

**The Determinants of Performance of the Commercial Banks in Sri Lanka**

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**ABSTRACT**

**Introduction:** The Banking sector is one of the major sectors in Sri Lanka and it plays a central role in the operation of the economy. The purpose of this paper is to examine the determinants of performance of the commercial banks in Sri Lanka.

**Design/ Methodology/ Approach:** Data for 10 listed commercial banks from 2009 to 2018 is analyzed using E-views.

**Findings:** Bank specific factors of deposits and size have contributed significantly and positively to the performance while operating expense management is significantly and negatively impact on performance of commercial banks. The specific variable of industry growth under industry specific variables, which was not considered in previous literatures has a significant and negative impact on performance of the commercial banks. The results further show that macroeconomic determinant of economic growth rate has a significant and positive impact on performance while inflation rate and market interest rate has significant and negative impact on performance of commercial banks. **Conclusion:** By considering industry specific variable of industry growth and stock return, this study provides some interesting new insights for a better understanding of the mechanisms that determine the performance of commercial banks in Sri Lanka.

**Keywords:** *ROA, ROE, Stock Return, Industry Growth, Commercial Banks*