

i

**CORPORATE GOVERNANCE IN THE BANKING
SECTOR OF SRI LANKA: A COMPARATIVE
ANALYSIS**

By

J M Chamila Harshamali Jayawardhana

**The Dissertation submitted to
GENERAL SIR JOHN KOTELAWALA DEFENCE
UNIVERSITY
SRI LANKA**

**In partial fulfillment of the requirement for the award of
the degree of**

Master of Laws

05th August 2024

Abstract

This study focuses on evaluating the corporate governance practices within Sri Lanka's banking sector. It seeks to underscore the significance of these practices, identify practical challenges in their implementation, and highlight deficiencies in the Sri Lankan system while drawing comparisons with the United Kingdom and India. The ultimate goal of this research is to provide recommendations for enhancing corporate governance in the banking sector. Given the critical role of banks in managing the nation's financial resources, it is imperative that they adhere to the best practices. Failure to do so could have far-reaching consequences for all stakeholders, including the general public, who are among the most vulnerable. In the past two decades, the world has witnessed numerous corporate scandals, prompting increased scrutiny of corporate governance systems and practices. This heightened attention has highlighted the necessity for legislative reforms aimed at enhancing corporate governance in various countries. The failures of Pramuka Savings & Development Bank and Seylan Bank underscore a clear deficiency in the corporate governance framework concerning banks in Sri Lanka. Despite the existence of guidelines from the Securities Exchange Commission and the Central Bank of Sri Lanka regarding good governance, this research aims to address the key problem of corporate governance inadequacies in the banking sector. This study employs a qualitative approach and gathers data from annual reports of selected banks, as well as relevant scholarly articles found online. This study will also incorporate insights gathered from interviews with experts in the field. It delves into the theories and legal framework surrounding corporate governance in the banking sector by analyzing relevant laws, codes, and international standards. The research ultimately finds that while Sri Lanka has established a reasonable legal foundation for the corporate governance of banks, there remains a need for substantial improvements in both governance practices and the structural aspects related to banks. It is essential to undertake measures that adapt and enhance these practices and structures to align with the social, political, and cultural context of the country.

Key Words: Corporate Governance, Banking Sector, Sri Lanka, India, UK, Shortcomings, Recommendations.