

**Impact of Online Banking on Financial Performance of Commercial Banks in Sri Lanka: Evidence from Commercial Banks on Sri Lanka**

**M. J. F. Hasna<sup>1</sup> and W. B. M. D. Basnayake<sup>2</sup>**

Department of Finance, University of Kelaniya, Sri Lanka<sup>1,2</sup>

[jfhasna@96gmail.com](mailto:jfhasna@96gmail.com)<sup>1</sup>, [dananji@kln.ac.lk](mailto:dananji@kln.ac.lk)<sup>2</sup>

**ABSTRACT**

**Introduction** - Any electronic payment system which allows customers of a financial institution to carry out financial transactions through the financial institution's internet-accessed website or application is called online banking. The study examines the impact of online banking on the financial performance of licensed commercial banks in Sri Lanka.

**Design/Methodology/Approach** - - A sample of 10 licensed commercial banks in Sri Lanka was used for this study. Data were collected from annual reports of sample banks for the period of five years from 2015 to 2019. Financial Performance was measured in terms of return on assets (ROA) while net fee and commission income (FEE), number of ATMs (NATM), mobile banking (Mob) and internet banking (Int) were used to measure the online banking and number of branches (NB) and total assets growth (TAG) were used to measure control variable; bank size. Data were analysed under descriptive statistic, correlation analysis and regression analysis using E-Views packages.

**Findings** - The findings reveal that FEE has insignificant positive impact on ROA. Significant negative relationship was identified between NATM and ROA and mobile banking and ROA, and internet banking and ROA. Further study revealed that NB has a negative insignificant impact on ROA and TAG has a negative impact on ROA. But overall online banking has significant impact on banks' financial performance.

**Conclusion** - The study fulfils the existing research gap in the area of online banking in Sri Lanka. These findings will help for future studies relating to the online banking. Moreover, it is recommended that banks embark on educating and creating awareness among their customers regarding online banking while developing strategies that can minimize the cost and maximize the benefit of online banking.

**Keywords:** *Net Fee and Commission Income (FEE), Number of ATMs (NATM), Mobile Banking (Mob), Internet Banking (Int) and Return on Assets (ROA)*