

Determinants of Financial Performance of Listed Companies of Financial Sector in Colombo Stock Exchange.

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Abstract

The bank and non-bank financial institutions are considered to be an important source of financing in any economy. Stability of earnings is one of the pre-conditions for survival and growth of any industry in the long run. Keeping the importance of financial performance in mind, this paper aims to find out the determinants of financial performance of financial sector listed companies in Colombo Stock Exchange during the period 2015 to 2019. Return on equity is defined as the dependent variable while Company size, Liquidity risk, Operating cost and Capital adequacy are identified as independent variables. The panel data is employed, and E-views software is used for data analysis. Descriptive statistics and inferential statistics, simple linear regression model, correlation matrix, Fixed Effect Model and Random Effect Model are used to analyze the data. The findings will be important to the management of listed companies in finance sector to manage their portfolios efficiently in order to protect the long run investments of profit-making.

Keywords: Capital adequacy, Company size, Financial performance, Liquidity risk, Operating cost, Return on Equity