

**Profitability Indicators and Bank Performance in Post War Period:  
(Evidence from Local Listed Commercial Banks in Sri Lanka)**

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**Abstract**

Banking sector is one of the largest sectors in Sri Lanka which highly contributes to Gross Domestic Product as well as to economic and human development in Sri Lanka. However, there are profitability indicators challenging to Sri Lankan banking industry in recent past resulting significant fluctuations in civil war period. Although there are various studies done to investigate the influence of profitability indicators on bank profitability, there are lack of studies on quantitative internal profitability determinants of bank performance in Sri Lankan context. This study investigates the profitability indicators and bank performance in post war era in Sri Lanka using a sample of annual time series data from 2010 to 2014. Data collected from secondary sources including Colombo Stock Exchange (CSE) without Guilt, Newspaper articles, Audited annual reports and statistics of CBSL. Quantitative data analyzed through descriptive statistics, regression analysis, correlation analysis and line charts while paying considerable attention on qualitative profitability indicators which relates to Sri Lankan banking industry in previous few years. Findings of the study exposed that Asset size, Deposits, Capital and Total Loan influence on bank profitability in Sri Lanka while there is a moderate positive relationship between return on equity and Asset size, Deposits, Total Loan. Moreover, there is a weak positive relationship between return on equity and capital. However, since the Asset size, Deposits, Capital and total Loans account for a small proportion of Sri Lankan bank profitability, concession agreements and other qualitative factors determine the large proportion of fluctuations in Sri Lankan bank performance in previous few years.

**Keywords:** *banking industry, bank performance, return on equity, asset size, deposits, capital, total loan*