

E-Banking and Financial Performance of Commercial Banks in Sri Lanka

M.P. Madubhashini¹ and A.J.P. Samarawickrama²

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

piumikamadubhashini14@gmail.com¹, aravindaj@kln.ac.lk²

ABSTRACT

Introduction: Advancement of the Information and Communication Technology (ICT) and rapid increase in the usage of ICT in financial markets can be identified as one of the main reasons behind this increased complexity and competition. In fact, ICT helps to deliver variety of banking services to the clients at a relatively lower cost. Only a limited number of studies have been conducted in Sri Lankan context to identify the impact of e-banking for profitability of banks in Sri Lanka. Hence, this study critically investigated the impact of e-banking on bank performance in Sri Lanka.

Design/Methodology/Approach: To investigate the impact of e-banking for financial performance of the commercial banks in Sri Lanka, this study selected five systematically important commercial banks in Sri Lanka. The sample is composed of three private and two state-owned banks. The data was gathered over the period of 2012 to 2020 in relation to number of ATMs, fee and commission income, total assets, number of branches, PBT and covid impact based on the published annual reports of each bank. Furthermore, this study gathered information relating to e-banking services of each bank from the bank's websites to investigate the extent of e-banking services which banks have adopted.

Findings: This study used both descriptive and statistical techniques to investigate the impact of e-banking on bank performance. Results suggest that e-banking has significantly improved the bank performance in Sri Lanka over 2012 to 2020 and covid have negative impact with PBT.

Implications: This study discovered that e-banking increases the bank performance by offering value added products and services through ICT banks take remedial actions to develop mobile banking, it positively affects to improve the bank performance. Additionally, the study can also be extended to evaluate whether e-banking has helped to improve bank performance especially in rural areas. Further, this study found that total assets and number of branches have affected to increase the financial performance of commercial bank.

Keywords: *Bank performance, Commercial banks, E-banking, Profit before tax, Covid-19*