

Determinants of Financial Performance of Listed Banks in Sri Lanka

Chandrapala, C.N.C.¹ and Thilakarathne, P.M.C.²

¹nisansalachandani94@gmail.com, ²lal@kln.ac.lk

Abstract

The main purpose of this study examines the bank specific factors which are determined the financial performance of listed banks in Sri Lanka. Bank size (BS), Capital ratio (CAR), Liquidity (LIA), Deposits to assets (DEA), Operating expense to assets (OPA), and Loan to assets (LOA) as independent variables and financial performance as the dependent variable. This research return on assets (ROA) and return on equity (ROE) used measure the financial performance. The study conducted with panel data and utilized the sample frame interim financial reports of listed banks in Sri Lanka. Multiple regression model used analyze the data including 220 observations of 11 listed bank in Sri Lanka over the period 2013-2017. Regression model were analyzed by using E- Views software package.

The result reveal that bank size, loan to assets and deposits to assets have significant positive relationship with both financial performance measures and liquidity has significant negative relationship with return on equity (ROE). In view of these findings, banks financial performance is determine by the bank specific factors therefore bank management have more significant influence on determine the financial performance of banks listed in Sri Lanka. The result of the study are value to both academic and policy makers.

Keywords: Financial performance, Banks, Return on Assets, Return on Equity, Bank Specific Factors