Effect of Firm Size on Firm Financial Performance: with Special Reference to Licensed Commercial Banks in Sri Lanka

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ABSTRACT

Introduction - Higher performance of the banking industry is important for the development of the financial sector. This study investigates the effect of firm size on firm financial performance with special reference to licensed commercial banks in Sri Lanka.

Design/Methodology/Approach - This study is used the secondary data collected from relevant banks' annual reports. The time period of this study was 2014-2019. The sample of this study consisted of ten licensed commercial banks registered in CSE in Sri Lanka. The sample was selected based on the asset size respectively. The regression analysis, descriptive statistical analysis and correlation analysis are used to analyse the data by using SPSS software.

Findings - According to the regression results, there is a significant influence of firm size on firm financial performance under the regression models.

Conclusion - In this study, the total assets of LCBs were used to measure the firm size and this study found that, there was a significant negative difference of ROE. Not only that when firm size measured in terms of total deposits also, there was a significant positive change of ROE of LCBs in Sri Lanka.

Keywords: *Banking industry, Financial sector, Regression analysis, Descriptive statistical analysis, Correlation analysis.*