The Effect of Bank Expansion on Profitability with Special References to Commercial Banks in Sri Lanka

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Abstract

One of the primary causes of the current financial markets' increased complexity and rivalry is the rapid advancement of information and communication technology (ICT) and its use in financial markets worldwide. For a few decades, banks in Sri Lanka have also used bank expansion to provide their services. To determine the impact of bank expansion on the profitability of Sri Lankan banks, a very limited number of studies have been carried out in that country. The main objectives of the research are to investigate how bank expansion affects profitability and whether the size of the firm, the number of ATMs, the number of branches, and fee and commission incomes have an impact on Sri Lanka's commercial banks' profitability. To examine the effects of bank expansion on the profitability of Sri Lankan commercial banks, a sample of sixteen commercial banks was chosen for this study, and data was collected between 2013 and 2022 from the banks' published annual reports. Additionally, this study examined the Return on Equity (ROE) as the dependent variable and Bank expansion as the independent variable to evaluate the impact of bank expansion on bank performance. The method by which each bank distributes its fee and commission income has been chosen as a sign of technological expansion (online banking). The number of ATMs, branches, and firm size of the bank have been considered for this study's geographical expansion. The regression model has been used in this study to examine how bank expansion affects profitability.

Keywords: Number of Branches, Number of Automated Teller Machines, Online Banking, Firm Size, Return on Equity