

Impact of E-Banking on Financial Performance of Sri Lankan Domestic Commercial Banks

A. C. Madhushani¹ and J. M. R. Fernando²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

<mailto:acmadushani96@gmail.com>¹, ruwani@kln.ac.lk²

ABSTRACT

Introduction - Electronic banking has initiated from electronic revolution in global banking sector. Due to the flexible nature of the electronic banking system's banks could be able to offer entirely innovative banking products and services to satisfy the customer's needs. The study guided by four objectives, examining the effect of e-banking on financial performance as the main and finding the effect of e-banking on bank performance on the characteristics of bank size, ownership and number of years of operations in Sri Lanka.

Design/Methodology/Approach Sample of 13 domestic licensed commercial banks in Sri Lanka were selected for the study and secondary data was extracted from the published annual reports of the selected banks. Both descriptive and inferential statistics were used. Random-effect generalized least squared regression analysis was carried out to find the relationship among the dependent variable (financial performance) and independent variables (investment in information and communication technology, number of automated teller machines and fee and commission income) and controlled variables (bank size, ownership and number of years of operations).

Findings – Results revealed that the investment in information and communication technology and number of automated teller machines had a negative relationship but fee and commission income had a positive significant relationship with financial performance of licensed commercial banks in Sri Lanka. As a controlled variable bank size had a negative but significant relationship with financial performance. Ownership of the bank had no any significant relationship with financial performance.

Conclusion - The study established that electronic banking had an influence on financial performance of the domestic licensed commercial banks in Sri Lanka in terms of fee and commission income. As controlled variables bank size and number of years of operations had a significant influence on financial performance of the domestic licensed commercial banks in Sri Lanka.

Keywords: *Electronic banking, Financial performance, Licensed commercial banks, Size, Ownership, Number of years of operations.*