

**Electronic Banking and Banks' Performance a Study on Sri Lankan
Commercial Banks**

M. N. M. Madusinghe¹ and S. D. P. Piyananda²

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

navodmishara96@gmail.com¹, dhanushkap@kln.ac.lk²

ABSTRACT

Introduction - Numerous studies have investigated the impact of Electronic banking on the performance of banks in many countries over the world. Some studies have found the positive impact of E-banking on the bank performance while some studies have revealed the negative impact. So, the purpose of this study is fulfilling this empirical gap in the literatures.

Methodology - Automatic teller machine (ATM), internet and mobile banking and Credit & Debit cards are used as key independent variable as components of Electronic banking. Return on Assets (ROA) and Cost to Income Ratio are used as key dependent variables. Furthermore, bank size is used as the control variable. Ten commercial banks listed in Colombo Stock Exchange are used as sample of the study. Secondary data collected through the financial statement and the annual reports of the banks for ten years' period from 2010/11 to 2018/19. Ordinary least square regression model is used to analyse the data collected.

Findings -The current study found statistically significant impact of Electronic banking on banks' performance. According to that, there is a positive significance impact of ATM on Cost to income and negative significant impact on ROA and credit cards and credit cards has a negative significant impact on ROA and positive significant impact on Cost to income. Although, there is no impact of internet and mobile banking on bank performance based on ROA but there is a significant negative impact of internet and mobile banking on Cost to income.

Conclusion – The research study recommends to the management of commercial banks which are slow in electronic innovation adoption, to move in and adopt various innovations in their operation in order to shore up their performance. This study recommends to policy makers to develop appropriate strategies and policies to boost the performance in the Sri Lankan Banking System by considering electronic innovations.

Keywords: *Bank performance, Commercial banks, Electronic banking*