

Factors Affecting the Changes in Share Price in the Banking Sector of Sri Lanka

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Abstract

The banking sector in Sri Lanka is one of the most dynamic and vibrant sectors of the economy. It plays a crucial role in the country's financial system and economic development. The performance and changes in share prices within the banking sector are influenced by a multitude of internal and external factors. The purpose of this research is to identify the factors that affect the share prices in the banking sector of Sri Lanka and to determine the factor that mostly affects the share prices of the banking sector in Sri Lanka. A sample of 9 licensed commercial banks listed in the Colombo Stock Exchange were selected to conduct the study and the study covers the period from 2013 to 2022. As per the results of the study, the factors; of dividend yield, asset growth, debt-to-equity ratio and return on assets have a significant impact on the changes in the share price of commercial banks in Sri Lanka. Further, the liquidity coverage ratio and the capital adequacy ratio were identified to have an insignificant impact on the changes in the share prices of commercial banks in Sri Lanka. The findings of the study would help decision makers of the banks, potential investors, academics, and other stakeholders in making decisions including, profit allocation investment decisions, operating and strategic decisions. By understanding the factors that affect share prices, investors can better assess the risks and potential rewards of investing in Sri Lankan banks. The studies that have incorporated liquidity coverage ratio and capital adequacy ratio are rare to find. Therefore, this study provides a novel contribution to the literature.

Keywords: Commercial Banks, Share Price, Sri Lanka