Corporate Governance, Reporting Quality and Firm's Value in Emerging Market: A case of listed firms in Sri Lanka

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Abstract - The main purpose of this study is to examine the impact of corporate governance(CG) and reporting quality (RQ)attributes on firm's value of listed firms in Colombo stock exchange(CSE) in Sri Lanka over the period 2018-2020. A sample of 100 firms out of 289 firms listed in CSE was studied. The study made use of secondary data generated from Annual Reports of the sampled firms. The data was analyzed by means of descriptive statistics, correlation and regression analysis using E views (version 12) package. Descriptive statistics is used to examine the importance of identifying corporate governance factors whereas correlation and regression analyses are performed to identify mutual relationship and impact between independent and dependent variables. The analyzed CG attributes include Board size; Board meeting: Board independence director; and CEO duality which has been considered as independent variables.

The RQ attributes are BIG 4 and audit tenure. The firm's value is used as a dependent variable and control variables which are firm size and leverage with taken as its proxy. A research hypothesis was formulated to find out whether the corporate governance have impact on firm's value and whether there is relationship among CG, RQ attributes and firm's value. The important finding of this study is that CG and RQ attributes are significantly influence the level of firm's value. The results revealed that board independent director has a positive significant impact on firm's value of listed firms of Sri Lankan whereas Board size, Board meeting and CEO duality shows positive insignificant effect on firm's value. RQ variables BIG 4 and audit tenure shows negative insignificant impact on firm's value. Based on the findings, the study recommends to encourage to practice CG attributes on firms i.e. all firms should be come from principal basis concepts to rule basis. So, the firms can be upgrade their firm's value through out CG and RQ attributes. Accordingly, outcomes of the benefits can be achieve both the firms and its stakeholders and as well as regulators and policy makers in the countries.

Key Words: Corporate Governance, Reporting Quality and Firm's Value.

1.Introduction

This study investigates that corporate governance and the quality of reporting are related to the firm's value. The Corporate Governance Committee (1997, p. 1) states that directors have the right to manage, supervise and supervise the management of the company in order to promote effective governance and ensure prudent accountability to shareholders. So this will evaluate firm's value.

The quality of the financial statements (Reporting) states about the financial statements that give a true and fair view of the financial position and financial performance of a company or firm.The firm's value is linked with the shareholders' value. According to this view, any activities in firms can be impact the value of firm. For an example, if there is an increases in shareholders 'value that will directly affect the firms.

Siagian, Sylvia, Siregar and Rahadian (2013) Corporate governance is consisting of mechanisms i.e. set of mechanisms designed to reduce problems as a result of achieving and ensure the stakeholders' value in order to achieve the firm's objectives. In another word Corporate governance is the system of rules, practices, and processes by which a firm is directed and controlled(Jemes Chen ,2021) . Corporate governance essentially involves the solving conflict among company's many stakeholders, such as shareholders, senior management executives, customers, suppliers, financiers, the government, and the community. As corporate governance also provides a framework for achieving a company's goals, it covers virtually all areas of management, from action plans and internal control to measuring performance and disclosing corporate information.

There is a worldwide demand for a clear and complete definition of financial quality reports. It is important to ensure high quality financial reporting in order to influence users in their investment decisions and to improve market efficiency. If there are any influences in reporting quality, the firm's value might affect. The traditional value model of a company is closely linked to shareholder value. This traditional view has been used in finance and business for many years. According to this view, any activity in a firm can increase the value of companies if it increases the value of shareholders. We need to maximize stakeholders' value to enhance a firms' value. So both corporate governance and reporting quality are playing significant role to enhance the stakeholder's wealth in order to achieve firm's value.

The impact of corporate governance and reporting quality on firm's value can be considered in several ways. On other hand, stakeholders expect corporate transparency and quality information for decision-making, which is facilitated by corporate governance practices in shaping the corporate reporting process in this direction. Due to the lack of specific corporate governance structure and disclosures in financial reporting might be impact the firm's value. High quality information to the stakeholders has become a challenge and thereby how corporate governance impacts on reporting has become an important concern. Therefore, it is very important to understand how the corporate governance and reporting quality are support the firm's value

1.2 Statement about previous researchers

Previous researches on these studies have been used different proxies in each variable. The researchers conducted in this area to find out relationship among those variables that shows an inconclusive and mixed result (Kang and Park, 2004: Siagian, Sylvia, Siregar and Yan Rahadian,2013: Jang, and Kim, 2006). The different finding of these studies suggest that there are significant differences in understanding the nature, viuorous, and direction of the relationship between corporate governance, reporting quality, and corporate value.

1.3 Why important for Sri Lanka

Sri Lanka has an arising economy it is as yet viewed as less created and has gotten a great deal of consideration in the monetary writing during late years. After the end of the four decade domestic ethnic battles by 2009 Sri Lanka has entered a post-war recuperation stage where a change of the monetary framework has gotten significant in quickening financial development uniquely. Sri Lanka has as of late began receiving a few financial changes, in particular, foundation advancement, cycles of liberation and encouraging worldwide combination. Accordingly, long gap speculation has expanded essentially. This investigation would ideally profit scholastics, specialists, strategy creators and experts of Sri Lanka and other comparative nations through investigating the effect of corporate governance, reporting quality and firm's value, and seeking after techniques to improve its current status.

1.4 Expected output

Other researcher's findings only show that disclosure reporting plays an important role in the firm's operations and also in corporate governance, which has a positive impact on the firm's operations or improves communication with stakeholders, as well as a positive impact on the firm's value. But they have not clearly examined how corporate governance and reporting quality could influence a firm's value. And no one made research on whether corporate governance and reporting both have the relationship with the firm's value. So I wanted to know the result on this research.

Therefore, these factors need to be explored to better understand how these factors together affect the value level of a firm.

1.5 Research Problem

Plenty of researchers (Black, Tang, and Kim, 2003; Brown and Caylor, 2006; Carter, Simkins, and Simpson, 2003; Kommunuri, Jandug, and Vesty, 2014; Lemmon and Lins, 2003) have sought to determine how CG affects the value creation process in firms. Overall, observations in this area suggest that many articles have used different aspects of cooperative management, as well as different measures, samples, methods and

methodologies to measure a firm's performance and value. However, the conclusions are inconclusive. For example, some studies have found that the size of the board has a positive effect on the value of the firm. The value of a firm is often referred to as the alternative stock market capitalization. It includes a number of important components, including preferred stocks, debt (including bank loans and corporate bonds) and reserves. The value of a firm is regularly used in business valuation, portfolio analysis, accounting, financial modelling and risk analysis. It has become a fundamental economic indicator of a company's total value (Forai&Amedro, 2004).

According to my knowledge no more research made in this field. The expanding advancement of industry in Sri Lanka this examination will fundamentally add to the current writing, and comprehension, of corporate governance, reporting quality and firm's value in Sri Lankan recorded firms across a few ventures(Sample)and in doing so will give a discoveries equipped for being received by both created and less created nations.

Ultimately, Stakeholders are not limited to a single country; they can be found all over the world. To increase the firm's value, we must provide such stakeholders with high-quality reports. As a result, there is a need to assess the extent to which corporate governance in Sri Lanka has high reporting quality. The valuation of a company is not an easy task. As a result, I wanted to attempt to demonstrate how corporate governance and reporting quality are interrelated with the firm value. Whether it has strong positive or negative relationship between it.

1.6 Research Questions

As discussed in the background of the study, the understanding of the link between CG, reporting quality and firm's value is lacking especially in the emerging economy. Previous studies had been focusing on investigating CG and reporting quality independently. As a result, further investigations on the link among CG,

reporting and firm's value need to be examined. The questions for this study are as follows:

RQ1. What is the empirical association among corporate governance, reporting quality and firm's value with in Sri Lankan listed firms?

RQ2. What is the impact of corporate governance and reporting quality on firm's value?

1.7 Objectives of the Study

The aim of this study is as follows:

- To examine the empirical association between corporate governance, reporting quality and firm value within Sri Lankan listed firms.

- To examine impact of corporate governance and reporting quality on firm value.

1.8 Significance of the Study

- The reporting quality is essential for stakeholders to take decision about firm's performance. There may be creditors or investors or shareholders. And Stakeholders are not in one country they are in all over the word. So we have to be provide quality reporting to reflect performance accurately.

- There is a lack of articles on the impact of emerging economies on corporate governance and the quality of reporting and its impact on firm's value. This exploration is the main endeavor to research the relationship between corporate governance, reporting quality, and firm's value in Sri Lanka.

- Sri Lanka is a nation in South Asia that is very important topographically and monetarily. Whereas the domestic political atmosphere has been ideal since the end of the war and a climate of improvement is now highly

anticipated in Sri Lankans, it is essential to see how corporate governance, reporting quality associate with firm value in quite a developing business sector.

2. LITERATURE REVIEW

2. Introduction

The purpose of this chapter is to present a review of the literature on CG attributes and reporting quality. This includes studies relating to theoretical background on theories and previous articles which attempt to explain firm 's value. In order to understand the literature on a broader conceptual setting, this chapter examines the background of CG and firm's value and the literature on the link among CG attributes with the firm's value. As a consequence, there is a strong need to examine the impact of CG and firm's value. This is something this current study addresses.

2.1 Corporate Governance

CG refers to the way in which firms are governed and to what purpose. CG concerns the exercise of power to direct and control firms (Clarke, 2005). It identifies who has power and accountability, and who makes decisions. On a study 'a survey of CG' Shleifer and Vishny (1997) defines CG as set of mechanisms, which can protect the minority (outside investor/ minority shareholders) from an exploration taken by managers and controlling shareholders (insider) with an emphasis on legal mechanisms. Whilst, Mitton (2002) defines CG as the act of protecting shareholders from expropriation by managers.

This part explains the previous researcher's results regarding the chosen corporate governance variables namely board size, board meetings, independent director and CEO duality with the firm's value. It also lightning prior insights on the firm's value. Corporate governance is consisting of mechanisms i.e. set of mechanisms designed to reduce problems as a result of achieving and ensure the stakeholders' value in order to achieve the firm's objectives. In another word Corporate governance

is the system of rules, practices, and processes by which a firm is managed and controlled (Jemes Chen ,2021).

2.2 Reporting Quality

This part explains the previous researcher's results regarding the chosen reporting quality variables namely big 4 and auditor tenure with the firm's value There is a worldwide demand for a clear and complete definition of financial quality reports. It is important to ensure high quality financial reporting in order to influence users in their investment decisions and to improve market efficiency. If there are any influences in reporting quality, the firm's value might affect. The traditional value model of a company is closely linked to shareholder value. This traditional view has been used in finance and business for many years. According to this view, any activity in a firm can increase the value of companies if it increases the value of shareholders. We need to maximize stakeholders' value to enhance a firms' value. So both corporate governance and reporting quality are playing significant role to enhance the stakeholder's wealth in order to achieve firm's value.

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2.3. Corporate Governance Attributes

CG attributes are some factors which have been argued by researchers to be having a role in influencing in firm's value. The CG attributes that are considered in

this study are board size, independent director, board meeting as well as CEO duality.

Board size refers to the number of directors in the board. Generally, there is no magic number that guarantee a well-functioning board. The board must exercise its collective mind in coming to a conclusion about what its optimal number of members should be. What should guide firms as per the King IV (2016) Report and (Baskin, 2006), Code of Best Practice on CG (2017) is to ensure that the board has the right mix of skills, knowledge and experience to guide a particular organization in a particular sector and at a particular time. Some considerations would be that different industries also require different skills. For example, banking might need a bigger range of specialist skills than one in the hospitality industry, and thus might have a bigger board.

A board meeting is a meeting of a firm's board of directors. Evaluating the board meeting of company is the way to measure the effectiveness of work effort. The director's board ensure the strategy of the firm, and the directors are either elected by shareholders or by members of the organization (Adams, 2005)

Independent director refers to a member of a board of directors who does not have a material relationship with a company and is neither part of its executive team nor involved in the day-today operations of the company which is the percentage of director to the total directors (AlShammari& Al-Sultan, 2010). Independent directors are generally desirable to be appointed to the board of directors and are key to good corporate governance.

Finally, Chief executive officer duality (CEO Duality) role duality in a position exists when the chief executive officer (CEO) is also the chairman of the board i.e. CEO duality occurs when the same person holds both the CEO and board chairperson positions in an organization. CEO duality refers to the absence of the separation of the roles of CEO and Chairman (Said, Zainuddin&Haron, 2009).

2.3.1. Board Size

Numerous studies have investigated the relationship between board size (BOS) and corporate performance (Abbans& Awan, 2017; Heenetigala, 2011; Mak&Kusnadi, 2005; Rambajan, 2011) however, there is less research examining the relationship between BOS and firm's value especially in the countries with emerging market.

The size of the board refers to the total number of directors on the board of each company. The firm's board is considered to be one of the primary internal mechanisms of corporate governance (Brennan, 2006). Boards of directors are representatives of the firm's shareholders and other stakeholders. The board of the firm is delegated the task of overseeing the performance and activities of senior management to ensure that the latter is acting in the interests of all shareholders (Erickson, 2005: Jensen,1976: Lyytinen,2005: Meckling, 1976). The empirical studies found that the relationship between the board size and firm's value has mixed results.

The current theory of the agency shows that the relationship between the size of the board and the value of the company is negative (E3S Web of Conferences 257, 02079 (2021). A larger board will have higher agency costs, more conflicts, and issues such as coordination and communication will increase as the board gets bigger. It is useful to consider the factors that affect the composition of the board and to find out whether the relationship between the size of the board and the value of the company should be positive or negative (Bathala, 1995).

Based on resource dependency theory, the relationship among one of the corporate governance proxy board size and corporate governance is positive. The reason for support is that a larger board of directors can ensure that more non-executive directors can better supervise managers, while a larger board of directors will include more professionals from different fields. Highquality boards from different backgrounds can make better decisions for the board. Management theory favors a smaller board size and argues that a larger board size has a negative effect on a company's operations.

One of another argument shows that the board has other important roles, such as developing and implementing a strategy and promoting links between the company and its external environment. It must manage and control the firm's management in order to maximize the value of shareholders and stakeholders (Ruigrok, Peck, Tacheva, Greve, 2006).

There have been a number of arguments in favor of larger board(Coles, 2008, Dwivedi and Jain, 2005; Dalton ,1999). They support to a positive relationship between board size and firm's value(Ehikioya ,2009: Klein, 2002; Kathuria and Dash, 1999; Pearce and Zahra, 1992) .The larger boards allow directors to specialize, which in turn can lead to greater efficiency and greater opportunities for true diversity(Klein, 2002) And wider workloads of skill sets can be split with more opportunities for improved analysis and more efficient succession planning.

The knowledge and intelligence of this expanded circle of experts can be used to make some strategic decisions for the board that can facilitate the firm's operations (Dalton, 1999; Pearce and Zahra, 1992). More people on the board provide more oversight power, as well as improve the firm's ability to build more external links (Goodstein, Gautam, 1994). Another argument is in firms that need more advice gain more value from larger boards (Coles, Daniel, Naveen, 2008). In addition, larger boards are likely to be associated with an increase in board diversity in terms of experience, skills, gender and ethnicity. (Dalton and Dalton, 2005). A large council can also lead to less meaningful discussions, as it is usually time-consuming and complicated to express views in a large group, which often leads to a lack of unity in the council. In addition, the problem of coordination outweighs the benefits of more directors (Jensen, 1993), and when the board becomes too large, it often shifts to a more symbolic role rather than performing its intended function as part of management (Hermalin and Weisbeck, 2003).

The larger number of directors on the board increases the problem of communication and coordination (Jensen, 1993; Bonn , 2004; Cheng, 2008) and higher agency cost (Lipton and Lorsch, 1992; Cheng, 2008; Jensen, 1993).

Jensen (1993) argued that the intention for a smaller board size results is technological and organizational changes that ultimately lead to cost and staff reductions. There may be an increased risk that larger boards may be lawful effective than smaller boards if there are too many member agency issues on the boards, as some directors may qualify as freelancers. (Hermalin and Weisbach ,2003).The recommendation is given to limiting the number of directors on a board to eight or nine, as numbers beyond that it would be difficult for the CEO to control (Lipton and Lorch ,1992).(Rouf and Abdur ,2011) argues that small board size is generally believed to improve the value of the firm because the benefits by larger boards of increased monitoring are outweighed by the poor communication and decision making of larger groups.(Lipton and Lorsch, 1992 and Mc Jensen, 1986) also describe that the small board size is more effective than large board size.

In the matter of small board, Some directors are preoccupied with the decision-making process but spending less time for supervisory activities (Yermack, 1996: Eisenberg, Sundgren, Wells, Barnhart, & Rosenstein, 1998).Lipton and Lorsch (1992) argue that a board size of eight or nine directors is optimal, whilst (Jensen ,1993) argues that the optimum board size should be around seven or eight directors. Another one of the agency theorists(jensen,1993) suggested that board members limit at around eight directors. And most of the studies argued that large board size is favor of the firm comparing with small board size in previous literature review.

In Sri Lanka, the various corporate governance reforms place particular emphasis on appropriate changes to the board of directors regarding its composition, structure and ownership configuration. The recently amended Code of Best Practice for Corporate Governance was issued in 2017 by the Sri Lankan Institute of Chartered Accountants and the Securities and Exchange Commission. The code requires the board to have a balance between executive and non-executive

directors so that no individual or small group of individuals can dominate the board's decision-making, and states that the respective formations must be disclosed in the accounts.

2.3.2 Board Meeting

A board meeting is a meeting of a firm's board of directors; it will be held usually at a regular interval to discuss major problems and policy issues or any other issues of a firm. Evaluating the board meeting of company is the way to measure the effectiveness of work effort. The director's board ensure the strategy of the firm, and the directors are either elected by shareholders or by members of the organization (Adams, 2005). The theories are used to discuss this relation between frequencies of board meetings and firm's value. The agency states importance of looking after the interests of shareholders and promoting firm performance; resource dependence theory, since the board serves as a resource, improving firm value and institutional theory, which is based on the idea that managers and directors will take measures that, would help them to influence others. So, more frequent meetings may help give that the firm has a board that is actively working.

Shivdasani and Zenner (2004) argue that boards should be prepared to increase the frequency of meetings if the situation requires high oversight and control. Vafeas (1999) suggested that boards should balance the costs and benefits of frequency. For example, if the board increases the frequency of its meetings, the recovery from bad work is faster. And further, he explains (Vafeas, 1999) the activities of the board, by organizing regular meetings, helps to better assess the managers, while constantly being aware of the company's operations, facilitating the timely and effective resolution of any problem.

As stated by Lipton and Lorsch (1992) and Jensen (1993) the frequency of board meetings is considered a measure of the monitoring power and effectiveness of the board of directors. So, higher frequency of board of director's meetings are run the firm with the better performance throughout the year. Board activity and meeting are key indicators for the effectiveness of the board of directors (Vafeas, 1999;

Congeret, 1998; Lipton &Lorsch, 1992). Vafeas (1999) Even though the time devoted differs from one firm to another determines the different costs and benefits of board activity as measured by meetings. There are several costs that are associated with board meetings including managerial time, travel expenses, and directors' meeting fees. Accordingto the argument (Mangena and Tauringana ,1998) when meetings are held frequently, directors receive timely information about the organisation and have the opportunity to address developing problems more promptly. Besides keeping directors informed, frequent board meetings develop closer bonds among directors. Also, conscientious directors attend meetings regularly and participate in board activities.

Other researchers argued that shareholders did not gain much from board meetings as long as the board was seen as defending shareholders' interests, the meetings did not achieve this goal. According to Vafea (1999), the frequency of board meetings does not add much, because the time spent by board members together does not really involve a large exchange of information for shareholders. This is because there are a lot of routines in board meetings. Vafeas (1999) explains that several management reports and various formalities must be given at board meetings. (Lipton and Lorsch, 1992) also pointed out that frequent board meetings do not help shareholders because they take time away from management oversight. It is also noted that frequent board meetings pay the company for travel expenses, refreshments and other board activities. This proxy provides a detail explanation on the association between board meeting and firm's value. When we observe, there is a mixed result between board meeting and firm's value.

In Sri Lanka context, the newly amended code of best practice on corporate governance 2017 was issued by the institute of chartered accountants (CA). The code proposes that the board meeting must be held ones in quarterly.

2.3.3. Board Independent Director

Board independence can be defined as the percentage of independent directors to total directors (Al-Shammari& Al-Sultan, 2010). Weir and Laing (2001) indicate that boards include executive (insider) and NE (outsider) directors. Executive board are full-time employees of the firm with clearly defined roles and responsibilities for day-to-day operations, while NEDs'are not affiliated with the firm in any way (Al-Shammari& Al-Sultan, 2010). According to the Code of Best Practice of Sri Lanka (2017), for a Board to be deemed 'independent' such Director should be independent of management and free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement.

In the board, the presence of independent directors is considered as a major CG attribute (Khan et al., 2012). This is consistent with the study conducted by Pratheepkanth et al., (2013) in the case of Australia and Sri Lanka where they concluded that independent directors have a larger influence on the Board. In Sri Lankan Code of Best Practice (2017) requires that there should be a constitution of the BOS includes only 3 NEDs', all the 3 NEDs' should be independent and in other instances, 3 or 2 third of NEDs' appointed to the BOS whichever is higher should be independent. Additionally, Pratheepkanth et al (2013) reported that most of the selected Australian firms have a majority (89 percent) of their Board being independent directors. The authors further reported that prior studies mentioned that in United Kingdom (UK) firms the number of independent directors on Boards have also shown a maximum increase.

They are many studies found that there is a positive relationship between board independence and firm's value. For example, Harjoto and Jo (2011) on their study reported that there is a positive relationship between the two variables. Petra 2005 (as cited in Khan, et al., 2012) noted that it is accepted that independent outside directors will strengthen the board by keeping track of the management activities, and make certain that interests of the investors are safeguarded.

Frank, Mayer and Renneboog (2001) suggest that NEDs' provide the necessary checks and balances to enhance board effectiveness. Firms' boards with a higher proportion of NEDs' are expected to voluntarily disclose information to reduce agency costs and assure shareholders that they are acting in their interests. It will help to alleviate the agency problem by monitoring and controlling the opportunistic behaviour of management (Shammari& Al Sultan, 2010).

Furthermore, Forker (1992) also argues that NEDs' are less aligned with management and may hence encourage firms to disclose more information to outside shareholders. Similarly, Forker found that a higher percentage of NEDs' is associated with improved monitoring of voluntary disclosure quality and reducing incentives to withhold information.

In Sri Lanka, According to the Code of Best Practice of Sri Lanka (2017) firms are required to have balance executive and NEDs' and most of whom should be independent.

2.3.4. CEO Duality

CEO duality refers to the absence of the separation of the roles of the CEO and the Chairman (Said, et al, 2009). In CEO duality, a single individual serves as both the CEO and chairman of the board, creating a unified leadership structure (Al-Shammari& Al-Sultan, 2010).

Studies suggests that the combined position has great potential for improving the board's management role, providing consistent leadership direction and thereby enhancing decision making (Vo, 2010). Duality of command in the firm is said to reduce the cost of decision making particularly in relation to the speed in taking and implementing decisions (Baliga, Moyer, & Rao, 1996). Further, empirical research on the relationship between CEO duality and voluntary disclosure by Cheng and Courtenay (2006); Ho and Wong (2001) and Said et.al. (2009) reported no significant relationship. Nonetheless, a study by Sanchez, Dominguez and Alvarez(2011) in analysing the disclosure practices of Spanish firms in relation to a voluntary typology of strategic information to determine the factors that explain these practices found that corporate disclosure was high where the chairperson of the board is the same person as the CEO implying a positive relationship between CEO duality and social and environmental disclosure.

Despite the above, most countries seem to require their firms to have the separation of CEO from Chairman. To name but a few, in regard to South African firms', there is no CEO duality as per the King IV Report (2016). However, in regard to Sri Lankan listed Firms, where a decision to combine the posts of Chairman and CEO in one person, the Code of Best Practice (2017) command that it should be justified and highlighted in the annual report. Similarly, according to the UK CG Code (2018) the roles of chair and chief executive should not be exercised by the same individual. If, exceptionally, this is proposed by the board, major shareholders should be consulted ahead of appointment. The board should set out its reasons to all shareholders at the time of the appointment and also publish these on the firm website, and as well as with the Malaysian Code of CG the positions of Chairman and CEO should be held by different individuals.

To back, Finkelstein &D'Aven (1994) posit that vigilant boards tend to favour separation since they hold that duality which promotes CEO entrenchment and can lead to behaviour that reduces shareholder wealth. Thus, combination of Chairman and CEO may result in negligence of additional involvement in social or community activities and hence disclosure of these activities since individuals who hold both roles are aligned more with management than with shareholders and hence tend to withhold unfavourable information from shareholders. In addition, CEO duality according to Kula(2005) compromises the desired system of checks and balances and represents a dissension of interests, thus lessen the level of accountability and transparency. Supplementary, Fama and Jensen1 (983) declared that since CEO duality indicate the absence of separation of decision management and decision control, the board will not be able to effectively monitor and evaluate the CEO. According to agency theory, the combined functions can significantly weaken the board's monitoring, disciplining and compensating of senior managers (Barako et al. 2006; Al-Shammari& Al Sultan, 2010). It further enables the CEO to engage in opportunistic behaviour, because of his / her dominance over the board (Barako et al. 2006). So, it is clear that the combination of CEO and chairman positions reflects the leadership and governance issues (Khan et al., 2012).

Centering on the disclosure of share option in examining the relationship between CG and corporate disclosure, Barako, et al. (2006); Forker (1992); Khan et al. (2012) found that CEO superior has a negative impact on the level of disclosure. Furthermore, agency theory suggests that managers' private interests are likely to impact on the degree to which they engage in CSR activities. Therefore, the Cadbury Committee (1992) recommended the separation of the role of CEO from that of the Chairman of the board as an element of good CG.Lincoln, Fields and Adedoyin(2013)mention that the separate position enhances the board in terms of its management outlook by promoting the timeliness and quality of the board's decision making.

They further assert that "the board function in its monitoring role is better when there is a NE Chairman since having a Chair who is not a firm executive brings fresh knowledge and insight into the board's decision making, providing unique experiences that enhance the board's management capabilities."

As a results, studies including Gul and Leung (2004); Lincoln et al. (2013) have reported a positive relationship between voluntary disclosure and the separation of the role of CEO and board chairman indicating that firms with CEO duality are more likely to be associated with poorer disclosure. In a competing view, findings regarding the association between CEO duality and CSR disclosure are inconclusive (Dias et al. 2017). This current study since CEO duality is not recommended in both the countries studied, is expected that they will be significant results.

In the Sri Lankan context, the decision to combine the posts of Chairman and CEO in one person should be justified and highlighted in the annual report.

2.4. Control Variables

Many corporate attributes have been believed to be control variables for the level of firm's value provided by corporations (Elsakit & Worthinton, 2014). This study includes only firm size and leverage. Firm size can be measured using different variables such as number of employees, turnover, total assets and market share. The current study uses total assets of the firm as a proxy to measure size. Leverage is an investment strategy of using borrowed money specifically, the use of various

financial instruments or borrowed capital to increase the potential return of an investment. Leverage can also refer to the amount of debt a firm uses to finance assets.

2.4.1. Firm size

Basically, the size of the company can be expressed on total assets, log size, sales and market capitalization. Large firms have a lower risk than small firm. This is because large companies have better control of the market conditions, so that they are able to face economic competition. In addition, large firms have more resources to enhance the firm value because it has better access to sources of external information than small firm (Yunita, 2010). Meanwhile, firm size also determines the level of investor confidence. The bigger the firm will result on more well known by the public, which means getting easier to obtain information that will enhance shareholder value. Even large companies that have total assets with substantial value of the assets attract investors to invest in the company. In terms of firm size seen from the total assets owned by the company, it can be used for the company's operations. Companies that have total assets of the firm shows that it has reached a stage of maturity in this stage where firm has a positive cash flow and is considered to have good prospects in a relatively long period of time, but it also reflects that the firm is relatively more stable and better able to make a profit compared with the total assets of which firm small. In connection with the above exposure, the greater the firm size, usually the information available to the investor in making an investment decision with respect to the shares of the company more and more (Siregar and Utama, 2005). Firm size in this study is proxy to total assets in logarithm (Nuringsih, 2005).

2.4.2. Leverage

Leverage is an important tool in measuring the effectiveness of corporate debt. By using leverage, companies will earn profits but on the other hand companies will face losses also (Weston and Copeland, 1997). The leverage concept is an important consideration for investors in making stock assessment. Investors generally tend to avoid risk. Risk arising in the use of financial leverage is financial risk that called the additional risk imposed on shareholders as a result of the

use of debt by the company. The higher the leverage will result on the greater the financial risk (Horne and Marchowicz, 2005). Expenditure decisions, could affect the ability of companies to generate profits for shareholders. On economic conditions, companies using greater debt portion greater than capital itself have greater capability to generate profit for shareholder than the company that use less than its own capital. In contrast, in poor economic conditions, companies that use the portion of the debt greater than capital itself will generate a return for shareholders smaller than the share of firms use less debt than its own capital. Debt ratio is a ratio that measures the proportion of funds coming from corporate debt to finance assets (Sudana, 2009). The greater the ratio, the greater the debt portion of the use of debt to finance investments in property, which means that the risk of increased corporate finance and the other way around. The creditors generally prefer that the company's debt ratio is lower because the lower the debt ratio, the higher the level of funding provided by the company's shareholders and the greater protection to creditors over unpaid debt risk. Companies with high leverage strategy is likely to face a more aggressive strategy of competitors who have lower levels of leverage and may lose market share in the product market oligopoly.

3. METHODOLOGY

3.1 Introduction

As has been stated earlier, this study aims to examine the impact of firm's value in the association between CG attributes and reporting quality attributes in the firms listed in CSE for a period of three years from 2018-2020. Based on this primary quest, in Chapter 2, literature was reviewed on the theoretical background, CG practices of Sri Lanka (SL) and the relationship between CG attributes and firm's value and reporting quality attributes.

This chapter focuses on data collection, methodology and hypotheses. It describes and justifies the methodology that is adopted in this study. The University of Witwatersrand, Johannesburg ("Research support, 2018") defines research methodology as the specific procedures or techniques used to identify, select,

process, and analyse information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability.

In section 3.1 introduction. Section 3.2 is data design, the method of data collection is presented in section 3.3 and in section 3.4 the population and sampling design is presented. Section 3.5 presents the conceptual framework. Section 3.6 presents operationalization and 3.7 presents hypotheses development. Section 3.8 is method of data analysis.

3.2 Research Design

A research design is simply a framework for a study that is used as a guide in collecting and analysing the data (Heenetigala,2011). Research design is the blueprint for collection measurement and analysis of data. There are two basic approaches to research which are qualitative and the quantitative approach. However, mixed method research can also be used, which is mixing both quantitative and qualitative method. Qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behaviour. Research in such a situation is a function of researcher's insights and impressions (Carless, 2003).The qualitative approach further involves examining and reflecting on perceptions in order to gain understanding of social and human activities. Qualitative methods also investigate how individuals think and react, and is directed towards deep understanding of their experiences, motivations and values (Heenetigala, 2011). However, this method is often criticized as being too subjective and biased.

Mixed method research methodology for conducting research that involves collecting, analysing and integrating quantitative (e.g., experiments, surveys) and qualitative (e.g., focus groups, interviews) research. This approach to research is used when this integration provides a better understanding of the research problem than either of each alone. This type of method can be used when one wants to validate or corroborate the results obtained from other methods, when one needs to use one method to inform another method; for instance,

when little is known about a topic and it is necessary to first learn about what variables to study through qualitative research, and then study those variables with large sample of individuals using quantitative research. Its advantage is that it provides strengths that offset the weakness of both qualitative and quantitative research. However, the research design can be very complex.

The quantitative approach involves gathering and analysing numerical data (Secondary data).It involves the process of collecting, analysing, interpreting, and writing the results of a study measurement and the use of statistical methods of analysis (Carless, 2003). It has the advantage of being able to generalize the results to large populations but is criticized for failing to explain 'why' the factors observed may have happened. This type of research fails to provide an in-depth understanding of the phenomenon under study (Heenetigala, 2011). Therefore, this study adopted the quantitative approach since it's involves the process of collecting, analysing, interpreting and writing the results and as well as evidence required to test the hypotheses in this study is based on annual reports and published statistics of the firms.

3.3 Method of Data Collection

There are two methods of data collection, primary and secondary data (Tesch, 1990) Original data, which is the same as the primary data, is collected at the source (Carless, 2003), for example, survey data, questionnaires, observations and experimental data whereas, secondary data refers to data that have already been collected for some other purpose (Tesch, 1990). For the purpose of this study, data for CG attributes and reporting quality attributes are derived from the secondary sources only, which were the firms' annual reports as well as their websites for the period of 2018-2020.

3.4 Population and Sampling Design

The main objective of the study was to examine the impact of CG and reporting quality attributes on firm's value of listed firms in CSE separately. The study is based on listed firms other than banking and finance nature company. The 100 firms are taken as random sample technique from the listed firms in CSE as the population 289 for the period of three years from 2018-

2020. The selection of the sample was limited to those firms which published the annual reports covering the full period from 2018-2020.

Table 3.4.1 Population and Sampling Summary

S.NO	Category Under Listed Firms	Population	Sampling Size
01	Energy	03	02
02	Material	25	17
03	Health care equipment and Service	09	06
04	Telecommunication service	02	02
05	Capital goods	29	20
06	Transportation	03	02
07	Consumer durables & apparel	13	12
08	Consumer Service	37	18
09	Food Beverage & Tobacco	48	16
10	Utilities	10	05
11	Retailing	13	00
12	Food & Staples Retailing	04	00
13	Household & Personal product	02	00
14	Real State	18	00
15	Insurance	11	00
16	Banks	17	00
17	Diversified Financial	45	00
	Total	**289**	**100**

3.6 Operationalization

Table 3.6.1 operationalization

3.7 Hypotheses Development

Key concept	Variables	Indicator	Measurements
CG Attributes			
Brennan, 2006 (Adams, 2005), Raheja2005, Brammer and Millington, 2006	Board size	Number of directors sit on the board	Number of directors
	Board Meeting	Number of meeting held in a financial year	Number of meeting
	Board Independent Director	Percentage of independent director to total directors	NE director/total of directors participating in board
	CEO duality	CEO who also hold the position of chairman of the board.	Value of "1" if CEO is also chairman of the board and "0" otherwise.
RQ Attributes	Big 4	Big 4, known as Final 4, is the four largest international accounting and professional services firms	Dummy variable ,taking a value 1 if a firm is audited by one of big four auditors and 0 otherwise
	Auditor Tensure	Number of consecutive years that the firm has been audited by the same audit firm	
Firm's value (It was first introduced by Nicholas Kaldor in 1966 in his paper)	Tobin Q	Tobin's q, is the ratio between a physical asset's market value and its replacement value	Tobin's Q, equals the market value of a company divided by its assets' replacement cost.
Control variables	Firm size	The amount of cash, loans and interest from consumer and loans.	Logarithm of total assets.
	Leverage	How much debt a company is using to finance its assets.	using a large amount of debt to finance its assets - The firm is highly levered

A hypothesis is a tentative statement about the relationship between two or more variables. It is a specific, testable prediction about what you expect to happen in a study (Cherry, 2018).

H1: There is a positive and significant impact of CG attribu

tes on firm's value. H1a: there is a

positive and significant impact of BS on

firm's value.

H$_{1b}$: there is positive and significant impact of BM on firm's value. H$_{1c}$: there is positive and significant impact of BI on firm's value.

H$_{1d}$: there is positive and significant impact of CEO duality on firm's value.

H$_2$: There is a positive and significant impact of RQ attributes on firm's value

H$_{2a}$: there is a positive and significant impact of Big 4 on firm's value.

H$_{2b}$: there is a positive and significant impact of Audit tenure on firm's value.

H$_3$: There is a positive and significant relationship between CG attributes and Firm's value.

H$_{3a}$: there is a positive and significant relationship between BS and Firm's value

H$_{3b}$: there is a positive and significant relationship between BM and Firm's value

H$_{3c}$: there is a positive and significant relationship between BI and Firm's value

H$_{3d}$: there is a positive and significant relationship between CEO duality and Firm's value

H$_4$: There is a positive and significant relationship between RQ and Firm's value.

H$_{4a}$: there is a positive and significant relationship between Big 4 and Firm's value.

H$_{4b}$: there is a positive and significant relationship between Auditor tenure and Firm's value.

3.8 Method of Data Analysis

Data analysis is the most sensitive part of the research process. This section describes the methods and techniques used to analyze the collected data. Descriptive, Correlation and Regression analysis are used to explain this research.

3.8.1 Descriptive Statistics

It refers to a discipline that quantitatively describes the important characteristics of the dataset (Jitaree, 2015). For the purpose of describing properties, it uses measures of central tendency that is mean, median, mode and the measures of dispersion i.e. range, standard deviation, quartile deviation and variance. Descriptive statistics includes the construction of graphs, charts, and tables, and the calculation of various descriptive measures such as averages, measures of variation, and percentiles. In fact, the most part of this course deals with descriptive statistics. Descriptive statistics are also useful to make general observations about the data collected. They report on the trends and patterns of data and provide the basis for comparisons between variables.

In this study descriptive statistics provide a comparison of impact in the year from 2018 to 2020.

They show the extent to which CG attributes have impact on firm's value. The descriptive statistics used in this study consist of mean, Standard deviation, maximum and minimum. The mean is calculated to measure the central tendency of the variables in 2018-2020. The maximum is used to compare the highest value and the minimum is used to compare the lowest values of the variables in 2018-2020.

3.8.2 Correlation Analysis

Correlation analysis is a statistical analysis method which statistically measures the extent and the nature of the relationship between two variables (Jitaree, 2015). It is concerned with describing the strength of the relationship between two variables by measuring the degree of scatter of the data values. It is adopted in this study to identify the extent to which CG attributes relates to firm's value.

3.8.3 Regression Analysis

Regression analysis is a statistical tool for the investigation of relationship between variables. This study involves more than one independent variable and therefore a multiple regression analysis is used to drive conclusion. The technique involves developing a mathematical equation that describes the relationship between the variables. To better understand the relationship between CG attributes and firm's value in the context of SL, this study adopted Ordinary Least Square (OLS) multiple regression models to examine the relationship between CG attributes and firm's value, as well as other firm characteristics, such as firm size and leverage.

The mode can be formulated as follows,

Model 01.

TOBIN_Q = C(1) + C(2)*BS + C(3)*BM + C(4)*BI + C(5)*CEO+ C(6)*BIG4 + C(7)*AT + C(8)*FS + C(9)*LV

$C(1)$= A Constant

ε_t= Error Term

BS = Board Size

BI   = Board Independence Director

CEO = CEO Duality

BM   = Board Meeting

BIG = Big 4 or Not

AT   = Auditor Tenure

FS   = Firm Size

LV   = Leverage

collected and measured and describes statistics tools will be used to analyses the data. Therefore, this chapter builds on the preceding chapter by analysing the data using descriptive statistics, correlation and regression statistics. The descriptive statistics are used to basic features of the data in the study. Correlation analysis is adopted to study the strength of the variables and for the purpose of identifying variables that are correlated to each other. Lastly a multiple linear regression is used to examine the impact of CG attributes on firm's value.

The rest of the chapter is arranged as follows. Section 4.2 discusses about the analysis of descriptive statistics, section 4.3 looks at the correlation analysis, section 4.4 tells about regression analysis i.e. multiple linear regression results on firm's value and Coefficients of independent variables and P-values respectively. Section 4.5 about hypotheses results. Finally, section 4.6 draws a summary of this chapter.

4.2 Descriptive Statistics
Descriptive statistics refers to the method of transforming raw data into a form that will make them easy to understand and interpreted (Jitarre, 2015).As the starting point in any statistical analysis, descriptive statistics is important because it can help in detecting any abnormalities in the data collected. The table represents the descriptive statistics of dependent variable (Firm's Value) and independent variables of CG i.e. BS, BM, BI and CEO duality and independent variables of RQ i.e. BIG4 and AT and control variables of FS and LV of 100 firms being the final sample from CSE for the year 2018-2020.The statistical software of E.views (version 12) was used to analysis the impact of variables of the study.

4.DATA ANALYSIS, RESULTS AND DISCUSSIONS

In chapter three the methodology used in this study has been discussed, it stated how data will be

Table 4.2.1 Descriptive Statistics Analysis

Descriptive Statistics

	Obs	Mean	Maximum	Minimum	Std. Dev
BS	300	8.287	16	4	1.962
BM	300	2.027	4	0	0.778
BI	300	0.396	0.833	0.166	1.113
CEO	300	0.170	1.00	0.000	0.377
BIG4	300	0.853	1.000	0.000	0.354
AT	300	0.877	1	0	0.342
FS	300	8.933	10.280	8.580	0.437
LV	300	0.516	7.637	0.0959	0.645
TOBIN_Q	300	0.189	0.392	0.001	0.101

The presentation of the descriptive statistics for each variable to be shown in the table 4.2.1 above. According to descriptive statistics data, the average board size for the last three years for the 300 observations considered in the study. For all industries, the average board size was 8.287, the average value of board meetings was 2.027, the average BI 0.396 ,the average CEO duality 0.17 ,the BIG 4 0.853 ,the AT 0.877. The values of minimum, maximum, mean, and standard deviation of independent are 0.001, 0.392 and 0.101 whereas mean value of TOBIN Q is 0.189 for 300 observations.

4.2.1 Board Size

According to the BS there is no specific number set for a well-functioning board. The Table 4.2.1 reports that in selected firms the BS average is 8.287 and ranged from 4 to 16. These results are consistent with those from previous researcher by Pratheepkanth et.al. (2016) reported that average BS in SL was 8.050 and further note that BS in SL ranged from 3 to 13. It is also in line with research by Said et al., (2009) who find that boards in Malaysia had average of 8.00 and ranged from 4 to 15. Similar findings of average BS in South Africa 10.28 were reported by Tshipa and Mokoaleli-Mokoteli (2015).

Kiel and Nicholson (2003) noted that Australian Boards are usually small (i.e. an average of fewer than 10 directors) they argued that smaller boards are often expected to be more effective at monitoring and

controlling management than larger boards. The Olivencia report in Spain recommended an ideal size of Boards of 5 to 15 (Garcia Lara et al. 2007). Dey (2008) affirm that small boards are expected to benefit from more efficient communication and coordination, as well as higher levels of commitment and accountability of individual board member due to their limited size.

However, there are some countries board sizes little large size as compared with their counterparts. For example, the Australian selected companies BS average is 15 and ranged from six to 35 members by Pratheepkanth et.al. (2016). Dehaene et al(2001) noted that USA Board sizes had a maximum size of 35 members. Bostock (1995) notes that average Board size in UK was 12-13 directors and Yermack (1996) assert that US Boards average 12 members. From a resource availability perspective, bigger Boards should be relatively more effective. Dehaene et al. (2001), notes that USA Board sizes had a maximum size of 35 members Specifically, Hillman, Cannella, and Paetzold(2000), Palmer and Barber (2001) report that the Board of Directors is a substantial resource for companies. Van den Berghe and Levrau (2004) argue that increasing the number of Board Directors provides an increased pool of expertise and thus larger Boards are likely to have more knowledge and skills at their disposal. Similarly, resource dependence theory suggests that larger Boards may have a better ability to form environmental links and secure critical resources (Goodstein et al. 1994). Conversely, overly large Boards can experience such issues as a lack of cohesion, coordination issues, and fractionalization (Bonn, Yoshikawa, and Phan 2004).

Similarly, it is assumed that large board will be able to maintain independence from the board and thereby encourage management to disclose more voluntary information. Dalton et al. (1999) declare that larger boards possibly bring more experience and knowledge and render better advice as they are more likely to include experts on specific issues such as corporate performance.

While agency theory and resource dependency theory suggest that the board size positively affects performance, stewardship theory favours smaller board size and argues that larger board size negatively impacts the firm performance. The reason for support agency

and resource dependency theory to the large board size is larger board of directors can ensure that more non-executive directors can better supervise managers, while a larger board of directors will include more professionals from different fields.

4.2.2 Board Meeting

In Sri Lanka context, the newly amended code of best practice on corporate governance 2017 was issued by the institute of chartered accountants (CA). The code proposes that the board meeting must be held ones in quarterly. The table 4.2.1 shows average of 2.027. there is no minimum number of meetings and maximum number of meeting is 7. Normally, the meeting would be held 4 times in a year. So, this average is not complying with the best practice of CA.In accordance with the regulation of Indonesia Capital market that listed companies have to conduct Board Meeting (BM) once every 2 months (6 times per year). The data shows that most of the manufacture companies (55.45%) only conducted less than 6 (six) meeting per year .It is consistent with this research result.

In Malaysia, the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA - 2000) has issued guidelines on the board meeting through its best practice guide, It is says that desired number of meetings required for board to be effective is not stated, the Code recommends that less than four times a year of meetings is not a good indicator that the board is still in control. Further recommends that the board meet regularly and disclose the number of board meetings held a year together with details of attendance of each individual director. This disclosure enables shareholder to identify whether the board is in control and directors are committed in doing their work.

Another study conducted with a sample of 328 Malaysian listed companies from 2003 to 2007 reported that high board meeting frequency causes low firm performance (Amran, 2011). According to Vafea (1999), the frequency of board meetings does not add much, because the time spent by board members together does not really involve a large exchange of information for shareholders. More Vafeas (1999) explains that several management reports and various formalities must be

given at board meetings. (Lipton and Lorsch, 1992) also pointed out that frequent board meetings do not help shareholders because they take time away from management oversight. It is also noted that frequent board meetings pay the company for travel expenses, refreshments and other board activities.

Irshad and Ali (2015) discovered that board meeting frequency have positive effect on firm performance. Akpan (2015) also obtained similar results in his study on 79 listed companies in Nigeria from 2010 to 2012.As stated by Lipton and Lorsch (1992) and Jensen (1993) the frequency of board meetings is considered a measure of the monitoring power and effectiveness of the board of directors. So, higher frequency of board of director's meetings are run the firm with the better performance throughout the year.

4.2.3 Board Independent Director

In Sri Lanka context, the newly amended code of best practice on corporate governance (2017) was issued by the institute of chartered accountants (CA). Code of Best Practice that recommends that independent directors should comprise the majority of the board. I.e. where the constitution of the board of the directors includes only three Non-executive directors, all three Non-executive directors should be 'independent'. In all other instances three or two third of Nonexecutive directors appointed to the board of directors whichever is higher should be independent. The table 4.2.1 shows that average BI is 0.396 which means 39.60% percent of the board members are independent. The maximum value of BI is 83.3%while the minimum is 16.7%. This statistics shows that the majority of the firms have not fully complied with the code of best practice. So, the majority of the firms are dependent board of directors.

Research by Piratheepkanth(2016) shows most of the selected Australian firms have a majority (89 percent) of their Board being independent directors with average 64 percent of directors are independent position in the boards. The result of this study is consistent with Stapledon and Lawrence (1996) who find that Australian Boards have a majority of members who are independent. And results also show that 88 percent of the Sri Lankan companies" directors are independent

directors. They are many studies found that there is a positive relationship between board independence and firm's value. Petra 2005 (as cited in Khan, et al., 2012) noted that it is accepted that independent outside directors will strengthen the board by keeping track of the management activities, and make certain that interests of the investors are safeguarded. Frank, Mayer and Renneboog (2001) suggest that BI provide the necessary checks and balances to enhance board effectiveness. Firms' boards with a higher proportion of BI' are expected to voluntarily disclose information to reduce agency costs and assure shareholders that they are acting in their interests. It will help to alleviate the agency problem by monitoring and controlling the opportunistic behaviour of management (Shammari& Al Sultan, 2010).

The Prior studies suggest that the number of independent directors on Boards of UK companies has increased considerably. Conyon(1994) examined the corporate governance changes in UK and the study consisted of 400 large UK companies in the Times 1,000 companies between 1988 and 1993. The results suggest that the mean percentage of independent directors increased from 38 to 44 percent from 1988 to 1993. However, Peel and O'Donnell (1995) report that UK Boards have an average of eight directors, of which three are independent (only eight percent of companies did not have independent directors). A majority (54 percent) complied with the Cadbury Committee's recommendation that all Boards should contain a minimum of three independent directors. In Belgium, the number and percentage of nonindependent directors decreased over time, while the number and percentage of independent directors increased (Dehaene et al. 2001). Most corporate governance rules and codes globally require Boards of Directors of listed companies have identified groups of independent and nonindependent directors (Jackling and Johl 2009).

The New York stock exchange (2003) requires all listed firms to have a majority of independent directors on their Boards. This is comparable research made by Pathan and Skully (2010), which suggested that the proportion of independent directors on the boards of US bank holding firms ranged from 10 to 97 percent with a mean of 65 percent. This shows an improvement

on the boards for dominating more of outside directors. The UK Combined code of 2004 provides that at least half of the Board members should be independent directors. The Malaysian code on corporate governance (2000) recommends that there needs to be balance on the Board of Directors with at least a third of the Board Directors should be independent directors.

Monitoring is more effective with a larger percentage of independent directors because of better information sharing by directors (Raheja 2005; Lehn, Patro, and Zhao 2009; Chen 2014). Consequently, this study concludes that Australia and Sri Lanka, independent directors have a larger influence on the Board similar to existing studies (Jackling and Johl 2009: Chen 2014)..

4.2.4 CEO Duality

In Sri Lanka, as per the Code of Best Practice (2017) the decision to combine the posts of Chairman and CEO in one person should be stated in the annual report. Table 4.2 .1 shows that average value of CEO duality is 0.17 whereas minimum value is zero and maximum of 1. Which means 16 percent of the examined firm's chairman holds the position of the CEO of the board. I.e. the most of the firms have separate roles of chairman and the CEO (83%) .It is little bit close relationship when it compare with Gua and Kumara (2012) sample that had an average of 12 percent in Sri Lanka.

Donaldson and Davis(1991) argued that joining the chairperson and CEO roles increases effectiveness and specifically predicted that companies with dual CEO–chairperson would outperform other than separated roles.They tested this assertion on a multi-industry sample of 337 U.S. corporations of varying sizes, finding that the mean shareholder return in their sample was significantly greater for firms with CEO duality than for those without. More Rechner and Dalton (1989, 1991) work, Daily and Dalton (1992, 1993) conducted a pair of studies searching for a main effect of CEO duality on firm performance among small firms in USA, assuming that larger firms were more inertial and therefore harder for a dual CEO–chairperson to impact.

Across two samples and a combination of accounting and market based performance measures, CEO duality exhibited no significant effect on firm performance.

The findings of Ali and Atan (2013) in Malaysia with an average of 2 percentage is duality. As boards tend to be put under pressure by shareholders to abandon CEO duality if firm performance is poor (Hermalin&Weisbach1998; Linck et al. 2008), the fall in CEO duality might be related to the poor bank performance during and after the US sub-prime mortgage crisis (Jizzi et al., 2013). According to agency theory, the combined functions can significantly weaken the board's monitoring, disciplining and compensating of senior managers (AlShammari& Al Sultan, 2010; Barako et al. 2006).And it is recommended by Hermalin&Weisbach (1998) Linck et al(2008) ,If firm performance is poor , the CEO duality should be abandon. So, the result is indicated in this research is favourable to firm's efficiency.

4.2.5 BIG 4 auditors or Not

This is one of the reporting quality variable i.e audit is done by big 4 auditor or not.

According to the above table, average value of this variables 0.853whereas minimum value is

0and maximum of 7. Based on these results, we can say that most of the firms are audited by big 4 (0.853)

4.2.6 Auditors Tenure

This is one of the reporting quality variable i.e auditors in the field who are auditing the particular firm five years conservatively. The average AT duality on table is 0.877 percentage whereas minimum value is 0 and maximum of 1. So, this result is close to 1.We can say most firms are audited by auditors who conservatively five years' experience in a firm.

4.2.7 Firm Size

There is a wide range in the control variables, as indicated by the minimum and maximum values. According to the firm size measure ,The Table reveals that the size of the firms ranges from a minimum of

8.580 to a maximum of 10.280 with an average size of 8.933 in the selected firms' sample.

4.2.8 Leverage

Leverage is an investment strategy of using borrowed money specifically, the use of various financial instruments or borrowed capital to increase the potential return of an investment. Leverage can also refer to the amount of debt a firm uses to finance assets. Here, The Table shows average of 0.516 whereas minimum and maximum values are 0.095 and 7.637. There is an equal portion in loan and equity capita

4.3 Correlation Analysis

Correlation is a statistical measure of magnitude and the direction of the relationship between two variables. It is used to identify the strength or weakness of relationship between variables. Correlation is computed in to what is known as the correlation coefficient, which ranges between -1 and +1. The magnitude of "r" indicates the strength of the linear relationship while the sign indicates the direction. The value of "r" close to -1 means that the linear association is very weak and if the value close to +1 means strong positive association The Co–efficient of correlation is a number that will be somewhere between –l and + 1 and tells the type and strength of relationship between variables.

Table 4.3.1 Correlation Analysis

	BS	BM	BI	CEO	BIG 4	AT	FS	LV	TOBIN Q
BS	1.000								
	-								
BM	0.199	1.000							
	0.018	-							
BI	0.645	0.119	1.000						
	0.000	0.158	-						
CEO	0.057	0.140	0.243	1.000					
	0.500	0.098	0.004	-					
BIG 4	-0.018	-0.015	0.080	-0.106	1.000				
	0.837	0.864	0.348	0.209	-				
AT	0.068	0.216	0.112	0.179	-0.006	1.000			
	0.423	0.010	0.186	0.034	0.948	-			
FS	-0.013	-0.102	-0.029	-0.150	-0.200	0.138	1.000		
	0.881	0.228	0.731	0.076	0.017	0.102	-		
LV	0.020	-0.175	0.033	-0.082	0.054	-0.024	-0.043	1.000	
	0.810	0.038	0.696	0.331	0.527	0.777	0.613	-	
TOBIN Q	0.217	0.107	0.035	-0.214	-0.146	-0.069	-0.047	0.067	1.000
	0.010	0.209	0.677	0.011	0.085	0.415	0.579	0.432	-

Throughout the correlation analysis, it can be said that what relationship exists between two variables. The above correlation table 4.3.1 shows that r value between the Tobin q and BS is 0.217 which means it has positive significant correlation with Tobin q at the significant level 0.05(p=0.010). It indicates that when BS of the organization increase the level of Tobin q will increase. The table indicates that the correlation of BM is in listed companies is 0.107, there is a positive insignificant relationship exists between BM &Tobin q at the significant level of 0.05 (p=0.209).

The table indicates that the average BI of listed companies is 0.035, there is a positive insignificant relationship exists between BI & Tobin q at the significant level of 0.05 (p=0.677). The table indicates that the average CEO duality of listed companies is -0.214 , there is a negative significant relationship exists between CEO & Tobin q at the significant level of 0.05 (p=0.011). The table indicates that the average BIG 4 of listed companies is -0.146, there is a negative insignificant relationship exists between BIG 4&Tobin q at the significant level of 0.05 (p=0.085).

The table indicates that the average AT of listed companies is -0.069, there is a negative insignificant relationship exists between AT &Tobin q at the significant level of 0.05 (p=0.415). The table indicates that the average FS of listed companies is -0.047, there is a negative insignificant relationship exists between FS &Tobin q at the significant level of 0.05 (p=0.579). The table indicates that the average LV of listed companies is 0.067, there is a positive insignificant relationship exists between LV& Tobin q at the significant level of 0.05 (p=0.432).

4.4 Regression Analysis

The regression analysis was carried out to find out the impact of corporate governance (BS, BM, BI and CEO) and reporting quality (BIG 4 and AT) on the firm's value (Tobin Q) and the result are furnished by the Table 4.4.1. Attributes values are taken in annual reports of listed firms from 2018-2020. The above table 4.4.1 presents the regression parameters of the summary models. The model is multiple linear regression model run with dependent and independent variables. The dependent variable is the firm's value and the independent variables are the CG attributes (BS, BI, BM and CEO duality), RQ variables (BIG 4 & Auditor tenure) and control variables (FS and LV) which are firm characteristics.

4.4.1 Regression Analysis

	COEFFICIENT	STD.ERROR	T-STATISTIC	PRO
C	0.327	0.197	1.657	0.009
BS	0.013	0.005	2.285	0.023
BM	0.014	0.011	1.253	0.212
BI	-0.005	0.010	-0.557	0.578
CEO	-0.067	0.023	-2.854	0.005
BIG4	-0.050	0.022	-2.217	0.028
AT	-0.012	0.025	-0.508	0.611
FS	-0.023	0.019	-1.180	0.240
LV	0.010	0.012	0.813	0.417

R-squared	0.155
Adjusted R-squared	0.104
F-statistic	3.044
4Prob(F-statistic)	0.003

Regression analysis was carried out to test the impact of independent variables on dependent variable (Firm's value) of listed companies on CSE in Sri Lanka. In this research the regression analysis has been carried out to test the pattern of variation of the dependent variable (Tobin q) in relation to the values of independent variable (BS, BM, BI, CEO duality, BIG 4 ,FS and LV). The E. Views application was used here to run the multivariate regression.The regression result is generated based on the above specified model.

Therefore, results of the regression analysis are discussed in relation to each of the independent variables in Table and forthcoming paragraphs. Table presents the results of Ordinary Least Square regression analysis is performed to examine the impact of accounting measures on price earning value. The R-square statistics value of 0.155 which shows that 15.5% of changes in Tobin q explained by the changes in BS, BM, CEO duality, BIG 4, AT, FS, And LV.Other 84.5% is explained by other variables not addressed in this model andremaining 84.5 % can be attributed by other factors which are not studied, because they are outside the scope of the study.

It donates that 15.5% of total variation in TOBIN Q value of listed companies in CSE is caused BS, BM, BI, CEO duality, BIG 4, AT, FS, And LV. Probability 0.003 Which is less than 0.05 it means significant impact between independent and dependent.

The newly amended code of best practice (2017) says that board meeting must be held ones in quarterly. But, BM average is 2.027 in this research. So, number of BM should be increased.

Code of Best Practice (2017) that recommends that independent directors of the board should comprise the majority of the board. But, BI average of this research is 39.6. So, the percentage of the BI should be improve.

As per the Code of Best Practice (2017) the decision to combine the posts of Chairman and CEO in one person should be stated in the annual report. Even though According to agency theory including most of the researcher's state that combined functions can significantly weaken the board's monitoring, disciplining and compensating of senior managers. And

it is recommended, If firm performance is poor, the CEO duality should be abandon.

So, when we change those facts into rule basis, we can increase the regression level.

4.5 Hypotheses Results

Cherry (2015) described hypothesis as a specific, testable prediction about what you expect to happen in a study. As a result, in chapter three a hypotheses was developed predicting the expectations to happen in this study. This section presents the hypotheses results of the expectations between the two main variables, the dependent and independent variables of the study for SL listed firms from 2018 to 2020. Formulated hypotheses and result are as follows,

H1: There is a positive and significant impact of CG attributes and on firm's value

H2: There is a positive and significant relationship between CG attributes and firm's value

H3: There is a positive and significant impact of RQ attributes on firm's value.

H4: There is a positive and significant relationship between RQ attributes and firm's value.

H1: There is a positive and significant impact of CG attributes on firm's value.

The results reports that the CG attributes namely BS, CEO duality and BIG 4 on firm have a significant impact on the firm's value. This results supports the hypothesis (H1) at a significant level of 0.009. The results are consistent with the study conducted by Al-Shammari and Al Sultan (2010);Ali and Atan (2013;Aminu Isa and Muhamad (2015); Dias et al. (2017) and Khan (2010). However, Liu and Zhang (2016) disagree with the results reported that they are positively insignificant with 1.90. Overall, this hypothesis is supported.

H1a: There is a positive and significant impact of BS on firm's value

The results of BS having impact on firm's value is positive significant (0.023<0.05) and as a result the hypothesis is supported.

H1b There is a positive and significant impact of BM and on firm's value.

The results of BM having impact on firm's value is positive insignificant (0.212> 0.05) and as a result the hypothesis is not supported.

There is a positive and significant impact of BI on firm's value. The result shows that it is negative and insignificant with firm's value (0-0.578>0.05), therefore this hypothesis is supported.

H1d: There is a positive and significant impact of CEO duality on firm's value.

The result shows that it is negative and significant with firm's value (0-0.05<0.05), therefore this hypothesis supported

H2a: There is a positive and significant impact of BIG 4 on firm's value.

This hypothesis is supported and have a negative and significant impact on firm's value (-

0.028>0.05).

H2b: There is a positive and significant impact of AT on firm's value.

This hypothesis is not supported and have negative insignificant impact on firm's value (0.611>0.05).

H2: There is a positive and significant relationship between CG attributes and firm's value.

This hypothesis has been tested and the results shows a significant relationship between CG attributes and firm's value. Looking into these variables BS has significant and positively related with firm's value.This results are consistent with Jizzi et al. (2013). The hypothesis is accepted. The results are in accordance

with a study by Khan et al. (2012). CEO duality has negative significant relation with firm's value. This result agrees by Jizzi et al. (2013) that reported negative significant result.

H2a: There is a positive and significant relationship between BS and firm's value.

The BS in listed firms has positive and significant relation with firm's value (0.010<0.05) and as result this hypothesis is supported.

H2b: There is a positive and significant relationship between BM and firm's value.

The BM has positive and insignificant relation with firm's value (0.209>0.05) .so the hypothesis is not supported.

H2c: There is a positive and significant relationship between BI and firm's value.

The BI has positive and insignificant relation with firm's value (0.677>0.05). This hypothesis is not supported.

H2d: There a positive and significant relationship between CEO Duality and firm's value.

The CEO duality has negative and significant relation with firm's value (-0.011<0.05. Hence, hypothesis is supported.

H2e: There a positive and significant relationship between BIG 4 and firm's value.

The BIG 4 has negative and insignificant relation with firm's value (-0.085>0.05). This hypothesis is not supported.

H2f: There a positive and significant relationship between AT and firm's value.

The AT has negative and insignificant relation with firm's value (-0.415>0.05. Hence, hypothesis is not supported.

Hypotheses Results	Analytical Tool	Result
There is a significant and positive impact of BS on firm's value.	Regression	Supported
There is a significant and positive impact of BM on firm's value.	Regression	Unsupported
There is a significant and positive impact of BI on firm's value.	Regression	Unsupported
There is a significant and positive impact of CEO duality on firm's value.	Regression	Supported
There is a significant and positive impact of Big 4 on firm's value.	Regression	Supported
There is a significant and positive impact of AT on firm's value.	Regression	Unsupported

reporting quality and firm's value with in Sri Lankan listed firms? What is the impact of corporate governance and reporting quality on firm's value?

5. CONCLUSION AND RECOMMENDATIONS .

5.1 Introduction

This study examined the impact of CG attribute RQ attributes on firm's value on listed firms in CSE from 2018 to 2020. It also investigated the relationship among CG ,RQ attributes and firm's value. The purpose of this chapter is to reaffirm key results as have been validated by evidence presented in the previous chapter as well as to detail its contributions and limitations. In so doing, this chapter provides summaries in relation to all previous chapters, an overview of the main findings and discussions of this study in respect of CG, RQ attributes and firm's value.

The structure of the chapter is organized as follows: section 5.1presents introduction part, section 5.2 presents the main research findings, 5.3 discuss the implications of the study, the contribution of the study is addressed in 5.4, followed by limitations in 5.5, lastly the recommendations for future study addressed in 5.6.

5.2 The Main Research Findings

This study has examined the impact of CG, RQ attributes on firm's value and the relationship among CG, RQ attributes and firm's value on the listed firms in CSE. The data used in this study comprises firms listed in CSE. Data collected from annual reports of particular company. It excludes insurance and finance firms and those that does not have annual reports for all the three years. The following sub-sections will summarize the main findings of this study as explained and discussed in chapter four. It will present the findings about the two key research questions for this study as follows: What is the empirical association among corporate governance,

The impact of corporate governance and reporting quality on firm's value?

The first research question focused on the impact of CG and RQ attributes on firm's value of the listed firms in SL. The CG and RQ attributes and have been examined and the results are presented in chapter four. Examining the CG and RQ attributes on firm's value in annual reports with the sample of listed firms using regression analysis, the study finds that key attributes of the CG and RQ significantly influence with the firm's value. BS, BM, BI, CEO duality are the CG attributes, BIG 4 and AT are the RQ attributes. The findings suggest that BS, BM, BI, CEO duality, BIG 4 and AT are important determinants of firm's value. Comparing the BS, it has been found to have positive insignificant impact on firm's value's. These findings suggest that larger BS are not good for SL firms and such findings contradict with the resource dependency theory which assumes that that larger Boards may have a better ability to form environmental links and secure critical resources.

BM has been found to be positively significantly influencing on firm's value. This is possible because BM are taken as monitoring and controlling device in the board. However, the findings report that BI has positive insignificant impact on firm's value. The result of CEO duality has negative insignificant impact on firm's value. On the other hand, in SL all the firms have CEO roles separated and performed by an individual from Chairman Roles. The findings encourage the separation of CEO and Chairman to promote transparency in firms because of their negative significant effects on society.

The empirical association among corporate governance, reporting quality and firm's value with in Sri Lankan listed firms?

Another question was to investigate the empirical association among corporate governance, reporting quality and firm's value in firms listed in CSE. The findings from this question have been investigated using the correlation analysis. The results show some mixed results.

Results on BS report a positive and significant relationship for firms listed in CSE. Since this finding propose that board between 4-16. BI for firms listed in CSE reports a positive insignificant relationship. Looking on the BI mean is 0.396. Hence, the findings suggest that increase of BI members in the board can enhance the level of firm's value. SL firms are encouraging to adopt more independent board members, comply with Code of Best Practice (2017) which requires that where the constitution of the BS includes only three BI, all the three should be independent and in other instances, three or two third of BI appointed to the BS whichever is higher should be independent.

Further, the results of relationship between BM and firm's value suggest positive insignificant relationship. The results recommend have to be increase the BM level to increase the firm's value more. However, the combination of CEO and Chairman is negatively significant. The resultshows that a presence of CEO duality in the board affect the relationship by reducing the level of firm's value. This result can be due to a fact that if the CEO is also a Chairman, a conflict of interest arises, as the CEO is voting on his or her own compensation.

5.3 Implications of the Study

Corporate governance has evolved from its role of reducing agency costs for shareholder wealth maximization, to now creating shareholder value and protecting the interest of all stakeholders.
Stakeholders are an important component of this study because of increasing the stakeholder's value that an organization can be achieve the maximization in order to lift the firm's value. And organizations have relationships with many parts other than the shareholders. Good corporate governance practices are important for accountability to shareholders and other stakeholders.

And reporting quality also important for internal staffs and stakeholders including shareholders for the purpose of decision making tool, investigation, evaluation, quick location, development of skill, neutral presentation of facts, professional advancement, proper control, managerial tool & encountering advance and complex situation. Those above facts tell the importance of a reporting in business. So, reporting quality should be in high level in presenting any report.

The results show that CG and RQ attributes influence the level of firm's value of listed firms. First, the results from the regression analysis shows that CG and RQ variables: BI shows positive significant result on firm's value whereas CEO duality and BIG 4 indicate negative significant result on it. BM(positive), BI(negative)and AT(negative)show insignificant result.

On the basis of the findings of the study, the findings conclude that BS, CEO duality and BIG 4 are important determinant of firm's value. Therefore, essential for a better result. It is therefore concluded that if the BS increased from this average (8.287), the firm's value will increase. Researchers argued that' smaller boards are often expected to be more effective at monitoring and controlling management than larger boards and such smaller BS should be encouraged and more affirm that small boards are expected to benefit from more efficient communication and coordination, as well as higher levels of commitment and accountability of individual board member due to their limited size.

In the matter of CEO duality, it has negative significant result on firm's value. It is also better result. Which can be concluded that if the CEO duality decrease from this value (0.17/17%), the firm's value will increase. According to agency theory, the combined functions can significantly weaken the board's monitoring, disciplining and compensating of senior managers. It is recommended by the several researchers,

if firm performance is poor, the CEO duality should be abandon.

In the matter of BIG 4, it has negative significant result on firm's value. Which can be concluded that if the BIG 4 value is decreased from this value (0.85), the firm's value will increase.

The authority needs to put more efforts in promoting good corporate governance implementations and making sure that public firms improve their disclosures and reporting quality in order to provide benefits to the users of financial information.

5.4 Contribution of the Study

The aim of the study was to examine the impact of CG and RQ attributes on firm's value of firms listed in the emerging market in Sri Lanka. The study examined the CG and RQ attributes using descriptive analysis, correlation analysis and as well as regression analysis.

The findings of the study indicated CG attributes are significantly influence the firm's value. This study makes a contribution to filling the gap in research about CG ,RQ and on firm's value in the emerging market of Sri Lanka. The study provides a contribution to understanding of some firm characteristics influencing on firm's value. Some of the firm characteristics used are firm size and leverage.

This study has contributed to a further understanding of the practices of CG and RQ practices. It has summarized the CG best practices from some countries and Code of Best Practice in Sri Lanka. And discussed about important about quality reporting.The results of this study can be beneficial in helping to understand the extent of firm's value,The study has also contributed to the body of knowledge on CG attributes and firm's value of both developed and developing countries. Looking at this research, the results found are mixed up.

5.5 Limitations and Future Research

A number of important limitations need to be considered.

Firstly, the study only focused on quantitative method, it does not include qualitative or mixed method of research. This study uses measurable data to formulate and uncover patterns.

Secondly, the study focused on limited, Bank and excluding the banking and insurance firms. Due to a lack of data availability at the time of data collection it was not possible to include all the firms in the sample. There are 100 firms included in the sample firms listed in CSE. Future research could replicate the study on other listed sectors and also apply a longitudinal method by using more years' data and larger sample size. This would increase the reliability of results.

Thirdly, it has only focused in the CG and RQ attributes as the only firm's value factor. This study is limited to four CG attributes which are BS, BM, BI, CEO duality and two RQ attributes which are BIG 4 and AT. Future research could include other variables e.g. firm ownership, board education, audit committee size, board experience and as well as focusing on other firm's value factors such as industry membership.

Fourthly, this study only focused on firm's annual reports, which may show an incomplete picture of firm's value of firms. Firms may report firm's value activities in other media like FM reports, sustainability reports, newspapers, and advertising, websites or firm's brochures. The information from those reports may show a complete picture of firm's value in listed firms. Lastly, this study only covers a period of three years from 2018-2020.future research should apply a longitudinal method by using more years' data and larger sample size. This would increase the reliability of results.

5.6 Concluding Remarks

Firm's value has become a critical topic nowadays because it has been discovered that the main objective of business activity has evolved from a pursuance of profit maximizing.CG is as one of the important factor on business that influence firm's value and its disclosure has been adopted in this study to see how impact it has on firm's value. Existing literature offers evidence of the relationship among these CG, RQ attributes and firm's value; though it is important to highlight that an in-depth study is still required to examine other factors that may influence this relationship more especially in the countries with emerging economy.

This study showed that there is strong relationship between CG attributes and firm's value and RQ also has

relationship with firm's value. which means having good CG and quality reporting will lead to organizational effectiveness to increase the firm's value. Therefore, it can be concluded that CG and RQ attributes have an impact on firm's value in emerging market of Sri Lanka.

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