

Determinants of Firm Performance; With Special Reference to Commercial Banks in Sri Lanka

Senanayaka, S.M.D.J. ¹ and Karunarathne, W.V.A.D. ²
dasunsenanayaka@gmail.com¹, anurawvadk@gmail.com²

Study was to discover the determinants, which affect to the profitability of Commercial banks in Sri Lanka. In the economy that the financial system is, important criteria and commercial banks are playing a key role under the financial system in the economy. The purpose of this study is to identify the determinants of the firms' performance of commercial banks in Sri Lanka. There are many factors, which affects to the performance of commercial banks. In this study, it pays attention on the internal factors, which affects to commercial banks' performance. The study has used Return on asset (ROA) and Return on Equity (ROE) alternatively to identify the banks' performance. Capital Adequacy, Financial Leverage, Number of Branch and Liquidity ratio were considered as independent variables of the study. Secondary data of eight (08) listed commercial banks over 10 years were selected to the sample of the study. Correlation and Regression analysis were performed to analyzed data of the study. Constructed two models were used as alternative models. According to first model, that Capital Adequacy ratio, Debt to Equity ratio, Number of branches and the Liquidity assets ratio significantly affected the Return on Assets (ROA). According to the second model, that Capital Adequacy ratio and the Liquidity Assets ratio were significantly affected on Return on Equity (ROE) and the Debt to Equity ratio and the Number of branches were not affected on ROE significantly.

Keywords: Commercial banks, Profitability, Performance, ROA, ROE