

Impact of Electronic Banking on Operational Performance of Commercial Banks in Sri Lanka

W. A. D Prabodhi¹ and H. J. R. Buddhika²

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

Prabodhidilsha@gmail.com¹, buddhkar@kln.ac.lk²

ABSTRACT

Introduction- Information and Communication Technology (ICT) is essential for financial markets for faced and sustain the competition. However, a limited number of studies have been conducted in Sri Lanka to determine the impact of e-banking on banks' profitability in Sri Lanka. This study critically investigated the effect of e-banking on operational performance in Sri Lanka.

Design/Methodology/Approach- The secondary data gathered during the year 2014 to 2019 concerning fee and commission income on internet banking, number of branches, number of ATMs, from the published annual reports of ten selected banks systematically. Regression analysis processed to determine the effects of electronic banking on profitability. The descriptive statistics, Pearson correlation were used for the data analysis through E-Views 11 statistical software.

Findings – Based on the results, the fixed-effect model found a significant positive relationship among IB (Internet Banking) on ROA, negative significant with ROA and BN (Branch Network), ATMs. Also, the insignificant relationship between ROE and IB. CIT (Cost to Income ratio) and IB have negative significant, and other variables are a significant relationship with CIT.

Conclusion: Results proved that; e-banking has significantly contributed to the banks' operational performance in Sri Lanka.

Keyword: *E-banking, branch network, operational performance, profitability, Efficiency*