composition have positive impact on capital structure. The research by Jirporon et al. (2021) highlights that a large board size and a higher percentage of non-executive directors are factors that contribute to the creation of a high debt policy in companies. But Hai (2003), Wel et al., (2002), Salid and Sher (2016) propose in their study that companies, which adapt better corporate governance, can gain more profit by lessening agency cost and also have lower debt to equity ratio through displaying equity capital utilization in capital structure. Studies have found that firms with a higher proportion of independent directors tend to perform better in terms of securing financing, as they are seen as having more robust governance practices. A study by Bhagat and Black (2002**)** found that board independence was positively correlated with firm value, although the relationship is complex

### 2.3 CEO Duality

The presence of CEO duality could influence investor perceptions of the company's corporate governance, which in turn can affect financing options (Setayesh, 2016). Companies with duality may find it more difficult to raise capital at favorable terms if investors perceive potential risks due to the lack of oversight (Jaradat, 2021). As noted by Chen et al. (2008) in their study conducted in China, it was observed that many companies maintained a non-CEO duality structure, though a few firms transitioned to a CEO duality model. This suggests that the governance structure of firms (whether the CEO is also the chairperson of the board or if they are separate roles) impacts firm performance, but these structures vary across organizations. The transition between non-CEO duality and CEO duality could potentially reflect strategic decisions or changes in governance preferences that may influence the company's performance. However, due to abundant corporate rumors in USA, greatest of the China firms remunerated no heed in the placement of CEO dualism. Hence, percentage of switching to non-CEO duality enlarged from 55% in 1999 to appropriately 70% in 2003 in China. Subsequently, 84% European listed firms changed CEO duality role to non-CEO duality. Senarathne and Gunaratne (2008) declared that while the Code of Best Practices in Sri Lanka is designed to promote better governance and accountability, it does not effectively regulate the power dynamics within firms. Through the agency theory Shungu, Ngirande and Ndlovu, (2014) explain that CEO duality enhances as a

shackle for a board's ability to control management, which generates agency problem. As an outcome of this, entrenchment and board independence are improved and lessened respectively

### 2.4 Institutional Ownership

The quantity of a company's on hand stock owned by mutual or pension fund, insurance companies, investment firms and private foundations is defined as institutional ownership (Roy, 2015). Lately, financial academic cost of capital is considered as the integral variable in the researches. Thomsen and Pedersen (2000) studied the relationship between institutional ownership and firm performance**,** providing valuable insights into the role of ownership structure on corporate governance. They revealed that Institutional investors typically have significant stakes in a company, and they often exert influence over management decisions, aligning the interests of shareholders and reducing agency costs. Through an efficient management, institutional ownership declines agency cost. Both institutional ownership and sources of finance play significant roles in shaping the financial landscape of a company. Institutional ownership provides stability and governance oversight, while financing decisions influence a company's capital structure, risk profile, and growth prospects (Thomsen &Pedersen, 2020). Present study formulates the following hypotheses based on the above facts and evidences.

**$H_1$:** There is significant moderating effect of firm's age on the nexus between CG and Sources of Finance of Listed companies in Sri Lanka

Furthermore, after looking over the related literature review of this study, conceptual model was constructed by the researcher and presented below.

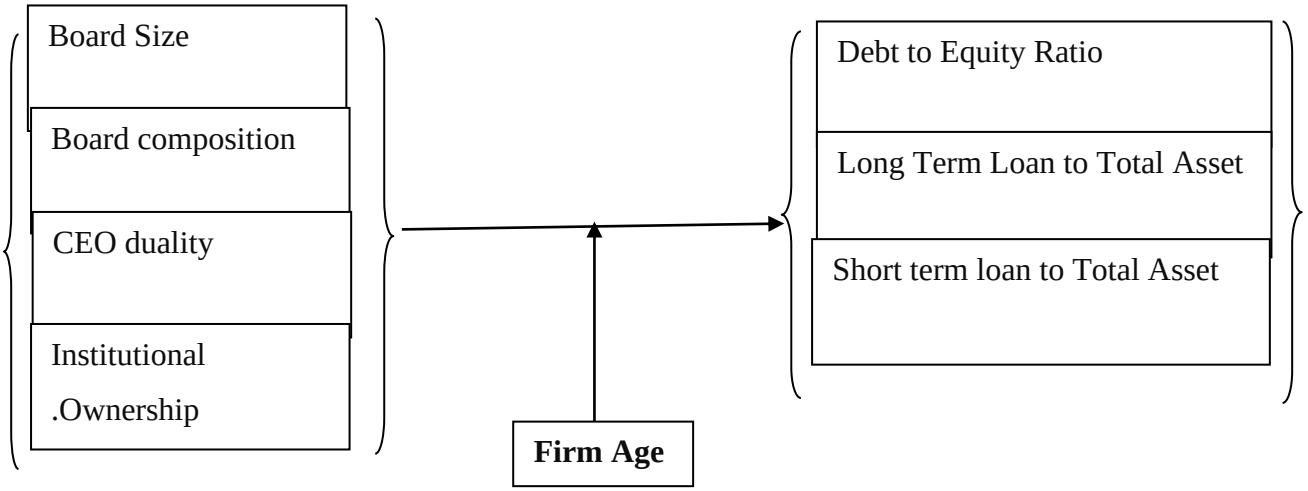


**Figure 1 Conceptual Model**

## 3 Methodology

### 3.1 Population and Data Collection

In order to reach this research's purpose, secondary data, which were taken from the particular selected companies' annual reports retrieved from CSE official webpage, have been used. Data garnered from these annual reports belong to the period from 2016 to 2021.

### 3.2 Sample of the Study

This study examines 288 companies listed under twenty sectors on the Colombo Stock Exchange (CSE) in 2024. The banking sector is excluded from the analysis due to its distinct regulatory and operational structure, which differs significantly from other industries. To ensure a representative sample, fifty non-financial companies were randomly selected for this research. The study aims to investigate trends, challenges, and impacts within these sectors, offering insights into corporate practices and performance. This approach provides a focused analysis of non-financial industries while addressing sector-specific variations that may influence findings.

### 3.3 Summary for Terms of Measurements.

Table 2: Summary for terms of measurements

| Source of Finance | Acronym | Terms of Measurement | Reference |
|---|---|---|---|
| **Debt to Equity** | DE/EQ | Total Loan capital /Total Equity capital | Ahmed el al., (2024) |
| **Long Term loan to Total assets** | LOT/TA | Long Term Loan divided by Total Assets | Okiro, (2015) |
| **Current Liability to Total assets** | CL/TA | Current Liability divided by Total assets | Mallick and Yang (2011) |
| **CG Mechanism** | | | |
| **Board size** | BS | Total number of directors on the board. | Heenetigala, (2011). |
| **Board Composition** | BCom | Board composition usually focuses the proportion of board independence (including independence of board committees) to board members. | Heenetigala, (2011) and Nandi& Ghosh (2013) |
| **CEO duality** | CEO | CEO duality states the condition when the CEO holds both the position of the chairman and the CEO. | Nandi and Ghosh (2013) and Palaniappan (2017) |
| **Institutional Ownership** | IOWN | proportion of amount of stock being possessed by the institutional stake holders on the total stock investment | Akwimbi (2022) |
| **Moderating Variables** | | | |
| **Firm age** | FA | Age of the firm is defined as the number of years of initiation of the company. | Kieschnick, and Moussawi (2018). |

### 3.4 Hierarchical Regression

Hierarchical regression helps researchers to evaluate the impact of different predictors and moderators on an outcome, and when studying moderation, it can reveal how the strength or direction of a relationship changes across levels of a moderator (Kieschnick & Moussawi, 2018). On behalf of deriving the prominent intent of this study, the hierarchical regression analysis was exercised. It means the process of combining explanatory variables gradually added with the regression model.

To ascertain the moderating effect of firm' age on the CG and sources of finance, the given Hierarchical regression models were exercised.

## 4 Results and Discussion

Secondary data from 2016 and 2021 were collected and analyzed using EViews (Version 10) software. Descriptive statistics were employed to generate general observations about the dataset. Table 3 presents the descriptive statistics of the collected data.

Table 03**:** Descriptive statistics of the collected data.

| Value | BS | Bcom | Duality | Ins.Ownership | FA(log) | De/Equity | LTL/TA | CL/TA |
|---|---|---|---|---|---|---|---|---|
| **Mean** | 7.84 | 0.32 | 0.27 | 0.28 | 1.64 | 0.54 | 0.22 | 0.15 |
| **Median** | 8.00 | 0.38 | 0.00 | 0.24 | 1.67 | 1.31 | 0.67 | 0.16 |
| **Maximum** | 15.00 | 0.88 | 1.00 | 0.67 | 1.89 | 2.13 | 1.22 | 0.28 |
| **Minimum** | 3.00 | 0.16 | 0.00 | 0.02 | 1.36 | 0.25 | 0.12 | 0.01 |
| **Std. Dev.** | 2.07 | 3.49 | 0.45 | 0.14 | 0.13 | 0.28 | 0.64 | 0.12 |
| **Skewness** | 0.24 | 0.32 | 1.02 | 0.73 | 0.21 | 0.16 | 0.14 | 0.08 |
| **No of Observations** | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |

According to Table 03, the average board size is 7.84 members, which is a relatively typical size for corporate governance. The board composition value of 0.32 could refer to the proportion of independent or non-executive directors on the board, indicating that around 32% of board members are likely to be independent, which aligns with corporate governance best practices aimed at reducing conflicts of interest and ensuring impartial decision-making. With institutional ownership standing at 0.28, or 28%, it suggests that a significant portion of the companies' equity is held by institutional investors such as pension funds, mutual funds, or insurance companies. These investors tend to be more active in corporate governance and

may push for better performance, transparency, or even changes in management. Debt to Equity shows the proportion of debt used to finance the company's assets relative to equity. Generally, a ratio below 1 suggests that the company is not overly reliant on debt to finance its operations, which might be viewed as a more conservative financial structure. Mean Value of debt to total asset (0.22**)** implies that 22% of the company's total assets are funded through long-term loans. Current liability to total Asset ratio indicates the percentage of the company's total assets that are financed by current liabilities (short-term debt). With a ratio of 0.15, it means 15% of the company's total assets are funded through short-term obligations, which is relatively low. A lower percentage of current liabilities may indicate good short-term financial health and a lower risk of liquidity issues (Naseem et al., 2017).

### 4.1 The Variance Inflation Factor (VIF)

If there's high correlation betwixt explanatory variables, it will lead to multi-collionearity problem. Variable inflation factor was measured to test the existence of multi-collionearity problem during the aforesaid instance. On the word of Gujarati (2003), measured VIF value greater than ten indicates the multi collinearity problem. The below table depicts the explanatory variables' VIF values. Since the table represents the variable inflation factors for all variable as less than 10, there's no multi-collinearity problem.

Table 04**:** Variance Inflation Factor

| Variable | Centered VIF |
|---|---|
| **Board size** | 1.351836 |
| **B.com** | 1.398335 |
| **CEO** | 1.199564 |
| **Insown** | 1.239968 |
| **Firm age** | 1.187401 |

### 4.2 Regression Analysis

To achieve the objective of this study, Hierarchical regression analysis was carried out and its summary is presented in Table 05.

Table 05**:** Hierarchical Regression –Step1

| Variable | Model I Debt to Equity | | | Model II Long Term Loan to Total asset | | | Model III CL to Total assets | | |
|---|---|---|---|---|---|---|---|---|---|
| | Coefficient | t-Statistic | Prob. | Coefficient | t-Statistic | Prob. | Coefficient | t-Statis. | Prob. |
| **C** | **5.47** | **20.04** | **0.0000** | **0.281** | **1.401** | **0.0162** | **1.21** | **2.542** | **0.0342** |
| **BOARDSIZE** | **0.406** | **5.15** | **0.0000** | **0.0447** | **2.64** | **0.0086** | **0.0818** | **3.225** | **0.0014** |
| **BCOM** | **-0.127** | **-1.42** | **0.1560** | **-0.218** | **-2.37** | **0.1820** | **-0.1271** | **-3.216** | **0.1560** |
| **CEO** | **0.435** | **6.57** | **0.0000** | **0.0209** | **0.351** | **0.0258** | **0.1884** | **1.42** | **0.0021** |
| **ISNOWN** | **0.063** | **0.619** | **0.0000** | **0.097** | **1.46** | **0.0425** | **0.0632** | **3.939** | **0.0010** |
| **Firm age** | **-0.030** | **-5.74** | **0.0000** | **-0.0268** | **-5.74** | **0.0000** | **-0.0290** | **-2.348** | **0.0194** |
| **Rsquared** | | | 0.1835 | | | 0.262 | | | 0.2518 |
| **Ad.Rsquared** | | | 0.172 | | | 0.247 | | | 0.18 |
| **Fvalue** | | | 16.55 | | | 3.988 | | | 19.80 |
| **P value** | | | 0.0000 | | | 0.0007 | | | 0.0000 |

### *4.2.1 Hierarchical Regression –Step1*

In accordance with the results summary presented in the above table, board size, CEO duality, and institutional ownership, whose p-values are notably less than 0.05, have a significantly positive impact on sources of financing. Companies with larger boards are better positioned to secure debt more easily, as larger boards can provide access to quality advice and make tactical decisions, in line with resource dependence theory (Coles et al., 2008). Coles also argued that a larger board improves the quality of negotiation, further enhancing the company's ability to attract favorable financing terms. CEO duality has an optimistic effect on sources of financing, indicating that when the CEO also serves as the board chair, it can facilitate streamlined decision-making and potentially stronger leadership, which creditors may view favorably. However, firm age exhibits a negative impact on sources of financing. Older companies tend to have the lowest usage of long-term loans, possibly because they have already reached a higher growth level and rely more on internal financing rather than external debt. This finding implies that younger firms may have a greater need to access debt financing as they pursue expansion opportunities. The R-squared values for

Model I, Model II, and Model III are 0.172, 0.247, and 0.18, respectively. This indicates that only 17.2%, 24.7%, and 18% of the variations in the dependent variable in Models I, II, and III are explained by the independent and control variables. While the explanatory power of the models is relatively low, it highlights the potential presence of other unexamined factors influencing sources of financing. Future research could explore additional variables, such as industry dynamics or macroeconomic conditions, to better understand the determinants of financing decisions.

### *4.2.2 Hierarchical Regression –Step2*

This model investigates the moderating role of a firm's age in the relationship between corporate governance (CG) and sources of finance, as measured by the debt-to-equity ratio, debt-to-total-assets ratio, and current-liabilities-to-total-assets ratio. In Models 04, 05, and 06, interaction variables such as BS*Firm Age, Bcom*Firm Age, CEO*Firm Age, and InsOwn*Firm Age are introduced to capture how firm age influences these relationships. This suggests that firm age could either strengthen or weaken the impact of CG on financing decisions, depending on the firm's lifecycle stage. Table 06 presents the outcomes, illustrating the moderating role of firm age on the nexus between CG and capital structure. Older firms may rely less on external debt due to established internal resources, while younger firms may depend more on governance mechanisms to secure external financing. This highlights the importance of tailoring governance strategies to align with the firm's age and growth stage.

Table 06: Hierarchical Regression –Step 2

| | **Model IV** | | | **Model V** | | | **Model VI** | | |
|---|---|---|---|---|---|---|---|---|---|
| | Debt to Equity | | | Long Term Loan to Total asset | | | Short term Loan to Total assets | | |
| | **Coefficien** | **t-Statistic** | **Prob.** | **Coefficien** | **t-Statistic** | **Prob.** | **Coefficient** | **t-Statistic** | **Prob.** |
| **C** | -62.56 | -5.497 | 0.0000 | -11.57 | -2.351 | 0.0193 | -23.89 | -2.518 | 0.0122 |
| **BOARDSIZE** | 0.465 | 4.637 | 0.0000 | 0.118 | 4.371 | 0.0000 | 0.0367 | 3.512 | 0.0005 |
| **BCOM** | 5.595 | 0.245 | 0.8063 | -2.208 | -0.618 | 0.5366 | 1.135 | 0.5071 | 0.6124 |
| **CEO** | 15.14 | 3.705 | 0.0002 | 21.82 | 1.927 | 0.0447 | 0.289 | 0.1293 | 0.0311 |
| **ISNOWN** | 20.62 | 5.090 | 0.0000 | 1.694 | 0.148 | 0.0018 | 28.95 | 2.0293 | 0.0432 |
| **BS*FA** | 8.016 | 3.568 | 0.0004 | 1.330 | 14.53 | 0.0000 | 0.461 | 0.1600 | 0.0029 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **BCOM*FA** | -22.37 | -1.041 | 0.2985 | -1.617 | -1.909 | 0.1570 | -0.090 | -0.1280 | 0.8981 |
| **CEO*FA** | 1.113 | 2.134 | 0.0335 | 0.949 | 3.512 | 0.0005 | 1.580 | 9.2127 | 0.0000 |
| **INS*FA** | 7.783 | 4.263 | 0.0000 | 0.062 | 0.0638 | 0.0441 | 0.010 | 1.911 | 0.0417 |
| **FA** | -36.47 | -2.178 | 0.0300 | -10.79 | -3.661 | 0.0003 | -0.872 | -12.82 | 0.0000 |
| **Rsquared** | | | 0.472215 | | | 0.613840 | | | 0.383761 |
| **Ad.Rsquared** | | | 0.458285 | | | 0.604780 | | | 0.369304 |
| **Fvalue** | | | 33.89961 | | | 33.89961 | | | 26.54456 |
| **P value** | | | 0.000000 | | | 0.000000 | | | 0.000000 |

To investigate the moderating role of firm age researcher incorporating the interaction term BS* Firm Age, Bcom*firm's age, CEO*Firms age and Ins.Own*Firm's age in Model 1, Model II and Model III. Board size, CEO duality and Institutional ownership show positive impact on sources of finance measured by debt to equity ratio, debt to total asset ratio and current liability to total asset ratio. Board composition has no impact on sources of financing as p value is greater than 0.05 in all these three models. When incorporating the interaction terms, it is observed that regression summary of Model IV, model V and Model VI differs from the regression summary of model I , Model II and Model III. In addition to that the explanatory capability of the models such as Model IV, Model V, Model VI (R squared value) have increased up to 47 %, 61% and 38% respectively. As the value of Interaction term is significant and $R^2$ change is also significant, which is the indication that hypothesis ($H_1$) of the study is supported. That is firm age has the moderating role on corporate governance and sources of finance measured by debt to equity ratio, Debt to total asset ratio and current liability to total asset ratio.

## 5 Discussion

The finding thus reinforces that Sri Lankan firms require a large board size that enhance a company's ability to gather sources of financing in easy way (Lazarides & Pitoska, 2009). In line with resource dependence theory, larger boards are useful when a firm seeks quality advice (Cohen et al, 2017; Mande, 2012). The CEO's decision-making and leadership can have a significant impact on a company's sources of finance. A positive relationship between institutional ownership and sources of finance refers to the idea that the level of institutional ownership in a company can influence the company's access to different types of financing, such as equity, debt, or other sources. Afterwards, the results confirmed that interaction term

(Board Size*firm's age, CEO* firm Age and Insown*Firm Age) have noteworthy influence on the sources of finance. Furthermore, when adding this interaction term, the explanatory power of the models is also showing the significant change, which support the hypothesis of the research. This proves that firm age has a moderating role on the relationship between CG and sources of finance. Based on this, Sri Lankan companies should motivate the board of directors to strictly adopt the code of governance for betterment of the firms. The similar outcomes have also been found in the report done by Akwimbi,(2022).The results of the study has provided contribution to existing literature by adding the moderating effect of firm's age the nexus betwixt the CG and sources of finance in Sri Lankan context.

## 6 Conclusion

This study examined the moderating effect of firm age on the nexus betwixt CG and sources of finance of listed firms in CSE. The Hierarchical Analysis has been carried out to ascertain the moderating role of firm age on the corporate governance mechanism and source of financing. The result shows that Board size, CEO duality and Institutional ownership positively impact on the sources of finance whereas Board composition does not impact on the sources of finance. A large board size means comprising more numbers of directors who work towards the interest of the various stakeholders in monitoring and controlling the activities of the managers. The current study provides new evidence from a developing country that contributes to the existing literature on the effect of corporate governance and sources of financing through the moderating role of firm age. Understanding how corporate governance influences sources of finance can help in designing policies that promote better governance practices, which could enhance access to finance in Sri Lanka. It could also contribute to the understanding of the challenges faced by Sri Lankan firms in accessing finance and highlight the importance of effective governance in a developing economy.

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