The Impact of Financial Inclusion on Performance of Listed Commercial Banks in Sri Lanka

W. A. Rasika[1] and W. B. M. D. Basnayake[2]
Department of Finance, University of Kelaniya, Sri Lanka[1,2]
rasikawa1997@gmail.com[1], dananji@kln.ac.lk[2]

ABSTRACT

Introduction – Financial inclusion is recognized as a vehicle to economic growth and reduce the poverty. The disparity in financial inclusion in different countries within Asia is highly significant. Financial inclusion is the usage and accessibility of the affordable financial services and products to the deprived, low income and disadvantage sector of the population. The primary objective of this study is to investigate the impact of financial inclusion on the performance of listed commercial banks in Sri Lanka.

Design/Methodology/Approach – the study used annual data of 10 commercial banks from year 2015 to year 2019. Performance of commercial banks measured by ROA and financial inclusion measured by number of ATMs, number of bank branches, loans to deposit ratio and credit cards. This study follows a quantitative analysis. With the use of STATA statistical software, the collected data will be analysed using regression analysis method.

Findings – The study found there is a significant impact of financial inclusion on financial performance of listed commercial banks in Sri Lanka. When considering the impact of financial inclusion indicators individually, it shows different results on financial performance of commercial banks. Bank embranchment, use of credit cards have significantly impacted the performance of the banks while impact of number of ATMs, loans to deposit ratios on financial performance were insignificant.

Conclusion - It is suggested to develop the infrastructure of financial services that allows individual and corporate bodies to take advantage of financial services, hence banks can improve their performance. Moreover, it is recommended banks to continue to embrace the use of mobile banking in their operations as the access to a mobile equipment of the people increases every day. The banks can give options for the people to get the access for the banks through the mobile and technical appliance rather than opening up a branch which would be cost worthy compared to the opening up a bank branch.

Keywords: *Financial inclusion, Financial performance, ATMs, Bank branches, Credit cards, Loans to deposit ratio.*