

# CORPORATE GOVERNANCE PRACTICES AND LIQUIDITY MANAGEMENT: SPECIAL REFERENCE OF SELECTED MANUFACTURING COMPANIES LISTED ON THE COLOMBO STOCK EXCHANGE.

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## Abstract

**Purpose:** This paper examines the relation between corporate governance practices and liquidity management. Hence good corporate governance practices optimize the liquidity management and long term value of the firm for shareholders. There is a great awareness among the researchers to carry out the researches in "liquidity management". Very little researches on "liquidity management" are available in Sri Lanka and need to be empowered companies to pay a special attention on corporate governance. The main objective of this study is to examine the relationship between corporate governance practices and liquidity management in listed manufacturing firms in Sri Lanka.

**Design:** In a way, the present study is initiated on "corporate governance practices and liquidity management" with the samples of 20 manufacturing companies using the data representing the periods of 2008-2012. The statistical tests used include: descriptive statistics, correlation and regression analyses.

**Findings:** The study found that determinants of corporate governance are not correlated to the liquidity management measures of the organization. Regression model showed that corporate governance doesn't affect companies' CR, and QR. Further recommendations are also put forward in the research.

**Research Limitations:** The study only used data from the 2008-2012 annual reports. However, the findings have highlighted the effects of the liquidity management and corporate governance.

**Originality/Value:** The study contributes to literature in Sri Lanka. Furthermore, the finding of the paper can be considered as helpful for managers and users that are anxious to develop financial description quality and practices of capital structure.

**Key words:** *Corporate Governance, Liquidity Management, Leadership Structure, Board Committee, Board Meeting, Board Size, Current Ratio, Quick Ratio, Manufacturing Companies.*

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