

Impact of E-Banking on Profitability of Commercial Banks in Sri Lanka

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A B S T R A C T

Sri Lanka also implies e-banking to provide their banking services to its customers. There are a lot of studies have been conducted on a variety of determinants' impact on the profitability of banks. However, there are few studies that have been conducted in Sri Lanka to identify the impact of e-banking on the profitability of banks in Sri Lanka. Therefore, policymakers have seemingly failed to develop appropriate strategies and policies to boost the performance of the Sri Lankan banking system through the effective adoption of e-banking. Therefore, this study critically investigated the impact of e-banking on the profitability of commercial banks in Sri Lanka. Furthermore, the return on assets, net interest margin, and efficiency ratio is used to measure the profitability of Commercial Banks. E-banking is measured by a number of ATMs and fee and commission income. Bank size, GDP growth rate, and annual inflation rate are considered as the control variables in this study. The control variable is measured by total assets, annual inflation rate, and GDP growth rate. The data was analyzed by using regression analysis. For this study selected 24 commercial banks in Sri Lanka as a sample to investigate the impact of e-banking on profitability. The data was gathered by using published annual reports of selected banks from 2008 to 2020 in relation to the number of ATMs, fee and commission income, net interest income, total assets, profit after tax, and operating expenses by using the published annual reports of each bank. This study found that e-banking had a negative impact on the profitability of commercial banks, bank size also had a negative impact on NIM, bank size and GDP growth rate had a positive impact on ER and ROA respectively. The reliability of this study largely depends on the secondary data. Mainly through previous research and annual reports. This study investigates only the effect of E-banking, bank size, annual inflation, and GDP growth rate. But there can be many other variables that affect the profitability of commercial banks. This research helps to recognize the impact of E-banking on the profitability of Sri Lankan commercial banks.

Keywords: Bank profitability, Commercial banks, E-banking, Return on assets, Net Interest Margin, Efficiency Ratio

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