

THE EFFECT OF DUALITY/NON-DUALITY OF CEO, BOARD SIZE, MEETING, COMMITTEE ON DOMESTIC SHAREHOLDINGS: EMPIRICAL EVIDENCE FROM SRI LANKA

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Abstract

This paper seeks to investigate the effect of duality/non-duality of CEO, board size, meeting, committee on domestic shareholdings of manufacturing companies listed on Colombo Stock Exchange over a three-year period from 2011 to 2013. The study employs the independent samples t-test, correlation and regression analyses to assess the relationships as well as the impact on domestic shareholdings using a sample of 32 quoted companies (n = 32). It is found that duality & non-duality of CEO structure do not differ in relation to domestic shareholdings that are inconsistent with the hypothesis formulated. Board size (+) and board meeting (+) have shown positive relationship and board committee (-) is negatively associated with domestic shareholdings. As per the empirical results, board committee and board size have significant ($p < 0.05$) impact on domestic share holdings and insignificant impact is observed by board meeting. The present study concentrates only on the manufacturing sector quoted on Colombo Stock Exchange. This paper has taken an effort to this area of research on emerging share holdings held by local individuals and institutions in Sri Lanka and the findings could be generalized to the companies similar to this category.

Keywords: Duality/Non-Duality of CEO, Board Size, Board Meeting, Board Committee, Domestic Shareholdings

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1. Introduction

There has been lack of studies examining corporate governance experiences in emerging countries (Shleifer & Vishny, 1997). A country needs to have good corporate governance that takes leadership role to ensure economy's sustainable development with growth and to overcome financial system problems that are encountered by the economy (Velnampy *et al.*, 2014). According to Ajay (2007), the corporate governance issues flow from the concept of accountability for the safety and performance of assets and resources entrusted to the operating team. These issues assume greater significance and magnitude in the case of corporate form of organization where ownership and management of the organizations are distanced. The development of corporate governance has been driven by the need to restore investor confidence in capital markets. Generally, corporate governance is a system by which companies are directed and controlled. More specifically, corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment (Shleifer & Vishny, 1997, p. 737). The

various techniques in the significant body of theoretical and empirical literature in accounting and finance have tested the relations among corporate governance, management turnover, corporate performance, corporate capital structure, and corporate ownership structure (Bhagat & Bolton, 2008). In general, the agency conflicts exist between managers and shareholders. From agency theory perspective, the implication for corporate governance is a need to be used for protection as well as reduction of conflicts of interest between shareholders and management, among shareholders, and between debt-holders and firms (Fama & Jensen, 1983). A multitude of governance mechanisms have been suggested to overcome the agency problem that arises from the separation of ownership and control. In this way, duality/non-duality of CEO, board size, board committee and the frequency of board meeting are used to capture the monitoring ability of the board.

Governance structure and the practices of Sri Lankan companies are highly influenced by neo-liberal reinforcement of good governance practices (De Silva Lokuwaduge, 2012; Alawattage & Wickramasinghe, 2004). The ownership structure of Sri Lankan companies is characterized by the

controlling shareholder usually being another corporate entity; wide prevalence of family ownership as the ultimate owners; extensive use of a pyramid ownership structure, cross-holdings and participation in management by controlling shareholders to enhance corporate control; and an absence of a large community of arms-length institutional shareholders (Manawaduge, De Zoysa, & Rudkin, 2009; Senaratne & Gunaratne, 2007). This paper fills the research gap by examining the effect of duality/non-duality of CEO, board size, meeting, committee on domestic shareholdings of manufacturing companies listed on Colombo Stock Exchange over a three-year period from 2011 to 2013.

Particularly, the study tries;

- to identify the association among duality/non-duality of CEO, board size, meeting, committee, and domestic shareholdings and,
- to assess the impact on domestic shareholdings.

The paper is organized as follows: In the next section, the study describes the previous studies relating to the research variables, literature gap and framework formation. Section 3 provides the methodology. In section 4, the study discusses the results. Finally, in section 5 the summary of findings with conclusion is provided.

2. Review of Literature

Corporate ownership structure has attracted the attention of academics, policy makers, and investors due to its implications for corporate governance, managerial behavior, corporate performance, market liquidity of shares, informational efficiency of prices, and the development of national capital markets (lalith, 1999). In Sri Lankan framework, quoted companies on the Colombo Stock Exchange have different types of shareholdings like individual share holdings (employees and managers), institutional share holdings (private and government), residents, and non-residents (Sivathaasan, 2013). This study mainly focuses on the variables as duality/non-duality of CEO, board size, meeting, and committee that impact on domestic shareholdings.

2.1 Duality & Non-Duality of CEO

The issue of CEO duality has received considerable attention because the practice is commonly observed in many large corporations (Kesner, Victor, & Lamont, 1986). Literature in the corporate governance considers CEO duality (Chief Executive Officer) and non-duality structure as important determinant of corporate governance (Bhagat & Bolton, 2008), that reflects two positions as chairman and CEO at the top of the public companies. That is, whether Chairman and CEO positions are occupied by the same person or two different individuals. In general, CEO duality refers to a situation when a firm's CEO also serves as

the chairman of the board of directors. In other words, non-duality structure refers to a situation, when the positions of chairman and CEO are held by two different individuals.

The agency theory is based on the relationship between the principal and the agent and the separation of ownership from management in modern corporations provides the context for the function of the agency theory. In agency theory terms, the owners are principals and the managers are agents (Jensen and Meckling 1976). Agency problems tend to be higher when the same person holds both positions. Yermack (1996) argue that, firms are more valuable when the CEO and board chair positions are separate. Fama and Jensen (1983) suggest that the roles of a CEO (i.e. decision management) and chairperson (i.e. decision control) should be separated; otherwise a person holding both positions will dominate a board and could make a board ineffective in monitoring the managerial opportunism. The Cadbury Committee (1992) is clear that good corporate governance requires separately two positions such as Chairman and Chief Executive Officer and considered leadership structure of board as a significant mechanism of corporate governance. The Sri Lankan code issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) also required separation of the top two positions of the board for effective corporate governance (Kumudini, 2011). Jensen (1993) argued that the CEO should not have a dual position as chairman of the board because the CEO may not separate personal interests from shareholder interests. The function of the chairman of the board is to conduct board meetings and supervise the evaluation and compensation of the CEO (Jensen, 1993).

The dual CEO/chairman of the board probably has significantly increased power over the board and corporation. This would probably reduce the effectiveness of the control mechanisms of the governance structure. Further, Jensen and Meckling (1976) argue that agency conflicts between managers and shareholders may be reconciled when managers possess an ownership interest in their company. According to him, managers and directors are inside shareholders who participate in the decision-making process as well as enjoying the benefits of ownership. Alternatively, stewardship theory suggests that CEO duality could promote a unified and strong leadership rather than weakening a board's independence from management and its monitoring role.

2.2 Board Size

Prior studies provide evidence on the role of board size in enhancing the monitoring of management and have considered as a significant monitoring mechanism. Since the inception of the corporate model of organization, the board of directors has served as one of the key tools of corporate governance. The board of directors leads and controls

a company and an effective board is fundamental to the success of a company. Acting as an agent for the shareholders, boards typically approve overall policies, determine senior managers' compensation, ensure compliance with laws and regulations, and establish the overall framework within which management operates. The corporate governance literature in the US and the UK focuses on the role of the board as a bridge between the owners and the management (Cadbury, 1992).

Jensen (1993) proposed that a smaller number of board members produce a more effective control mechanism and keeping boards small can help improve their performance. When boards get beyond seven or eight people, they are less likely to function effectively and are easier for the CEO to control. Smaller boards also reduce the possibility of free riding by individual directors, and increase their decision taking processes. For example, Yermack (1996) documents that for large U.S. industrial corporations, the market values firms with smaller boards more highly. Changanti, Mahajan, and Sharma (1985) also suggested that smaller boards play a more important control function whereas larger boards have difficulty coordinating their efforts which leaves managers free to pursue their own goals. However, a smaller board might be easier for the CEO to influence and a larger board would offer a greater breadth of experience.

2.3 Board Committee

Board committees are also an important mechanism of the board structure providing independent professional oversight of corporate activities to protect shareholders interests (Kumudini, 2011; Harrison, 1987). According to Faleye, Hoitash, & Udi Hoitash (2012), three principal board committees (audit, compensation, and nominating) of listed companies should be composed solely of independent directors to focus on the monitoring activities with commitment. Further, Faleye, Hoitash, and Udi Hoitash (2012) have suggested two recent developments. The first is the requirement that the principal monitoring committees be entirely staffed with independent directors, while the second is the trend toward smaller board sizes. Further, researches pointed that results will promote public policy that encourages firms to allocate board responsibilities in such a manner as to not over focus independent directors on only one dimension of their duties.

Roche (2005) states that in order to balance the power of the CEO, Asian firms have created board committees to strengthen the monitoring function of the board. In Sri Lankan context also, three committees as nomination committee, remuneration committee and audit committee should have established in a public company as per the guidance provided by the Institute of Chartered Accountants of Sri Lanka (ICASL). Individuals with expertise are

typically chosen by the firms to serve on one or more of the committees to support their top management (Agrawal & Knoeber, 1999).

Ravina and Sapienza (2010) investigated the information available to the independent directors sitting on the board of U.S. corporations in order to shed light on their monitoring ability. The findings reveal that independent directors earn positive substantial abnormal returns when they purchase their company stock.

2.4 Board Meeting

Meeting frequency is often considered in the literature as a proxy for the level of monitoring activity delivered (Collier & Gregory, 1999; Vafeas, 1999; Lakshmana, 2008; Sharma et al., 2009). The Institute of Chartered Accountants of Sri Lanka (ICASL) emphasizes that board should meet regularly and meetings should be held at least once in every quarter of a financial year. Directors on boards that meet frequently are more likely to discharge their duties in accordance with shareholders' interests and Conversely, boards that rarely meet may have no time to find out about such complex issues and may perhaps have time only to rubberstamp management plans (Habbash, 2010). Vafeas (1999) argues that independent directors are likely to demand more board meetings to enhance their ability to monitor management. At the same time, boards with higher numbers of independents are likely to need more meetings to brief members, than what would be required on boards with high insider membership (Vafeas, 1999, p. 116). Moreover, the code of best practice issued by the Cadbury Committee in 1992 concentrates on the importance of internal monitoring systems in the firms without stressing board meetings (Cadbury, 1992). But, if board meetings reflect board activity, then firms with separate chairman and CEO roles should meet more frequently since more discussion will be required within the board.

2.5 Literature Gap in relation to the corporate governance and Domestic Shareholdings

Importantly, in this study we tried to explore the influence of CEO duality structure and non-duality structure, board size, board committee and board meetings on the domestic shareholdings. In this way, the research on the relevant concepts is in the infant level in both developed and developing countries. Further, in the South Asian region, this study should be viewed as the pioneer effort to explore the gap in the corporate governance with domestic share holdings. Prominently, the unexplored conceptual link between board size, board leadership structure, board committee, board meeting and domestic share holdings should be focalized by the researchers and scholars in the corporate finance to give the new

insights for the corporate governance paradigm. Furthermore, this study finding also gives the cues to the economy in terms of standard of living of the people as the prosperity of the country. In other words, the concept as domestic shareholdings which has been considered as the dependent variable for this study enhances the standard of livings of the people. In addition, companies which have more domestic shareholdings surely are recognized as the source to alleviate poverty in the developing countries. It means that, benefit can be fully utilized by the people domestically.

Especially in Sri Lanka, recent study findings documented that, inflow of Foreign Direct Investment (FDI) has been increasing since 2005. And economic growth is not contributed by the FDI significantly (Mandal, 2012). Therefore, this is the time to empirically check the influence of CEO duality structure and non-duality structure, board size, board committee and board meetings on the domestic shareholdings in the Sri Lankan Context. Therefore, researchers hypothesized as;

H₁: There is a significant difference in domestic shareholdings between the companies with CEO

duality structure and the companies with non-duality structure

H₂: Board size is positively associated with domestic shareholdings.

H₃: There is a significant impact of board size on domestic shareholdings.

H₄: Board committee is positively associated with domestic shareholdings.

H₅: There is a significant impact of board committee on domestic shareholdings.

H₆: Board meeting is positively associated with domestic shareholdings.

H₇: There is a significant impact of board meeting on domestic shareholdings

2.6 Theoretical Framework

The theoretical framework is the foundation on which the entire research project is based (Uma and Roger, 2012). Duality/non Duality of CEO, board size, board meeting, and board committee play the role of independent variable and contribute on domestic shareholdings. The following conceptual model shown in Figure 1 is formulated to depict the relationship between dependant and independent variables.

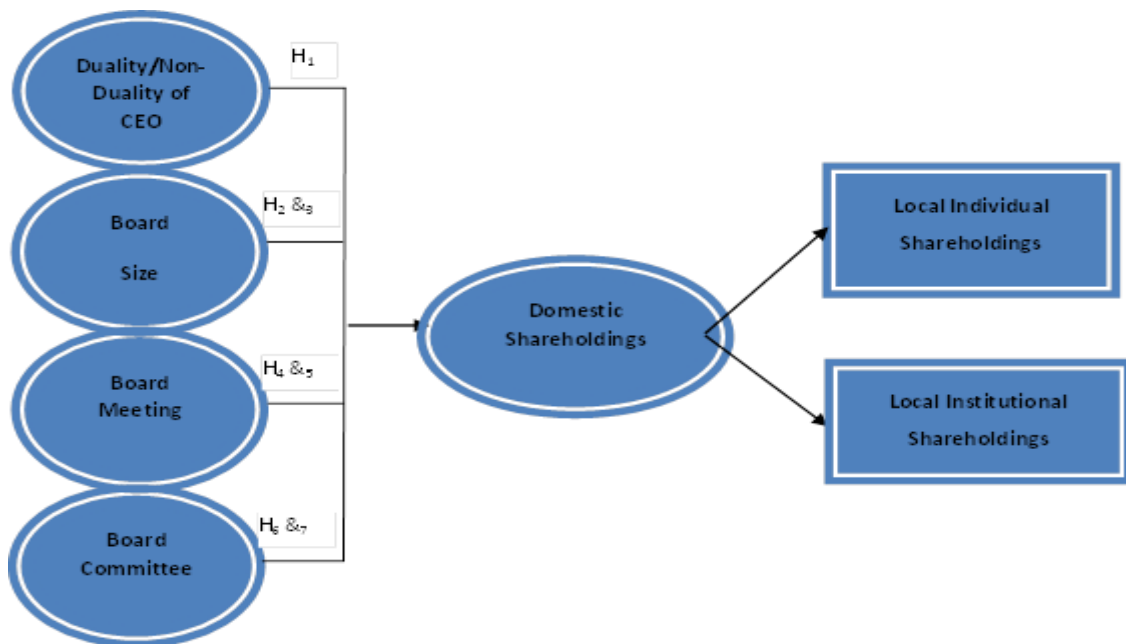


Figure 1. Conceptual Model

3. Research Methodology

The study analyzes the effect of duality and non-duality of CEO, board size, board meeting, and board committee on domestic shareholdings of 36 manufacturing companies quoted on Colombo Stock Exchange (CSE). This study used three year averages starting from the year 2011 to 2013, following Titman and Wesseles (1988).

3.1 Sample Selection

The sample for this study was drawn from the manufacturing companies listed on Colombo Stock Exchange (CSE) in Sri Lanka. The quoted companies in Colombo Stock Exchange (CSE) have been categorized into twenty business sectors and as at 31st March 2014, 293 companies representing the above sectors have been listed, with a market capitalization of Rs. 2,498 Bn (Source: Colombo Stock Exchange). The current study focuses only manufacturing sector

in which 37 companies at the above date are quoted to trade their shares publicly.

The availability of data restricts the sample. To determine the appropriate sample size, following two conditions have been adopted.

- The companies should have listed under manufacturing sector.
- Data for an uninterrupted period of three years starting from the financial year 2010/11 and

ending with the financial year 2012/13 should have been available.

According to the above conditions, 32 manufacturing companies have been selected out of total population as shown in table 1. The rules of thumb proposed by Roscoe (1975) suggest that sample size larger than 30 and less than 500 are appropriate for most research. Hence, the sample size determined for this research is consistent with the above criteria.

Table 1. Appropriate Sample Size

Description	Number
Population of Manufacturing Companies	37
Annual reports not available	(5)
Final Sample	32
Proportion of sample	86 %

3.2 Variables and Explanation

The researchers employ four most important variables such as Chairman/CEO Duality, board size, board committee, and board meeting as independent variables and domestic shareholdings as dependent variable of the study.

3.2.1 Chairman/CEO Duality

Every public company has two positions at the top as chairman and chief executive officer (CEO). But, in some companies, these two roles are usually held by the same person, known as CEO duality. Especially CEO duality can be observed in family controlled firms or family members may hold these positions (Lei and Song, 2004; Chen et al., 2005). Chairman/CEO duality is measured as an indicator variable, taking the value of 1 for non-duality and 0 otherwise.

3.2.2 Board Size

Monks and Minow (1995) and Lipton and Lorsch (1992) suggest that larger boards are able to commit more time and effort, and smaller boards are able to commit less time and effort, to overseeing management. At the same time, when a board gets too big, it becomes difficult to co-ordinate and process problems. Board size is the number of directors (executive, non-executive, independent non-executive) serving on the board.

3.2.3 Board Meeting

Board meeting frequency potentially carries important governance implications as it is less costly to adjust the frequency of its board meetings to attain better governance of the firm, than to change the composition of its board or ownership structure (Ajanthan *et al.*, 2013). Board meeting is the number of times the board has met in a financial year.

3.2.4 Board Committee

At least three committees as nomination committee, remuneration committee and audit committee should have formed in a public company in order to direct, lead and control the company (ICASL, 2003). The size of board committee is the number of committees existing at the company.

3.2.5 Domestic Shareholdings

Firm ownership is an increasingly influential form of corporate governance, although firms might be owned by different types of owners (Sivathaasan, 2013). In general, shareholdings mean the percentage of share holdings owned by the persons or institutions. Thus, domestic shareholding is the percentage of share holdings owned by residence either individual or institutions.

Table 2 summarizes the measurement of research variables used in the study.

Table 2. Design of Variables

No	Variable	Measure/Condition Used	Type of Scale
1	Chairman/CEO Duality	1 for non-duality and 0 for CEO duality structure	Nominal Scale
2	Board Size	the number of directors serving on the board	Ratio Scale
3	Board Meeting	Number of meetings held	Ratio Scale
4	Board Committee	Number of committee established	Ratio Scale
5	Domestic Shareholdings	Percentage of shareholdings owned by local	Ratio Scale

3.3 Analytical Model

In this study, domestic shareholding is the function of duality and non-duality of CEO, board size, board meeting and board committee in the corporate governance.

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \varepsilon_i$$

According to the above model, to understand the relationships among the variables, the model took the form as shown below.

$$DSH = \beta_0 + \beta_1 DNDCEO + \beta_2 BS + \beta_3 BM + \beta_4 BC + \varepsilon_i$$

Where;

DSH = domestic shareholdings (taken as dependent variable)

DNDCEO = Duality and Non-duality of CEO

BS = Board Size

BM= Board Meeting

BC= Board Committee

e = the error term

β_0 = Constant value

$\beta_1, \beta_2, \beta_3, \beta_4$ - Model coefficients

3.4 Data Sources and Mode of Analysis

In this study, secondary data were collected for the purpose of carrying out the research, particularly from annual reports of the listed companies through CSE website, books, journals, and magazines, etc. The data collected was then analyzed by using a Statistical Package for Social Science (version 20). Both

descriptive and inferential statistics specifically independent samples t-test, correlation and regression analysis have been employed. The upper level of statistical significance for hypotheses testing was set at 5%. All statistical test results were computed at the 2-tailed level of significance.

4. Results and Discussion

4.1 Descriptive Statistics

Table 3 reports the descriptive statistics for the variables considered. The sample profile consists of 12 percent companies (4) with CEO duality and 88 percent (28) with non-duality. In other words, around 88 percent companies have the positions of CEO and chairman separately. This separation of the top two positions of the board is an indication for effective corporate governance. Moreover, among those firms with non-CEO duality, only one female leads and conducts the business of the board and others are male chairmen (i.e. 96 percent). Of the sample companies, the mean board size is about seven (7) with a maximum of twelve (12) and deviation of 2.46 suggesting that manufacturing companies have relatively moderate board sizes. As far as board meeting is concerned, the board of the companies has their board meeting 6 times on average in a financial year, which is good to discharge their duties. In addition, all firms in the sample have established audit committee.

Table 3. Descriptive Statistics of Firms

Variables	Minimum	Maximum	Mean	Std. Deviation	Type of Structure
Board Committee	1	2	1.50	0.508	-
Board Meeting	0	12	5.58	4.308	-
Board Size	1	12	7.15	2.459	-
Non-CEO Duality	-	-	-	-	28 (88 %)
CEO Duality	-	-	-	-	4 (12 %)

4.2 Multi-Collinearity Analysis

Multicollinearity is an often encountered statistical phenomenon in which two or more independent variables in a multiple regression model are highly correlated (Uma and Roger, 2012). These measures indicate the degree to which one independent variable is explained by the other independent variables. More common measures for identifying multicollinearity are Tolerance test and Variance Inflation Factor (VIF) (Kleinbaum et.al, 1988). To detect multicollinearity, following cutoff value can be applied.

a) A tolerance value should be greater than 0.1. If it is less than 0.1, almost certainly, such value indicates a serious collinearity problem (Menard, 1955).

b) A VIF value should be less than 10. According to Myers (1990), a VIF value greater than 10 calls for concern of multi-collinearity.

Table 4 presents the tolerance and VIF values of the research variables. As the values are within the cutoff value, the independent variables do not propose multicollinearity problem.

Table 4. Collinearity Statistics

Independent Variables	Tolerance	VIF
Duality/Non-Duality of CEO	.868	1.153
Board Committee	.928	1.077
Board Meeting	.874	1.145
Board Size	.867	1.153

4.3 Independent Samples T-Test

The differences between companies with CEO duality structure and companies with non-duality structure regarding the domestic shareholdings were examined using independent samples t-test. As illustrated in table 5, the data failed to reveal a statistically reliable difference between leadership structures, suggesting

both duality and non-duality of CEO have no difference in terms of domestic shareholdings ($t = 1.210$, $p > 0.05$). Thus, this leads to the rejection of hypothesis one (H_1), that predicts a significant difference in domestic shareholdings between the companies with CEO duality structure and companies with non-duality structure.

Table 5. Results of T-Test

	Companies with CEO Duality (n = 4)		Companies with Non-Duality of CEO (n = 28)		t-Value	Sig.
	Mean	S.D	Mean	S.D		
Domestic Shareholdings	21.8599	31.43191	48.9231	42.85023	1.210	0.236

4.4 Correlation and Regression Analysis

Table 6 presents Pearson correlation coefficients among board size, meeting, committee and domestic shareholdings as well as their statistical significance. Board meeting and size demonstrated a positive association with domestic shareholdings, while negative correlation was observed between board committee and the shareholdings. Moreover, H_2 , which predicted that board size is positively associated with domestic shareholdings, was fully supported. As shown in table 6, there was a high

significant and positive relationship between board size and domestic shareholdings ($r = 0.595$, $P < 0.01$). H_4 proposed that board committee is positively associated with domestic shareholdings. But, this hypothesis didn't receive support, as board committee was negatively and insignificantly associated with domestic shareholdings ($r = -.273$, $P > 0.05$). H_6 stated that board meeting is positively associated with domestic shareholdings. Though the hypothesis was supported, the association between them was not significant ($p > 0.05$).

Table 6. The Association among Research Variables

Research Variables	Board Committee	Board Meeting	Board Size	Domestic Shareholdings
Board Committee	1			
Board Meeting	-.216	1		
Board Size	.019	.214	1	
Domestic Shareholdings	-.273	.095	.595***	1

*** significant at the 1 percent level; **significant at the 5 percent level; *significant at the 10 percent level

In this study, regression analysis is concerned with investigating the impact of board size, board meeting, board committee, on domestic shareholdings of thirty-two manufacturing companies quoted on CSE between 2011 and 2013. The main results obtained from the study are summarized in table 7.

The variables such as board size, meeting and committee formed extremely high significant impact ($F = 7.476$, $P < 0.01$) and predicted 38.5 percent variation on domestic shareholdings. Thus, the data supported the overall model to be significant at 1 percent level.

Table 7. The Impact of Board Size, Meeting, and Committee on Domestic Shareholdings

Variable	Beta	t-statistics	Sig.	Adjusted R ²	F-statistic	Prob. (F-statistic)
Constant	-	0.500	.621	0.385	7.476	.001***
Board Committee	-.308	-2.129	.042			
Board Meeting	-.105	-.710	.484			
Board Size	.623	4.313	.000			

*** significant at the 1 percent level; **significant at the 5 percent level; *significant at the 10 percent level

According to the empirical results, regression coefficient for board size and domestic shareholdings are statistically significant at 1 percent level ($\beta = -.308$, $p < 0.01$). For example, a 1 % increase in board size will lead to 0.623 % increase in domestic holdings. This evidence confirms the acceptance of hypothesis 3 (H₃). However, the empirical result in table 6 reveals an inverse impact that board committee and board meeting have on domestic shareholdings.

Though the negative impact is exposed, board committee is statistically significant at 5 percent level, which is consistent with hypothesis 5 (H₅). In contrast, the board meeting has insignificant impact on shareholdings, which leads to the rejection of hypothesis 7 (H₇).

The summary of acceptance or rejection of hypotheses formulated in this study is illustrated in table 8.

Table 8. Testing of Hypotheses

Hypotheses		Results	Tools
H ₁	There is a significant difference in domestic shareholdings between the companies with CEO duality structure and companies with non-duality structure	Rejected	Independent samples t-test
H ₂	Board size is positively associated with domestic shareholdings	Accepted	Correlation
H ₃	There is a significant impact of board size on domestic shareholdings	Accepted	Regression
H ₄	Board committee is positively associated with domestic shareholdings	Rejected	Correlation
H ₅	There is a significant impact of board committee on domestic shareholdings	Accepted	Regression
H ₆	Board meeting is positively associated with domestic shareholdings	Accepted	Correlation
H ₇	There is a significant impact of board meeting on domestic shareholdings	Rejected	Regression

5. Conclusion

This paper investigates the effect of duality/non-duality of CEO, board size, meeting, committee on domestic shareholdings by analyzing a sample of 32 publicly (manufacturing sector) listed companies on Colombo Stock Exchange over a three-year period from 2011 to 2013. To achieve the main aim of the paper, independent samples t-test, correlation analysis and regression analysis were employed and domestic shareholdings was measured by the percentage of shares held by either local individuals and /or local institutions. In line with T-test, it was concluded that companies with CEO duality do not differ with the companies that have non-duality structure in relation to domestic shareholdings. While A high significant and positive relationship between board size and domestic shareholdings ($r = 0.595$, $P < 0.01$) was recorded, it revealed a significant impact on domestic shareholdings at 1 % level. Concerning board committee, correlation results suggest a negative and insignificant association with domestic shareholdings ($r = -.273$, $P > 0.05$). However, regression model was statistically significant, indicating that board

committee impacts on domestic shareholdings. As far as board meeting is concerned, both correlation and regression analyses disclosed insignificant relationship as well as the impact on domestic shareholdings.

The current paper has taken an effort to this area of research on emerging share holdings held by local individuals and institutions in Sri Lanka. This may assist the researchers and practitioners to understand the relationship and the impact on domestic shareholdings in the Sri Lankan share market. The policy makers may also take a note these findings before new reforms are executed countrywide.

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