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13th Students' Research Symposium 2024/2025 (SRS)

"Sustainable Finance and Global Change: Navigating the Financial Landscape of Tomorrow"

ABSTRACTS

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DEPARTMENT OF FINANCE

FACULTY OF COMMERCE AND MANAGEMENT STUDIES

UNIVERSITY OF KELANIYA

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13th Students' Research Symposium 2024/2025

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13th Students' Research Symposium

"Sustainable Finance and Global Change: Navigating the Financial Landscape of Tomorrow"

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Message from the Dean of the Faculty of Commerce and Management Studies

I would like to extend my warmest wishes to all participants of the Students' Research Symposium 2024/2025, organized by the Department of Finance, Faculty of Commerce and Management Studies, University of Kelaniya for the 13th consecutive year. The Faculty of Commerce and Management Studies has been one of the pioneer Faculty at the University of Kelaniya which has taken numerous efforts to improve the research culture of its academic members and undergraduates.

I am confident that the 13th Students' Research Symposium 2024/2025 will play an important role in encouraging the research culture in the University of Kelaniya while further strengthening the successful journey of the faculty. I hope that the findings of this symposium will support to uplift of the level of the country's businesses and economy which faced numerous challenges due to the pandemic and the prevailing economic crisis. I believe that this symposium will provide an opportunity for final-year undergraduates of the Department of Finance to showcase their presentation and research skills at a common academic forum and disseminate new knowledge to society at large. Furthermore, I highly appreciate the staff and the students for their contribution, confidence, and dedication to make this event a success. Moreover, I congratulate all the undergraduates who will be presenting their research findings in the symposium and wish all the success to the 13th Students' Research Symposium 2024/2025.

Prof. W.M.C.B Wanninayake

Dean

Faculty of Commerce and Management Studies

University of Kelaniya

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Message from the Head of the Department of Finance

It is my great pleasure, as the Head of the Department of Finance (Dfin), to extend my best wishes for the 13th Students' Research Symposium 2024/2025 (SRS), organized by the Department of Finance, Faculty of Commerce and Management Studies, University of Kelaniya. The primary goal of SRS is to provide a platform for our fourth-year undergraduates to present their research findings to a broader audience.

At Dfin, we are committed to fostering a strong research culture and a supportive environment where students can share their insights and receive valuable feedback from faculty members. This year, it was particularly encouraging to see research studies addressing a range of contemporary issues in finance, banking, and insurance. Dfin firmly believes that initiatives like SRS play a vital role in honing students, critical thinking, communication, and time management skills which are key attributes of industry-ready graduates. I extend my heartfelt congratulations and best wishes for a successful 13th SRS. I would also like to express my sincere appreciation to all students and faculty members who contributed to research projects and organizing this event.

Prof.J.M.R Fernando

Head

Department of Finance

Faculty of Commerce and Management Studies

University of Kelaniya

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Message from the Chairman of the Research Council

It is with great pleasure that I write this message for the Abstract Book of the 13th Student's Research Symposium, organized by the Department of Finance, Faculty of Commerce and Management Studies, University of Kelaniya. Since its inception, the Student's Research Symposium has been an important annual event of the Department of Finance.

Over the years, it has motivated and moulded many young researchers who graduated from the Faculty of Commerce and Management Studies, thus imparting a positive influence on the research culture of the university.

The organizers have selected a very timely theme, 'Sustainable Finance and Global Change: Navigating the Financial Landscape of Tomorrow' for this year's conference. The programme is enriched by a keynote speech and a special session on research and publication by two excellent academics from the faculty. I am confident that the symposium will be scientifically stimulating and extremely useful to the participants.

I wish you all the best for a successful symposium.

Professor Sachith Mettananda

Chairperson

Research Council

University of Kelaniya

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Message from the Coordinator of the Dissertation and Symposium

I warmly welcome you to the 13th Students' Research Symposium 2023/2024 at the Department of Finance, Faculty of Commerce and Management Studies. The Department of Finance initiated the SRS in 2012 as the first-ever Students' Research Symposium (SRS) and this year it is under the theme of 'Sustainable Finance and Global Change: Navigating the Financial Landscape of Tomorrow' which is particularly appropriate for the field of Finance in modern business landscape. It creates a platform for 217 undergraduates at the Department of Finance to share knowledge and expertise on the business management discipline and their application in various sectors to create a positive impact on business and society at large. The success of the 13th SRS 2024/2025 depends on the contribution and commitment of many parties including the organizing committee, university administration, speakers, scholars, researchers, and, presenters. While extending a deep sense of gratitude to them, I wish SRS a successful journey ahead.

Mrs.Nethmi Herath

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Keynote Speech - SRS 2024/2025

Sustainable finance and global change; Navigating the financial landscape of tomorrow

I am privileged to have been asked to deliver the keynote speech at the 13th Students' Research Symposium under the theme of "Sustainable Finance and Global Change; Navigating the Financial Landscape of Tomorrow" which is a timely and relevant topic nowadays.

As we look ahead, we find ourselves at a crossroads. The financial decisions we make today will determine the future trajectory of our world. These decisions will impact not only our economic systems but also our environment, our societies, and the well-being of future generations.

We are living through an era of profound global change: climate change, technological innovation, social transformations, and geopolitical shifts. But with these challenges, there comes a unique opportunity: the chance to rethink how finance can drive a sustainable future.

Sustainable finance is a rich field of research which has drawn the attention of researchers, practitioners and policymakers. Sustainable financing is an umbrella term for any financial activity (loans, investments, and others) that takes into account environmental, social, and corporate governance (ESG) factors.

Today, sustainable finance has become prominent in designing business strategies and decision-making. I am going to commence my speech with the concept of sustainable development and focus on the diverse areas of why finance should contribute to sustainable development, the urgency of sustainable finance, the shift to sustainable finance, navigating the financial landscape of tomorrow, emerging themes and future research areas.

Sustainable development

Sustainable development is an integrated concept with three aspects: economic, social and environmental. It is important to understand the sustainability challenges that society is facing. On the environmental front, climate change, land-use change, biodiversity loss and depletion of natural resources are threatening the Earth system. Moreover, poverty, hunger and lack of health

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care show that many people live below minimum social standards. Sustainable development means that current and future generations should have the resources they need, such as food, water, health care and energy, without stressing the Earth system. To guide the transformation towards a sustainable and inclusive economy, the United Nations (2015) has developed the 2030 Agenda for Sustainable Development, which will require behavioral change.

Why should finance contribute to sustainable development?

The main task of the financial system is to allocate funding to its most productive use. Finance can play a role in allocating investment to sustainable companies and projects and thus accelerate the transition to a low-carbon, circular economy. *Sustainable finance* considers how finance (investing and lending) interacts with economic, social and environmental issues. In the allocation role, finance can assist in making strategic decisions on the trade-offs between sustainable goals. The financial sector will play a considerable role in contributing toward a sustainable future, whether by investing in renewables that will speed up the transition to a low-carbon economy or by supporting companies that follow diversity, equity, and inclusion. Sustainable finance drives sustainability and mitigates climate risk for the global financial system, which relies on healthy ecosystem services. It also provides investors with increased transparency and accountability for companies they are investing in, especially those with a central focus on sustainable finance or who consider ESG factors in investment decisions.

The thinking about sustainable finance has gone through different stages over the last few decades. The focus is gradually shifting from short-term profit towards long-term value creation. Financial and non-financial firms traditionally adopt the shareholder model, with profit maximization as the main goal. The first step in sustainable finance would be for financial institutions to avoid investing in companies with very negative impacts. Some firms are starting to include social and environmental considerations in the stakeholder model. As a result, in recent years financial institutions are now slowly going beyond maximizing profits to actively investing in sustainability and this type of investment is known as sustainable financing.

Sustainable Finance

Sustainable finance, the integration of environmental, social, and governance ("ESG") issues into financial decisions is an increasingly important topic. Within companies, sustainability is no longer a primary issue limited to corporate social responsibility departments, but a CEO-level issue fundamental to the core business.

The Urgency of Sustainable Finance

The world is struggling with a climate crisis that demands immediate and transformative action. The global temperatures are rising, ecosystems are being disrupted, and communities are bearing the effect of natural disasters. But this is not just an environmental crisis. It is a financial crisis. Because the economic costs of inaction are already increasing.

The Shift to Sustainable Finance

In recent years, we have witnessed a dramatic shift in the financial landscape. Sustainable finance has evolved from a niche concept to a mainstream movement. Investors, corporations, governments, and financial institutions are increasingly recognizing the importance of integrating Environmental, Social, and Governance (ESG) factors into their decision-making processes.

But the transition is far from simple. The financial system, in many ways, is still rooted in short-term thinking driven by quarterly earnings reports, immediate returns, and traditional risk models. This makes it difficult to align the long-term nature of sustainability with the short-term objectives that have historically guided financial markets.

Yet, there is a growing recognition that *long-term* financial success is inseparably linked to the health of our planet and society. Sustainable finance is not just about mitigating risk, but about seizing new opportunities by investing in clean energy, green infrastructure, circular economies, and social enterprises that contribute to positive societal change.

Emerging themes

Following a recent research article on a review of sustainable finance by Singhania et al. (2024), the top four emerging themes of sustainable finance included climate finance, carbon pricing, innovation financing, and green financing.

Sustainable finance was an evolving field which defined future financing. Globally all countries are gearing up to provide finance for sustainability issues by adopting SDG goals in their policymaking. As the field moves towards maturity, future researchers are better positioned to

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examine the effects and performance of various sustainable financial instruments. This article has identified five broad areas based on the emerging themes from literature published till 2023 that might require thorough research and future discussions. The broad areas identified were climate change and climate financing, reporting, green bonds, technology, innovation, and other miscellaneous.

Conclusion

In conclusion, sustainable finance is not a luxury. It is a necessity. It is the key to building an economic system that works for people and the planet. The financial landscape of tomorrow will be shaped by the decisions we make today. As we navigate this new landscape, we must remain persistent in our commitment to sustainability. We must invest in the innovations, policies, and practices that will drive positive global change, while also recognizing the financial opportunities that lie ahead.

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Message from the Editor in Chief

On behalf of the editorial board of the 13th Students' Research Symposium (SRS) organized by the Department of Finance, Faculty of Commerce and Management Studies, University of Kelaniya, I'm delighted to present the SRS proceedings with the theme of 'Sustainable Finance and Global Change: Navigating the Financial Landscape of Tomorrow'.

This edition contains the abstracts of the thesis of the 217 fourth-year undergraduates in their academic year 2024/2025 conducted their dissertations on diverse aspects related to Finance, Insurance and Banking sectors. The studies in this proceeding will bring new insights to the theories, methods, and techniques while providing powerful recommendations for further development of the local and the global Finance

I would like to express my sincere appreciation to the supervisors and the examiners of students' dissertations who contributed a lot in terms of presenting a quality outcome from the students. While extending a deep sense of gratitude to them, I wish SRS a successful journey ahead.

Ms. Hashini Fernando

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List of Abstracts

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A Comparative Analysis of the Impact of Firm- Specific and Macro Economic Factors Influence Capital Structure Decisions: Evidence from Sri Lankan Finance and Diversified Holdings Companies

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Abstract

Introduction: This research describes the influence of Firm- Specific and Macro Economic Factors influence on Capital Structure Decisions of Sri Lankan Finance and Diversified Holdings Companies during the period of 2013 to 2023. Then understanding the knowledge gap then we can get the understanding of relative impact on these factors, the study concern to observing the financial strategies and regulatory policies. The research focuses on Firm- specific and Macro Economic Factors such as Profitability, Firm Size, Tangibility and Liquidity includes under Firm-specific Factors, the GDP, Interest Rate, Inflation Rate and Exchange rate includes under Macro Economic Factors.

Methodology: The study applying a quantitative approach using panel data analysis. We were collected Financial Secondary data from the Colombo Stock Exchange website and the Macro Economic Factors data collected from the Central Bank of Sri Lanka website. We were used STATA software to run the data set, the Statistical techniques including descriptive analysis, Pearson's correlation analysis and Regression analysis are were used to analyze and make interpret the connection between the variables. The hypothesis testing and robustness test to check the accuracy of the findings results.

Findings: Based on the results the Profitability and Firm Size made a significant impact on Capital Structure across the sectors. The Finance Companies definitely depend on debt financing, it was impact by Liquidity and Asset Tangibility. The Diversified Holdings Companies explore more balanced approach between debt and equity, it was influenced by Macro Economic Factors such as GDP growth and Inflation. Finally, the key differences were understood in the relative importance of these determinants between the Finance and Diversified Holdings Sectors.

Conclusion: The research explained the complex combination between Firm- Specific and Macro Economic Factors impact the Capital Structure. The finding delivers preferable insights for financial managers and policymakers in fluctuation economies like Sri Lanka. Furthermore, identifying sector- specific determinants, the research supports strategic decision- making for sustainable growth and Financial Stability.

Keywords: Colombo Stock Exchange, Central Bank of Sri Lanka, Finance Sector, Diversified Holdings Sector, Regression, Pearson's Correlation, Panel data, Firm Size, Debt to Equity, Tangibility.

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A Comparative Analysis of the Impact of Firm-Specific and Macroeconomic Factors on Capital Structure Decisions: Evidence from Sri Lankan Automobile and Consumer Goods Companies

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Abstract

Introduction: Capital structure decisions are fundamental to a firm's financial management, influencing its ability to optimize resources and mitigate risks. This study evaluates the impact of firm-specific factors - profitability, firm size, tangibility, liquidity, and dividend payout and macroeconomic factors, including GDP growth, interest rates, inflation, and exchange rates, on the capital structure of automobile and consumer goods companies listed on the Colombo Stock Exchange (CSE) between 2013 and 2023.

Methodology: The analysis used panel data regression on a sample of 30 companies, consisting of five automobile firms and 25 consumer goods firms, selected based on market capitalization. The debt-to-equity ratio was utilized to measure capital structure, and rigorous diagnostic tests ensured the reliability of the results. Sectoral and combined analyses were conducted to identify distinct patterns and variations.

Findings: The results indicate that firm-specific factors such as firm size and tangibility are significant in shaping capital structure decisions. Firm size positively influences capital structure in the automobile sector, while tangibility shows a marginally significant positive effect across sectors. Liquidity has a significant negative impact on capital structure in the consumer goods sector and across the combined sample. Among macroeconomic factors, interest rates exhibit a significant negative influence on capital structure in the consumer goods sector and combined analysis, while exchange rates show mixed effects, negatively impacting the automobile sector but positively influencing the consumer goods and combined sectors. Notably, profitability, dividend payout, GDP growth, and inflation rates were found to have no significant effect across all sectors.

Conclusion: The study's findings reveal that firm-specific factors, particularly firm size and tangibility, and macroeconomic factors such as interest rates and exchange rates significantly influence capital structure decisions in Sri Lanka's automobile and consumer goods sectors. The overall model demonstrates statistical significance at the 1% level across both sectors. These insights highlight the critical importance of tailored financing strategies for different industries, enabling firms to enhance their financial stability and performance.

Keywords: Capital structure, firm-specific factors, macroeconomic factors, automobile sector, consumer goods sector, Colombo Stock Exchange

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A Comparative Analysis of the Impact of Firm-Specific and Macroeconomic Factors Influence Capital Structure Decisions: Evidence from Sri Lankan Manufacturing and Telecom Companies (2013-2023)

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Abstract

Introduction: Optimal capital structure is important for the sound financial and future growth of any enterprise. This study aims to examine the significant impact of firm specific variables namely profitability, size, tangibility, liquidity and dividend payout policies in combination with macroeconomic variables consisting of; GDP growth rate, interest rate, inflation and exchange rate on the Manufacturing and Telecom firms of CSE for the year 2013-2023.

Methodology: The analysis was carried out using panel data regression on a sample of 22 firms, 2 telecom firms and 20 manufacturing firms employing the criteria of market capitalization. All samples were chosen based on available ratios to accomplish the measurement of capital structure using the debt-to-equity ratio, and validity tests were applied to assess the accuracy of the calculations. In addition, the sectoral and combined examinations was conducted to look for difference and difference patterns.

Findings: From the findings of the study show that this study finding of this manufacturing sectors represent firm specific characteristics, which show that tangibility and liquidity of the manufacturing firms have significant effects on capital structure decision and that firms with high tangible and high liquid assets utilize least debts. The level of profitability has a strong inverse relationship with leverage and strong positive relationship with dividend and interest rate that may be due to telecommunication infrastructure financing requirements. In the combined sector analysis, tangibility and liquidity are used as the major indexes, and the indexes of macroeconomic environment, including interest rate, exchange rate, inflation, and GDP growth had not been concluded to exert major influence over both sectors. It was also revealed that simply due to these observations, Firm size, Growth, GDP growth, Exchange rate and inflation rates held insignificant impacts across both sectors.

Conclusion: This study has shown that firm specific characteristics organizational liquidity tangibility, Dividend and Profitability significantly affect capital structure decisions in the Manufacturing and Telecom industry of Sri Lanka aside from influence by the macroeconomic indicators namely the interest rates. The overall model also shows significance at the 1% level for both the telecom and the manufacturing sectors. These insights vindicate the essentiality of industry-specific financing to give firms the ability to improve their solvency and performance.

Keywords: Capital structure, firm-specific factors, macroeconomic factors, debt-to-equity ratio, Manufacturing sector, Telecom sector, Colombo Stock Exchange

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A Comparative Analysis of the Impact of Firm-Specific and Macroeconomic Factors on Capital Structure Decisions: Evidence from Sri Lankan Retail and Utility Sector

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Abstract

Introduction: This study investigates the influence of firm-specific factors, such as profitability, firm size, asset tangibility, liquidity, and dividends, and macroeconomic factors, including GDP growth, inflation, interest rates, and exchange rates, on capital structure decisions within Sri Lankan utilities and retail companies. Spanning the period from 2013 to 2023, this research compares the distinct financial dynamics of these two sectors to provide insights into their capital structure choices and the factors influencing these decisions.

Methodology: A quantitative approach was employed using secondary data from 21 companies—15 in the retail sector and 6 in the utilities sector—listed on the Colombo Stock Exchange (CSE). Capital structure was measured through leverage ratios, while profitability, size, tangibility, and macroeconomic indicators were analyzed. Panel data regression techniques were applied to assess the relationships between the independent variables and capital structure. Sectoral comparisons provided further insight into variations.

Findings: The findings indicate significant differences between sectors. In the utility sector, higher tangibility of assets strongly correlates with increased debt usage, reflecting the capital-intensive nature of this industry. Conversely, retail firms exhibited a higher reliance on equity, likely driven by their need for financial flexibility amidst competitive market dynamics. Macroeconomic factors such as GDP growth and inflation had varying impacts, with inflation negatively affecting retail firms but offering a mild hedging benefit to utility firms. Interest rates showed a uniformly negative influence on debt usage across both sectors.

Conclusion: This study highlights the critical role of both firm-specific and macroeconomic factors in shaping the capital structure decisions of Sri Lankan utilities and retail companies. Utilities, with their stable cash flows, favor debt, whereas retail firms prioritize flexibility due to market volatility. Policymakers and corporate managers can use these findings to tailor strategies for optimizing capital structures, mitigating risks, and enhancing financial resilience in their respective industries. The study concludes that firm-specific factors such as tangibility, firm size, and liquidity, along with the macroeconomic factor of interest rates, are the most influential determinants of capital structure.

Utilities Sector: Tangibility and firm size are key drivers, reflecting the sector's reliance on debt financing for infrastructure development.

Retail Sector: Liquidity and profitability are critical, underscoring the need for financial flexibility in a competitive market.

Macroeconomic factors, especially interest rates and inflation, further shape these decisions by altering the cost and attractiveness of debt. Firms and policymakers should consider these findings to optimize capital structure strategies, enhance resilience to economic fluctuations, and support sustainable growth in their respective industries.

Keywords: Capital structure, utilities, retail, firm-specific factors, macroeconomic factors, Colombo Stock Exchange.

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A Study on Awareness and Positive Attitudes Towards Cryptocurrency Investments Among Millennials in Sri Lanka

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Abstract

Introduction: The increasing interest in cryptocurrency investments among millennials has made understanding their awareness and attitudes toward these digital assets crucial. The current study focuses on assessing the influence of impact of awareness and positive attitude on the behaviour of Sri Lankan millennials regarding cryptocurrency investments.

Methodology: The research adopted a quantitative-deductive approach, with data gathered through an online questionnaire from 394 Sri Lankan millennials. The independent variables were awareness and attitude, while the dependent variable was investment behavior. Statistical analyses using SPSS were conducted on reliability, descriptive, correlation, and multiple regressions.

Findings: Based on the findings, it is evident that both awareness and positive attitudes have a significant influence on cryptocurrency investment behavior. Awareness appears to play a slightly stronger role in shaping investment decisions. The correlation analysis shows strong positive relationships among these variables, supported by inter-correlation, VIF, and Cronbach's alpha values, which confirm the reliability of the data.

Conclusion: The study highlights the need to enhance awareness and foster positive attitudes to promote responsible cryptocurrency investments among millennials. These insights can guide policymakers and educators in developing programs to improve financial literacy and investment decision-making.

Keywords: Cryptocurrency, Investment Behavior, Awareness, Positive Attitude, Millennials, Sri Lanka

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Analyzing the Impact of ESG Score on Equity Portfolio Performance: A Comparative Study of High and Low ESG Portfolios Evidence from the Largest Economy in South Asia: India

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Abstract

Introduction: In today's investors are now more frequently considering environmental, social, and governance performance when making investment decisions. India is one of the largest economies in the world and ESG considerations have been implemented in India very recently. This study focuses on analyzing the effect of Environmental, Social, and Governance (ESG) scores on equity portfolio performance in the Indian stock market.

Methodology: This research utilizes a quantitative approach with data from the India National Stock Exchange's Nifty 500 index for 2019-2022. Daily stock returns and ESG scores were recorded for 174 companies according to the ESG data availability. According to ESG scores the companies set to descending order and the top 20% of companies are included in the "high ESG portfolio," and the bottom 20% companies are included in the "low ESG portfolio". Value-weighted and equal-weighted methods are used to compute the portfolio return.

Findings: The findings of this study show that both equal weighted and value weighted approaches, High ESG portfolio does not outperform significantly low ESG portfolios.

Conclusion: The results indicate that high ESG portfolios marginally underperform insignificantly low ESG portfolios, suggesting that investing in ESG-focused stocks may not lead to significantly higher returns or higher losses. This creates a favorable scenario for investors, allowing them to earn while incorporating sustainability and ethical considerations into their investment strategies.

Keywords: ESG investing, portfolio performance, Indian stock market, sustainable investing, risk-adjusted returns

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Behavioral Bias Factors on Making Socially Responsible Investment Decisions: Evidence from Individual Investors in Colombo District

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Abstract

Introduction: This Research investigates the impact of behavioral biases on socially responsible investment (SRI) decisions among individual investors in the Colombo District, Sri Lanka. It focuses on three specific behavioral biases: Herding, Overconfidence, and Loss Aversion. The study aims to fill Empirical and Geographical gaps in the field of behavioral finance by exploring the adoption of ESG-focused investments in a developing country context.

Methodology: The study used a quantitative approach, and the data were collected by distributing a Likert scale questionnaire among 385 individual investors. The following statistical tools were employed to assess the relationship between the variables: reliability test, descriptive analysis, correlation analysis, and regression analysis.

Findings & Discussion: Further, the findings reveal a significant positive correlation between herding, overconfidence, loss aversion bias, and socially responsible investment decisions. Also, the regression analysis highlights that loss aversion bias has the most significant impact, followed by overconfidence and herding.

Conclusion: According to the results obtained, they underscore the importance of addressing behavioral biases to promote rational decision-making in socially responsible investing. This study helps policymakers, financial institutions, and investment advisors to design targeted strategies to mitigate the negative impact of these biases. Understanding these biases correctly could enhance investor awareness as well as the preference towards the SRI.

Keywords: Herding, Overconfidence, Loss Aversion, Socially Responsible Investment Decision, Heuristics Theory, Prospect Theory

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Behavioral Bias Factors on Making Socially Responsible Investment Decisions: Evidence from Individual Investors in Gampaha District

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Abstract

Introduction: This research investigates how behavioral biases such as herding, overconfidence, and loss aversion affect socially responsible investment among individual investors in Gampaha District, Sri Lanka. It aims to fill empirical and geographical gaps in the field of behavioral finance by exploring the adoption of ESG-focused investments in a developing country's context.

Methodology: 386 responses were collected through a questionnaire distributed to 400 investors, and they were subjected to quantitative analysis. The validity and reliability of the questionnaire were tested through a pilot test and statistical techniques such as correlation and regression were performed using SPSS software.

Findings: The study found that biases such as herding, overconfidence, and loss aversion positively affect socially responsible investment (SRI) decisions. Herding shows that investors tend to follow their friends instead of making independent choices. Overconfidence can lead to underestimating and ignoring their advice, especially regarding ESG factors. Loss aversion leads them to think higher in SRI compared to traditional investments, limiting their involvement in ESG investments. Accordingly, this implies that these biases create barriers to the wider adoption of ESG investments.

Conclusion: Through the study, exploring SRI decision-making in Sri Lanka, a largely under-researched context in Sri Lanka, advances knowledge related to behavioral finance and SRI. It proposes policy interventions to improve financial literacy and reduce cognitive bias, promoting a more informed and sustainable investment culture. It also highlights the importance of investor behavior in driving sustainable investment trends while providing valuable insights for research scholars, financial professionals, and policymakers by addressing Empirical and Geographical gaps.

Keywords: Socially Responsible Investment Decision, Herding, Overconfidence, Loss Aversion, Prospect Theory, Heuristic Theory

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Brand Equity of Stocks and the COVID-19 Stock Market Crash: Evidence-Based on the Companies Listed in the Colombo Stock Exchange

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Abstract

Introduction: This paper examines the mediating effect of brand equity in modulating the effects of the Covid-19 stock market crash on the CSE listed firms. Brand equity, a measure of consumer trust and brand power, is increasingly, recognized as an element contributing to market resilience in economic shocks. This study is focused on determining if the branded firms performed better than the non-branded firms during the crash, thus shedding light on the role of brand equity in financial stability.

Methodology: The study adopts a quantitative method with WLS regression method herein to handle the heteroscedasticity of the dataset. The research extends over two temporal periods crash and non-crash, using stock performance information from branded and non-branded firms. Dependent variables are Raw Return, Abnormal Return, Systematic Risk, and Idiosyncratic Risk, while Brand Equity is the independent variable and Firm Age is a control variable. Data were analyzed with SPSS software under pre-tests for normality, autocorrelation, and homoscedasticity for strong statistical modeling.

Findings: Raw Return: Branded stocks demonstrated a positive yet statistically weak relationship with returns during the crash period, whereas non-branded stocks showed minimal impact.

Abnormal Return: Non-branded stocks outperformed branded stocks in producing high abnormal returns, the opposite of prediction.

Systematic Risk: Branded firms showed less systematic risk, supporting the protective effect of brand equity in a volatile market.

Idiosyncratic Risk: Notably, there was no significant difference between branded and non-branded stocks in terms of idiosyncratic risk which implies that brand equity necessarily fails to provide a shield against all kinds of market risk.

Conclusion: The results provide evidence for a nuanced mediating effect of brand equity in the modulation of stock performance in crisis periods. However, compared with branded firms, whose advantage was less apparent in returns, they did provide stability in the form of reduced systematic risk. The findings indicate that brand equity can be considered as a partial absorber of market shocks, with implications for branding and financial planning in times of economic shocks.

Keywords: Brand Equity, COVID-19, Brand Resilience, WLS Regression, Consumer

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Determinants of Capital Structure: An Analysis of Pre and During Economic Crisis – Evidence from Listed Consumer Services Sector Companies in Sri Lankan Stock Exchange

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Abstract

Introduction: Leverage plays a vital role in optimizing capital structure, and identifying determinants of leverage across varying economic conditions is crucial for strategic financial management. However, limited research focuses on recognizing key determinants of leverage of the consumer service sector in Sri Lanka, creating a gap in understanding its unique leverage dynamics and determinants. To fill this gap, this research endeavor aimed to examine the determinants of financial leverage in consumer service companies in Sri Lanka, with a specific focus on how these determinants behave before and during an economic crisis.

Methodology: This study adopted a quantitative methodology to investigate the impact of firm profitability, size, asset tangibility, and growth on leverage, measured by the long-term debt-to-asset ratio. Data were collected from 15 listed Sri Lankan consumer service corporations, selected by size, covering eleven years from 2014 to 2024. Panel regression analysis was performed to identify the effects of these variables on leverage under different economic conditions.

Findings: Profitability consistently showed a notable adverse effect on leverage, intensifying during downturns as firms prioritized internal financing to mitigate risks. Asset tangibility positively influenced leverage but diminished in relevance during crises. Firm size positively impacted leverage over the years, but larger firms adopted conservative financing strategies during economic uncertainty, mirroring smaller firms. Growth consistently exhibited an adverse effect on leverage, as growing firms avoided excessive debt, favoring financial stability.

Conclusion: In conclusion, this impact slightly weakened during crises due to restricted external financing access. This emphasizes the importance of understanding contextual factors that influence financial decisions during instability. These findings benefit corporate managers and policymakers by enabling more informed strategies for risk management and sustainable finance.

Keywords: Capital Structure, Consumer service companies, Economic Crisis, Leverage

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Dividend Policy and Shareholder Wealth of Listed Financial Service Companies in Sri Lanka

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Abstract

Introduction: Dividend policy is a key topic in corporate finance, traditionally linked to firm valuation and shareholder wealth. This study examines how Dividend Per Share (DPS), Dividend Payout Ratio (DPR), Dividend Yield (DY), and Return on Equity (ROE) influence Earnings Per Share (EPS). Focusing on Sri Lanka's financial sector from 2014–2023, it explores whether disciplined dividend policies enhance profitability per share amid economic challenges.

Methodology: The research uses secondary data from eight listed financial institutions, encompassing banking and non-banking entities. Key variables (DPS, DPR, DY, ROE, and EPS) were analyzed using multiple regression. Hypotheses tested include the positive effects of DPS, DPR, DY, and ROE on EPS, with descriptive statistics and data integrity checks supporting analysis.

Findings: Results reveal significant positive links between dividend policy variables, ROE, and EPS. Firms with robust dividend practices and efficient equity utilization exhibit stronger EPS. This suggests dividends serve as the signals of financial health, reflecting governance and resource efficiency, while supporting profitability.

Conclusions: The study highlights a significant relationship between dividends and EPS. Stable dividends may indicate strong fundamentals and foster market confidence, particularly in emerging markets like Sri Lanka. Managers, investors, and policymakers can use these insights to align dividend strategies with long-term profitability goals. Future research is encouraged to explore causality and broader contexts.

Keywords: Dividend Policy, Shareholder Wealth, Financial Services Sector, Emerging Markets, Dividend Payout Ratio, Earnings Per Share, Market Price per Share, Sri Lanka

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The Economic Policy Uncertainty Impact on Firms' Capital Structure Evidence from Consumer Services Sector in Sri Lanka

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Abstract

Introduction: This study investigates the impact of Economic Policy Uncertainty (EPU) on the capital structure decisions of consumer services firms listed on the Colombo Stock Exchange in Sri Lanka. Specifically, it examines (1) the relationship between EPU and market leverage (ML), and (2) the effect of EPU on book leverage (BL).

Methodology: Utilizing a quantitative research approach, the analysis is based on panel data from 2014 to 2023. The panel data analysis covers 10 consumer service companies in the Sri Lanka over a ten-year period. Collected EPU data from the EPU index score provided by world Bank. The other variables are secondary data collected from audited annual reports and DataStream.

Findings: The findings reveal a significant negative relationship between EPU and both ML and BL, suggesting that heightened economic uncertainty prompts firms to adopt conservative financial strategies. Among the control variables, firm size positively correlates with leverage, indicating that larger firms are better positioned to access debt markets. Profitability, on the other hand, shows a negative relationship with leverage, as profitable firms tend to rely on internal financing. Other variables, including tangibility, EBIT, GDP, and board size, exhibit limited or no significant influence on leverage decisions in the context of heightened EPU.

Conclusion: These findings underscore the critical role of EPU in shaping corporate financial strategies and highlight the importance of firm-specific factors. When economic policy uncertainty rises, companies borrow less, leading to lower market and book leverage. Policymakers should focus on creating a stable economic environment and enforce transparent risk disclosure practices to enhance market resilience. Firms must implement robust financial strategies to navigate uncertainty effectively, while investors should favor companies with lower debt exposure during volatile times.

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Effect Of Board Characteristics on Quality of Sustainability Reporting in Listed Manufacturing Companies in Sri Lanka

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Abstract

Introduction: The main objective of this study to assess the relationship between board characteristics and the quality of sustainability reporting in listed manufacturing companies in Sri Lanka.

Methodology: In this study, it takes the board characteristics as the independent variable. The level of sustainability reporting is dependent variable and ultimately hopes to examine the relationship between board characteristics and the level of sustainability reporting. Board independence, board size, board financial expertise, and board gender are all factors to consider when evaluating board attributes. GRI standards are used to evaluate the level of sustainability reporting. Based on the scoring system developed by (Dragomir, 2010) calculated sustainability reporting quality, analyzed multiple regression models, and identified whether board characteristics affected sustainability reporting quality.

Findings: Statistical analysis revealed that there is a no significant impact of board characteristics on quality of sustainability reporting.

Keywords: Board characteristics, Sustainability reporting, GRI guideline

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The Impact of Claims payments on Profitability: Evidence from General Insurance Companies in Sri Lanka

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Abstract

Introduction: Claims cost is the biggest expenditure for the insurance company. Claims settlement is an essential part of an insurance contract because it is critical to both the insured and the insurer. The primary purpose of this study is to empirically investigate the impact of claim payments on the financial performance of general insurance companies in Sri Lanka.

Methodology: The methodology employed in this study is deductive and quantitative. The study is based on Secondary data from 10 general insurance companies from 2015 to 2022 and data were collected through annual reports of the companies and IRCSL handbooks. The research has employed, Return on assets as the dependent variable, while net claims, loss ratio, and expense ratio are the independent variables of this study. Data was tested through descriptive analysis, correlation analysis, and regression analysis under STATA software to analyze the data.

Findings: The research findings show a significant positive relationship between net claims and Return on assets, while there is a negative relationship and significant impact between loss ratio and Return on assets. However, the results also show a negative and insignificant relationship between Return on assets and loss ratio in general insurance companies in Sri Lanka. In conclusion, there is a significant impact of claims payments on the profitability of general insurance companies in Sri Lanka.

Conclusion: The study's findings will be helpful for insurance companies and future academic research in the context of general insurance companies of Sri Lanka. Findings will be helpful for the insurance companies to manage their claims operations effectively to retain their existing customers while maintaining healthy profit from the operations.

Keywords: Claims Payments, Financial Performance, Expense Ratio, Loss ratio, Expense Ratio

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Effect Of Financial Risks on Financial Stability of Licensed Commercial Banks in Sri Lanka

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Abstract

Introduction: This study examines the effect of financial risks including credit, market, operational and liquidity risks on the financial stability of licensed commercial banks in Sri Lanka. Financial stability is pivotal for Sri Lanka's economic resilience, especially in the face of challenging economic conditions. However, financial risks pose considerable challenges to banks' financial stability. This study seeks to explore an identified empirical gap by examining impact of these financial risks on the long-term sustainability of banks in Sri Lanka.

Methodology: The study follows a quantitative approach, analyzing secondary data collected from 13 domestic licensed commercial banks in Sri Lanka over 10 year (2014-2023). Credit risk, market risk, operational risk and liquidity risk are the independent variables used in this study and the dependent variable is financial stability. Bank size is also included as a control variable for this study. This research employs panel data regression with random effects and diagnostic tests for the analysis.

Findings: The findings reveal that credit risk and operational risk have a significant effect on financial stability, while market risk is only significant with financial stability under interest rate risk. Liquidity risk does not have a significant effect on financial stability in Sri Lankan banks.

Conclusion: The study concludes that credit risk and operational risk are key determinants of financial stability in Sri Lankan banks. Even risk factors deemed insignificant in the current context should be monitored, as they have the potential to become impactful in the future. The study underscores that risk management strategies are vital to maintaining banks' stability and fostering sustainable economic growth. Future research may consider analyzing the impact of other types of risks on banks' financial stability.

Keywords: Financial Stability, Credit Risk, Market Risk, Operational Risk, Liquidity Risk

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Exploratory Study on Utilization of AI Technology Public Commercial Banks in Sri Lanka

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Abstract

Introduction: This study explores the integration of AI in Sri Lanka's public banking sector, focusing on the opportunities, challenges, and strategic insights from senior professionals at People's Bank and Bank of Ceylon. Examines how AI can improve operational efficiency, customer service, and security while identifying barriers to adoption and proposing strategies for successful implementation.

Methodology: A qualitative methodology was used in this study, involving semi-structured interviews with banking professionals to gather insights on AI's role in transforming the banking sector. The data was analyzed through thematic analysis.

Findings: The findings highlight that AI offers major opportunities for improving operational efficiency, such as through Robotic Process Automation (RPA), predictive analytics for customer behavior, and advanced security features like fraud detection. However, challenges such as limited budgets, a skills gap, inadequate technology infrastructure, and resistance to change from both employees and customers were also identified. The study stresses the importance of employee training, customer education, and strategic planning to ensure successful AI adoption.

Conclusion: This research offers valuable insights into AI adoption in developing economies, particularly for public sector banks. It provides a strategic roadmap for gradual AI integration, balancing technological progress with workforce readiness. The study highlights the transformative potential of AI while recommending a phased approach to address implementation challenges.

Keywords: Artificial Intelligence (AI), AI Adoption in Banking, Sri Lanka Public Banking Industry, AI Integration Challenges, Bank Digital Transformation.

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Exploring Business Development Services Provided by Microfinance Institutions in Sri Lanka

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Abstract

Introduction: Microfinance institutions (MFIs) play a key role in empowering marginalized communities by providing financial and non-financial support to enhance entrepreneurial growth and economic development. In Sri Lanka, MFIs address capital constraints and enhance entrepreneurial growth and capacity through Business Development Services (BDS), including training, mentoring and market facilitation. This study examines the types of Business Development Services offered by MFIs in Sri Lanka, delivery methods, barriers faced by MFIs and strategies to enhance the sustainability of micro and small enterprises.

Methodology: Following a qualitative approach, data were collected through in-depth interviews with senior officials from five leading MFIs in Sri Lanka. Thematic analysis was used to identify key patterns and insights.

Findings: The study categorizes BDS as advisory services, agricultural training, and digital market linkages, delivered individual workshops, field officers, and partnerships. Challenges like resource constraints and workforce retention are addressed through collaboration, staff training, and community education initiatives.

Conclusion: BDS from MFIs leads to micro enterprise growth by improving financial literacy, market access, and efficiency. Despite challenges, effective delivery and collaboration increase impact. The study contributes to understanding the role of MFIs in economic development and provides policymakers with actionable insights to strengthen the microfinance sector in Sri Lanka.

Keywords: Microfinance Institutions (MFIs), Business Development Services (BDS), Micro and Small Enterprises (MSEs)

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Exploring Barriers and Opportunities Faced by Banking Sector When Adopting Fin-Tech Innovations.

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Abstract

Introduction: FinTech innovations have transformed the banking industry by increasing efficiency in services and improving customer satisfaction, while reaching a greater number of the unbanked population. However, in Sri Lanka, the potential benefits of FinTech are curtailed by regulatory constraints, cybersecurity concerns, and resistance to change. This paper analyzes the dynamics of these challenges and opportunities, focusing on actionable solutions for successful FinTech integration in the Sri Lankan banking sector.

Methodology: This qualitative research has been designed under a social constructivist framework; the data collection method adopted in this study is semi-structured interviews with nine representatives of different banks. The respondents have been chosen using purposive sampling in order to capture the diversity in private, government, and foreign banks. Thematic analysis was employed to identify patterns and themes pertaining to FinTech adoption barriers and opportunities.

Findings:

Opportunities:

1. Efficiency and Automation: Reduction in operational costs; smoother processes.
2. Customer-Centric Innovation: Personalized finance services; AI-driven support.
3. Financial Inclusion: Increasing access to the rural and under-served sections of society.
4. Improving Payment Systems: Speedier and more secure digital transactions.

Challenges:

1. Regulatory Barriers: Vagueness and outdated frameworks.
2. Cybersecurity Risks: Growing vulnerability with digitization.
3. Resistance to Change: From both employees and customers.
4. Infrastructure Gaps: Inadequate connectivity in rural areas.

Conclusion: This study brings to light that while FinTech offers transformative opportunities for Sri Lankan banks, overcoming significant barriers is essential for successful integration. Investments in infrastructure, digital literacy programs, and regulatory reform are vital to leveraging FinTech's potential for efficiency, inclusion, and customer satisfaction.

Keywords: FinTech adoption,Banking sector, Financial inclusion, Regulatory challenges, Digital transformation, Automation in Banking, Customer-centric innovation, Technology infrastructure, Digital literacy, Sri Lanka banking industry

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Exploring the Barriers and Challenges of Social Entrepreneurship in Sri Lanka; in the Good Market.

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Abstract

Introduction: This study aims to explore social entrepreneurs in Sri Lanka with special reference to the Good Market. Specifically, it seeks to understand the impact of three factors: success factors, challenges and barriers, and sustainability factors on social entrepreneurs in good markets (triple bottom line). By delving into these dimensions, the study aims to provide a clear understanding of the complex interplay between these factors and social entrepreneurship in the good market.

Methodology: The study takes a qualitative-inductive approach using semi-structured interviews with 10 social entrepreneurs from different types of businesses in the Good Market. The study method uses purposive sampling methods, collecting data through direct interviews and then analyzing it using thematic analysis.

Findings: This study reveals that the success factors of social giving (skill development and knowledge acquisition, support system, experience and expertise, self-motivation), challenges and barriers (financial challenges, market and trade barriers, communication challenges, operational challenges), and sustainable factors (product excellence, sustainable practices, financial management, social responsibility, and employee development) positively and negatively influence social entrepreneurs in the Good Market. This article also incorporates new findings that can be categorized under the three factors mentioned above, focusing on the responses of social entrepreneurs.

Conclusion: The findings of this study provide a comprehensive understanding of the Sri Lankan Good Market social entrepreneurs. The study highlights the barriers faced by social entrepreneurs and identifies enabling factors for success. Removing the barriers faced by social entrepreneurs can promote sustainability and have long-term impacts on the country's economic growth and society. These findings provide a wealth of knowledge for stakeholders and policymakers interested in social entrepreneurship in developing countries like Sri Lanka.

Keywords: Social Entrepreneurship, Barriers and challenges of social entrepreneurship, Motivation and Success Factors, Sustainable of Social Entrepreneurship (Tipple- Bottom-Line)

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Exploring the Impact of Fintech Literacy, Smart BNPL Solutions (Koko App and Credit Cards), and Financial Wellbeing on Consumer Buying Behavior in the Colombo District, Sri Lanka

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Abstract

Introduction: This study investigates the impact of Fintech literacy, smart BNPL solutions (Koko App and credit cards), and financial Wellbeing on consumer buying behavior in the Colombo district, Sri Lanka. This research highlights how these variables impact consumer behavior.

Methodology: The research employs a quantitative methodology, using structured questionnaires to collect data from 419 respondents within the Colombo district. Key variables fintech literacy, smart BNPL solutions (Koko App and credit cards), financial wellbeing, and consumer buying behavior were measured using validated scales. Statistical techniques, including correlation and regression analyses, were applied to evaluate the impact of the independent variables to dependent variables and test the proposed hypotheses.

Findings: The study reveals significant positive impact of independent variables on consumer buying behavior. Smart BNPL solutions (Koko App and credit cards), Fintech literacy and financial Wellbeing are positively impacted consumer buying behavior, demonstrating that increased financial knowledge and stability promote responsible financial decisions.

Conclusion: This research underscores the pivotal role of Fintech literacy, BNPL adoption, and financial Wellbeing in shaping consumer purchasing decisions. The findings provide actionable insights for policymakers, financial institutions, and educators to enhance the adoption and effectiveness of technology driven financial solutions. Future studies could explore demographic influences, longitudinal trends, and psychological factors to build a more comprehensive understanding of consumer buying behavior in the digital financial landscape.

Keywords: Fintech literacy (FL), Buy Now Pay Later (BNPL), financial wellbeing (FW), consumer buying behavior (CBB), Colombo District.

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Exploring the Impact of Fintech Literacy, Smart BNPL Solutions and Financial Wellbeing on Consumer Buying Behavior in the Gampaha District, Sri Lanka

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Abstract

Introduction: The rapid expansion of financial technology (Fintech) has transformed consumer financial behaviors globally, with the rise of Buy-Now-Pay-Later (BNPL) solutions like Koko playing a pivotal role. This study examines the influence of Fintech literacy, smart BNPL solutions, and financial well-being on consumer buying behavior in the Gampaha District of Sri Lanka.

Methodology: Adopting a quantitative approach, the study surveyed 386 consumers using a structured questionnaire. The sample was drawn using stratified random sampling to ensure diversity across demographics. Independent variables analyzed included Fintech literacy, BNPL solutions, and financial well-being, while consumer buying behavior served as the dependent variable. Data analysis employed SPSS 23.0, utilizing descriptive statistics, correlation, regression, and factor analyses to derive insights.

Findings: The results reveal that Fintech literacy, BNPL solutions, and financial well-being significantly influence consumer buying behavior, with financial well-being emerging as the strongest predictor. Smart BNPL solutions showed a robust correlation with buying behavior, emphasizing their role in reshaping purchasing dynamics. Reliability and validity tests confirmed the consistency of constructs, and multicollinearity tests indicated distinct contributions of each variable to the regression model.

Conclusion: The findings underscore the importance of promoting Fintech literacy and enhancing financial well-being to encourage responsible consumer behavior. Policymakers and financial service providers should consider these insights to design educational programs and flexible financial products that align with consumer needs in evolving economic landscapes.

Keywords: Fintech Literacy, SMART BNPL Solutions, Financial Well-being, Consumer Buying Behavior

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Exploring the Impact of Financial Literacy, Smart BNPL Solutions and Financial Well - Being on Consumer Buying Behavior in Kalutara District, Sri Lanaka

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Abstract

Introduction: The rapid advancement of technology has revolutionized the financial services industry, giving rise to innovative solutions such as Buy Now Pay Later (BNPL) services. However, the effective utilization of these services is contingent upon consumers' financial literacy and overall financial well-being. This research delves into the interplay between these factors, exploring how they influence consumer buying behavior in the context of Sri Lanka.

Methodology: A quantitative research methodology was employed, utilizing structured questionnaires to collect data from a sample of [number] respondents residing in the Kalutara District. Key variables such as fintech literacy, BNPL usage, financial well-being, and consumer buying behavior were measured using validated scales. Statistical techniques, including correlation and regression analysis, were utilized to analyze the data and test the formulated hypotheses.

Findings and Discussion: The findings reveal significant positive relationships between fintech literacy, BNPL usage, and financial well-being, and their subsequent impact on consumer buying behavior. Individuals with higher levels of financial literacy were found to be more likely to use BNPL services responsibly, such as paying on time and using them for planned purchases. Conversely, lower financial literacy was associated with impulsive buying behavior and potential financial difficulties. Additionally, higher financial well-being was linked to more prudent financial decisions and a reduced likelihood of financial difficulties associated with BNPL usage.

Conclusion: The study underscores the importance of financial education initiatives to enhance fintech literacy and promote responsible use of BNPL services. By fostering a more financially literate population, policymakers, financial institutions, and educators can empower consumers to make informed financial decisions and mitigate the potential risks associated with digital financial innovations.

Keywords: fintech literacy, BNPL, financial well-being, consumer behavior, Kalutara District.

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Factors Affecting Customer Satisfaction towards Gold Loan Services Provided by Specialized Banks: Evidence from Gampaha District in Sri Lanka

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Abstract

Introduction: Gold loans are a popular loan facility in South Asia countries. Pawning is a highly competitive product of the banking sector. This study addressed the research problem of customer satisfaction with gold loan services in Sri Lanka. The main objective of this study is to identify factors that influence customer satisfaction with the gold loan services offered by specialized banks in the Gampaha district in Sri Lanka.

Methodology: Service quality, Loan Process, and communications are independent variables used in this study and the dependent variable is customer satisfaction. The data sample of the study is the gold loan customers of specialized banks, and the sample size was 354 customers. Data is collected by distributing questionnaires. A regression model is developed to achieve the objective using the SPSS software and further, reliability and validity of the data is investigated using the goodness of fit tests.

Findings: According to the results, there is a high level of customer satisfaction towards gold loan services provided by the Gampaha district in Sri Lanka. Bank customers' most influential factor in customer satisfaction towards gold loans is service quality in specialized banks, a significant proportion of the participants express confidence while availing themselves of gold loans. Additionally, customer satisfaction of specialized bank customers availing themselves of the loan process and communication has a significant impact.

Conclusion: The study contributes to the understanding of customer satisfaction in the context of gold loan services offered by specialized banks in the Gampaha District of Sri Lanka. Future research should include commercial banks and the need to investigate digital banking adoption, customer satisfaction over time, and factors affecting customer satisfaction in the gold loan industry.

Keywords: Service quality, Loan Process, Communications, Specialized bank customers

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Factors Affecting Customer's Trust in Fintech Services: Evidence from Western Province Licensed Commercial Bank's Customers in Sri Lanka

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Abstract

Introduction: The purpose of this research is to identify the factors that affect customer's fintech services trust in Sri Lanka. Fintech services also means a set of innovative services offered by financial institutions and supported by advances in information technology

Methodology: The researcher chose western province as the area and to conduct the study. In this regard, data was collected from users of fintech services in the western province using a survey questionnaire. Perceived risk, Perceived reputation, Service quality and Perceived regulatory support as independent variables in this study, with customer's trust in fintech services as the dependent variable. Data were analyzed independently using SPSS software, which included statistical tests such as multicollinearity, reliability, normality, and regression analysis. For all the variables, descriptive statistics were used to determine the mean values of respondents' perspectives.

Findings: According to the study's findings, perceived reputation and service quality independent variables had a statistically significant positive relationship with the dependent variable of customer's trust in fintech services and perceived risk and perceived regulatory support variables are not statistically significant. Independent variables are not correlated with each other, as per the results of the inter-correlation matrix, VIF, and tolerance values, and Cronbach alpha values demonstrate the data in more reliable. According to the regression results, perceived is more affecting factor in enhancing customer's trust in western province.

Conclusion: The final result highlights that the only two variables are statistically significant, perceived reputation and service quality in developing customer trust in FinTech services in Sri Lanka. The researcher suggests Regulatory authorities should work toward increasing transparency and public awareness about standards related to compliance to build perceived regulatory support.

Keywords: Customers trust, perceived risk, Perceived reputation, service quality, perceived regulatory support.

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Factors Affecting Financial Distress Among Sri Lankan Young Working Adults in Sri Lanka

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Abstract

Introduction: This study focuses on the factors that influence financial distress, spending behavior, saving behavior, investment behavior, and financial literacy among young working adults in Sri Lanka. Against the backdrop of challenging economic conditions in Sri Lanka, understanding financial behaviors and their impact on financial well-being has become increasingly important. The aim of this study is to determine the factors that contribute to financial distress among young working adults in Sri Lanka, focusing on the relationship between spending behavior, saving behavior, investment behavior, and financial literacy. It attempts to examine how these behaviors and financial literacy affect financial distress in this demographic in Sri Lanka.

Methodology: This study uses a quantitative research design to explore the impact of financial behaviors (spending, saving, and investing) and financial literacy on financial distress among young working adults in Sri Lanka. A structured online questionnaire was used to collect data targeting 384 young professionals aged 18 to 34 years in both the public and private sectors. The survey was distributed via Google Forms and the responses were analyzed using SPSS (27) software. The research follows a descriptive analytical approach in a positive model with hypotheses developed based on empirical literature. The sample size was determined using Krejcie and Morgan's table to ensure statistical rigor.

Findings: According to the findings, spending behavior, saving behavior, and investment behavior show a statistically significant impact on financial distress among young working adults. Poor spending habits directly contribute to higher financial distress, while positive savings and investment behaviors help mitigate financial challenges by providing financial security and future growth opportunities. On the other hand, financial literacy did not show a statistically significant impact on financial distress in this study. This suggests that knowledge alone is not enough but is accompanied by active financial practices. Moreover, the variation in financial distress across different groups here further highlights demographic insights. Older respondents (aged 31-35) report higher financial distress due to the pressures of midlife and increased family responsibilities. Married individuals, especially those with children, experience higher levels of financial distress compared to singles, reflecting the economic burden of supporting their families. Moreover, low-income earners face greater difficulties in managing spending and savings, and financial difficulties are inversely related to income levels.

Conclusion: The study highlights the critical need for interventions aimed at promoting responsible financial behavior. Targeted financial education programs, practical tools for budgeting, and initiatives to encourage savings and investments can help alleviate financial distress among this demographic. These findings provide valuable insights for policymakers, educators, and financial institutions seeking to enhance the financial resilience of Sri Lanka's youth workforce.

Keywords: Financial distress, Spending Behavior, Saving Behavior, Investment

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Factors Affecting the Adoption of Mobile Money Payment Systems by Small Business Owners in Colombo District, Sri Lanka

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Abstract

Introduction, the adoption of mobile money payment systems has garnered global interest for its role in promoting financial inclusion and business efficiency. However, in Colombo district, Sri Lanka, small business owners demonstrate limited adoption of these systems. This study explores key factors influencing adoption, including perceived usefulness, ease of use, credibility, cost, awareness, promotions, and facilitating conditions.

Methodology, this quantitative study used a structured survey of 387 small business owners in Colombo district, examining factors like perceived usefulness, ease of use, cost, awareness, and facilitating conditions on mobile money adoption. Data analysis involved SPSS with reliability, descriptive, correlation, and regression tests.

Findings, the study highlights perceived usefulness and cost as key drivers of mobile money adoption, with awareness and facilitating conditions also influential. Perceived ease of use has a moderate effect, while demographic factors like education, income, and business type moderate these relationships.

Conclusion, the findings emphasize the need for targeted initiatives to improve awareness, reduce perceived costs, and enhance the perceived usefulness of mobile money payment systems. Service providers and policymakers can use these insights to develop strategies that address the specific barriers faced by small business owners in Colombo, ultimately fostering greater financial inclusion and digital transformation.

Keywords: Mobile Money, Adoption Behavior, Small Business Owners, Awareness, Financial Inclusion, Colombo District, Sri Lanka.

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How does Altmann's revised z-score model impact the insurance companies in Sri Lanka

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Abstract

Introduction: The insurance industry is a major part of the country's economy. The revised Altman's z-score model measures financial distress among companies. Today, financial distress can be a huge problem that leads to company bankruptcy. Hence, this research tests the factors that may influence such financial distress among insurance companies incorporated in Sri Lanka using the revised Altman's z-score model.

Methodology: This study collected data on insurance companies incorporated in Sri Lanka from 2016 to 2021. Distress insurance companies are the sample measured using Revied Altman's z-score model. Using quantitative approaches, this study collected data from annual reports and industry handbooks. Profitability (ROA), Leverage, Capital adequacy, and Inflation rate are used as independent variables to reflect the impact of the revised Altman's z-score model on the Sri Lankan insurance industry. A random effect model was used in this study to analyze the data.

Findings: The result of this study revealed that there is no significant impact of any of the independent variables on the dependent variable. Therefore, all the hypotheses are rejected.

Conclusion: In line with the findings of this study the impact of the profitability, leverage, capital adequacy, and inflation rate are not significant. However, it is very important to research to find the determinants that may lead the insurance companies to financial distress as there was no research done on this and there was an issue of financial distress within the insurance companies incorporated in Sri Lanka.

Keywords: Financial Distress, Altman's revised Z score model, Insurance industry, Profitability, Leverage, Capital adequacy and Inflation rate

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How Performance Indicators Have Changed in The BPO Industry in Sri Lanka over the Last Decade

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Abstract

Introduction: The Business Process Outsourcing (BPO) industry in Sri Lanka has undergone significant transformations over the past decade. This study seeks to investigate these changes, particularly focusing on the performance indicators that have evolved with the integration of advanced technologies. Innovations such as Artificial Intelligence (AI) and Robotic Process Automation (RPA) have redefined the industry, enhancing operational efficiency and introducing new benchmarks for competitiveness. Additionally, regulatory frameworks like the General Data Protection Regulation (GDPR) and the adoption of International Financial Reporting Standards (IFRS) have influenced how firms measure and maintain performance standards.

Methodology: This research adopts a mixed-methods approach, utilizing both qualitative and quantitative data to explore the impact of AI and RPA on key performance indicators. A combination of interviews with industry experts and an analysis of secondary data on global and local BPO trends was conducted. Special attention was given to metrics such as cost efficiency, time management, customer retention, service quality, adaptability, accuracy, error rates, and trend detection. The study also evaluates how regulatory frameworks like GDPR and IFRS have reshaped privacy and compliance metrics.

Findings: The study highlights that the adoption of AI and RPA has substantially improved accuracy and efficiency in the Sri Lankan BPO sector. Indicators such as trend detection, error rates, and service quality have seen notable enhancements. However, challenges remain, including response bias in qualitative data and difficulties in comparing performance across different regions. Moreover, regulatory compliance has emerged as a critical factor influencing global competitiveness. These findings suggest that while technological advancements are vital for staying competitive, addressing regional disparities and improving data accuracy are equally crucial.

Conclusion: The research underscores the need for Sri Lankan BPO firms to align with emerging global performance benchmarks to remain competitive. Addressing limitations like response bias, enhancing data reliability, and understanding regional context factors can help the industry better adapt to evolving market conditions. By tackling these challenges, the Sri Lankan BPO sector can position itself as a key player on the global stage.

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Keywords: Performance Indicators, Business Process Outsourcing (BPO), Technological Advancements, Artificial Intelligence (AI), Robotic Process Automation (RPA), Regulatory Compliance.

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Identifying the Relationship Between Dividend Policy and Stock Prices in the Banking Sector: Evidence from Colombo Stock Exchange

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Abstract

Introduction: The banking industry supports investment activity, minimizes credit availability, and facilitates the flow of funds, making it the foundation of economic growth. This study aims to empirically test to identifying the relationship between dividend policy and stock prices in the banking sector.

Methodology: The study adopts a quantitative approach using a panel dataset spanning 2011–2023 from seven banking companies on the CSE. Secondary data was obtained from the published annual reports. These firms were selected for their consistent dividend declarations over 13 years. Panel data regression models have been utilized to analyze the data as the Hausman test suggest the fixed effect model is the most appropriate for describing the relationship among the variables. EViews 12 analytical software has been used to analyze the data.

Findings: The analysis revealed significant relationships between dividend policy and stock prices. Dividend payout ratios exhibited the most pronounced influence on stock prices, while dividend yields showed mixed results.

Conclusions: Dividend policy serves as a critical determinant of stock price behavior in the banking sector, highlighting its importance as a strategic tool for both investors and corporate decision-makers. The findings emphasize the need for well-formulated dividend policies to enhance shareholder value, improve market perceptions, and provide guidance in volatile market conditions.

Keywords: Dividend policy, stock prices, Colombo Stock Exchange, banking sector, panel data analysis.

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Impact of Bank-Specific Determinants on Capital Adequacy Evidence from Licensed Banks in Sri Lanka

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Abstract

Introduction: Capital adequacy assesses a bank's ability to absorb losses and meet its obligations. Capital adequacy can be expressed as banks' capital to its risk-weighted assets. Basel Committee on Banks Supervision has imposed the minimum capital adequacy ratio to ensure that banks operate safely. Also, a higher capital adequacy ratio implies that a bank has adequate capital to meet its obligations and unexpected losses. Therefore, increasing the customers' and investors' confidence. The capital adequacy ratio indicates the financial health of a bank.

Methodology: Bank-specific variables such as return on asset ratio(ROA), Return on Equity ratio(ROE), Non-performing loan ratio(NPL), Deposit to asset ratio(DR), Loan to deposit ratio(LTD), Total equity to total liability(EQL), and Net interest margin ratio(NIM) on capital adequacy ratio of licensed banks (licensed commercial banks and licensed specialized banks) in Sri Lanka considered independent variables. And capital adequacy ratio is considered a dependent variable. A quantitative research approach was used to conduct this research. As a sample, this research used 6 licensed specialized banks and 10 licensed commercial banks. This study used 13 years (2011-2023) of secondary data to investigate the relationship between capital adequacy ratio and bank-specific variables. A linear regression model was used to analyze the relationship between the capital adequacy ratio and bank-specific variables of licensed banks in Sri Lanka. Further panel data analysis with a random effect model.

Findings: The findings show that the return on asset ratio, and non-performing loan ratio have a positive and significant impact on the capital adequacy ratio of licensed banks in Sri Lanka. And return on equity ratio has a negative and significant impact on the capital adequacy ratio of licensed banks in Sri Lanka. However, net interest margin, total equity to total liability, deposit-to-asset ratio and loan-to-deposit ratio haven't significant impact on the capital adequacy ratio of licensed banks in Sri Lanka. ROA, ROE, and NPL ratios are important determinants of the capital adequacy ratio. So banks need to give much attention to these variables.

Conclusion: In conclusion, this study aimed to investigate the relationship between the capital adequacy ratio (CAR) and key bank-specific variables for licensed commercial and specialized banks in Sri Lanka. According to the findings, the return on asset ratio, return on equity ratio, and non-performing loan ratio have a significant impact on the capital adequacy ratio. Therefore, must prioritize improving asset returns (ROA) and effectively managing non-performing loans. Additionally, attention to the return on equity (ROE) is necessary to avoid reducing capital buffers. And findings contribute to the bank managers of both licensed commercial and specialized banks, policymakers, regulators, investors, and customers.

Keywords: capital adequacy ratio, licensed banks, return on assets ratio, return on equity ratio, non-performing loan ratio.

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Impact of Behavioral Factors on Investment Decisions: Evidence from Western Province Investors in Colombo Stock Exchange (CSE)

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Abstract

Introduction: This study investigates the impact of behavioral factors on investment decisions among investors in the Western Province of Sri Lanka, specifically within the Colombo Stock Exchange (CSE). Behavioral finance, which integrates psychological insights into financial decision-making, challenges traditional financial theories that assume rational investor behavior. The primary objective is to examine how behavioural factors (such as representativeness, availability bias, anchoring, overconfidence, loss aversion, framing effects, mental accounting, and regret aversion) influence investment decisions.

Methodology: A structured questionnaire was used to collect quantitative data from 100 investors, employing a snowball sampling method. The data were analyzed using exploratory factor analysis, descriptive factor analysis, and regression analysis to identify the relationships between behavioral factors and investment performance.

Findings: It reveals that behavioral biases significantly impact investment decisions, leading to systematic errors and suboptimal outcomes. Overconfidence and anchoring biases were found to have a strong influence, while loss aversion and regret aversion also played critical roles in shaping investor behavior. The study concludes that understanding these factors can help improve investor education and decision-making strategies, ultimately contributing to better financial outcomes and market stability.

Conclusion: The study concludes that behavioral factors significantly impact investment decisions among investors in the Colombo Stock Exchange (CSE). Key findings include that loss aversion and regret aversion lead to conservative investment practices and suboptimal outcomes. Overconfidence and anchoring biases result in reliance on easily recalled information or historical performance patterns, causing poor future predictions. Mental accounting influences decision-making by categorizing investments into different "buckets." The disposition effect shows that investors sell winning stocks too early and hold onto losing stocks for too long, negatively impacting performance. Understanding and mitigating these biases can improve investor education and decision-making strategies, contributing to better financial outcomes and market stability. The study highlights the need for tailored investor education programs and incorporating behavioral insights into advisory practices.

Keywords: Behavioral Finance, Behavioral factors influencing investors' decisions, Investment Decisions, Colombo Stock Exchange.

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Impact of Cloud Enterprise Resource Planning System Adoption among Listed Manufacturing Companies in Sri Lanka

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Abstract

Introduction: ERP cloud systems have become an intrinsic part of contemporary business operations to achieve efficiency, decision making, and competitiveness. This present research attempts to explore whether the adoption of cloud ERP results in enhanced performance among Sri Lankan listed manufacturing companies, mainly in ensuring processes are seamless and reducing any lag in operational processes. This research mainly aims to explore the significant factors that affect the successful adoption of cloud ERP systems and investigate their impact on the performance of listed manufacturing firms. It places special focus on top management support, organizational culture, IT knowledge, and business process reengineering as those factors that contribute much to ERP implementation outcomes.

Methodology: This study follows a quantitative methodology, where primary data from 35 listed manufacturing companies in Sri Lanka are gathered through structured surveys distributed among key personnel. The response rate of 71% provides a robust grounding for the data. Statistical tools are used in descriptive statistics, correlation analysis, and regression modeling to test the relationship between ERP adoption and organizational performance. This study measures firm performance as the dependent variable while top management support, organizational culture, IT knowledge and business process reengineering are independent variables.

Findings: It has been deduced that cloud ERP adoption greatly improves organizational efficiency, enhances the power of decision-making, and brings improvements in financial performance. Critical success factors for successful implementation are top management support and organizational culture, and to some extent, IT knowledge and business process reengineering have been positively related. Cloud ERP systems have tremendous potential for improving operational outcomes and thereby promote competitiveness among manufacturing organizations.

Conclusion: The study finds evidence that the adoption of cloud ERP systems has a positive influence on the operational and financial performance of Sri Lanka's listed manufacturing companies. These results provide useful insights to the business leaders and policymakers with respect to the strategic planning of resource allocation for optimizing ERP implementation for long-term benefits.

Keywords: Cloud ERP, Manufacturing Sector, Organizational Performance, Top Management Support, IT Knowledge, Business Process Reengineering.

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The Impact of Financial Distress on Firm Performance: Evidence from Listed Companies in Sri Lanka

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Abstract

Introduction: Financial distress indicates the firm's risk of bankruptcy or financial instability. This study aims to identify the effect of financial distress on firms' performances during the economic crisis (2019-2023) and before the crisis (2015-2023) and analyze consumer services, capital goods, and food, beverage & tobacco sectors, which have the highest market capitalization.

Methodology: This study collected data from 113 firms listed on the Colombo Stock Exchange under three sectors for a sample period of nine years, from 2015 to 2023. Using a quantitative approach, this study collected secondary data from the annual reports of the selected companies. The Altman Z-score was used as the explanatory variable to reflect the financial distress of the companies selected. Return on assets was used to measure the firm performance of the selected companies. Further, firm size and inflation rate were used as the control variables, and corporate governance was used as a moderate variable. Panel regression models were used in this study to analyze the data in STATA and SPSS software to test some hypotheses.

Findings: The results of the study revealed that there were significant differences in financial distress before and during the crisis, with the compounded effects of financial distress and crisis periods further declining the firm's performance. Also, there are significant differences in financial distress levels between the three sectors, and corporate governance acts as a critical moderating factor, and its effectiveness varies across sectors.

Conclusion: The findings of the study have practical implications for the strategic leaders of the three sectors. The study underscores the importance of early distress detection and adaptive governance practices to enhance firm performance, especially improving firm performance during economic crises.

Keywords: Financial distress, Firm performance, Altman Z-score, Economic crisis, corporate governance

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Impact of Financial Literacy on The Investment Behavior of Retired Employees in the Western Province of Sri Lanka

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Abstract

Introduction: Sri Lanka is one of the rapidly aging regions in South Asia. Retired employees face financial challenges because they have limited income sources during retirement so they should pay attention to the risk when making investments. Retired employees need sufficient income to survive and they make sound investments by investing their gratuity, which depends on their financial literacy levels. This study investigates the impact of financial literacy on the investment behavior of retired employees in the Western Province of Sri Lanka with the mediate effect of risk tolerance, risk perception, and risk aversion.

Methodology: 385 retired employees from the districts of Colombo, Gampaha, and Kalutara were surveyed using a structured questionnaire as part of the study's quantitative methodology. Regression and correlation analyses were used to examine the data.

Findings: The findings highlight that financial literacy increases the ability of retirees to make rational investments which leads to their financial freedom and security. The results show that financial literacy and investment behavior are significantly and positively correlated with risk tolerance, perception, and aversion. Higher financial literacy among retirees is associated with greater risk assessment which in turn leads to more successful investing behavior.

Conclusion: The study can be useful to policymakers and financial institutions to assist in developing programs, which will effectively address the needs of retirees and promote their independence and financial freedom. The findings also extend literature on the impact of financial literacy on investment decisions especially in developing nations like Sri Lanka.

Keywords: Financial literacy, Investment behavior, risk perception, risk aversion, risk tolerance

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The Effect of Green Banking Practices on Banks' Financial Performance: Evidence from Licensed Banks of Sri Lanka

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Abstract

Introduction: This study explores the impact of green banking practices on the financial performance of licensed banks in Sri Lanka, focusing on three key dimensions: green costs, country regulations, and corporate social responsibility (CSR) initiatives. The objectives are to examine how green costs affect financial performance, assess the moderating effect of country regulations on this relationship, and analyze the role of corporate social responsibility spending in enhancing financial performance. The research aims to provide actionable insights for the banking industry and policymakers to implement financial strategies with sustainability goals by addressing these objectives.

Methodology: The study adopts a quantitative methodology, utilizing secondary data from the annual reports of ten licensed local banks with the highest market capitalization in Sri Lanka from 2018 to 2023 and also Worldwide Governance Indicators. The data sample of the study is the ten Licensed Domestic Banks with the highest total market capital in Sri Lankan banking industry. Descriptive statistics and regression analysis were used to assess the relationships between variables, and structural equation modeling was used to ensure the robustness of the results.

Findings: The findings show a positive significant relationship between green costs and financial performance, with sustainable investments enhancing profitability through operational efficiency. CSR activities also show a strong positive impact, reinforcing the value of corporate accountability in driving financial growth. On the other hand, strict country regulations were found to have a negative impact on financial performance, highlighting the challenges of balancing environmental compliance with operational flexibility.

Conclusion: The study concludes that green banking practices, especially when combined with strategic CSR initiatives, offer significant financial and reputational benefits. Policymakers are encouraged to design balanced regulatory frameworks that promote environmental objectives while minimizing compliance costs for banks. These findings highlight the strategic importance of sustainability in achieving long-term financial and environmental goals.

Keywords: Green Banking Practices, Banks' financial performance, Green Cost, Corporate Social Responsibility initiatives, Country Regulations

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Impact of Risk Management on Firms' Financial Performance: Evidence from Licensed Commercial Banks in Sri Lanka

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Abstract

Introduction: This study investigates how methods for risk management affect Sri Lankan commercial banks with permissions and their financial results. Effective risk management is now essential to maintaining the profitability and security of banks in a financial environment that is becoming more and more uncertain. The research focuses on key risk factors, nonperforming loans (NPL), loans and advance (LA), loan loss provision (LLP), liquidity ratio (LR) and return on equity (ROA). The study investigates financial statements from seven commercial banks out of the twenty-four commercial banks that are listed on the Colombo Stock Exchange. They are selected under the sufficient of data category and other banks excluded due to the insufficient of data.

Methodology: All the data collected as secondary data from annual report from 2019 to 2023 of each bank and the data analyzed by using regression analysis. The data set was analyzed using EVIEWS software. Furthermore, the firm's performance measured by Return on Asset and risk management measured by loan loss provision, loans and advances, non-performing loans and capital adequacy ratio.

Findings: Loans and advances (LA) represent a critical role in improving financial performance, as the analysis shows that they have a statistically significant and positive impact on ROA. On the other hand, ROA is not significantly correlated with Loan Loss Provisions (LLP), Non-Performing Loans (NPL), Liquidity (LIQ), or the Capital Adequacy Ratio (CAR). While the model explains a moderate proportion of the variation in ROA, the adjusted R-squared suggests room for improvement in predictive accuracy. The overall model is statistically significant, with no evidence of autocorrelation in the residuals.

Conclusion: In conclusion these findings highlight the urgent need for more empirical and theoretical research to strengthen the model's explanatory power, improve its predictive stability, and provide a more comprehensive, complex understanding of risk management's multiple influence on bank performance, operational efficiency, and financial stability.

Keywords: Risk Management, Commercial Banks, Financial Performance, Regression Analysis, Colombo Stock Exchange (CSE).

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The Impact of Sustainable Finance Literacy and Perceived Environmental Values on Sustainable Investment Attitudes: Evidence from Individual's Western Province in Sri Lanka

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Abstract

Introduction: Today, sustainability concept has become a trending concept than past, and with the rapid development around the world various kind of environmental issues occur. To mitigate them the sustainability concept needs to follow. This study aims to empirically test the impact of sustainable finance literacy and perceived environmental values on sustainable investment attitudes

Methodology: This study collected data from individuals who resident in the western province Sri Lanka from the period of October 2024 – November 2024. Using a quantitative approach, this study collected primary data from the individuals by a questionnaire, questions related to sustainable finance literacy, perceived environmental values and sustainable investment attitudes. Gender, age, education level and income level are used as moderate variables.

Findings: The results of the study revealed that there is a significant impact between sustainable finance literacy and sustainable investment attitudes, as well as perceived environmental values and sustainable investment attitudes. And demographic factors such as age, gender, education level and income level have a significant impact on sustainable investment attitudes.

Conclusion: The findings of the study imply that, to stimulate sustainable investments in developing countries, regulatory authorities and sustainable fund issuers such as financial corporations can enhance promotional campaigns and workshops aimed at increasing awareness and understanding of sustainable finance literacy

Keywords: sustainable finance literacy, perceived environmental values, sustainable investment attitudes, sustainable investment instruments.

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Influence of Company-Specific Factors on Profitability in Life Insurance Companies in Sri Lanka

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Abstract

Introduction: The purpose of this study is to look into how company-specific factors influence the profitability of Sri Lankan life insurance businesses. It specifically looks at the influence of company-specific factors such as premium income, claim costs, underwriting results, and risk-based capital on profitability. The life insurance market in Sri Lanka confronts considerable hurdles in maintaining profitability, which is critical to the industry's stability and expansion.

Methodology : This study uses a quantitative research design using empirical methods built under a positivist paradigm and a deductive methodology. The study uses panel data from ten life insurance companies from 2016 to 2022, using financial data derived from annual reports and IRCSL reports. The research employs a panel data regression model to determine the influence of the stated factors on profitability.

Findings : The investigation, which is supported by descriptive statistics, demonstrates substantial correlations between profitability and company-specific factors. Profitability is positively influenced by premium income and risk-based capital, but claim costs have a negative influence. However, underwriting results have little influence on profitability.

Conclusion : The research gives critical insights into the financial dynamics of the life insurance industry, highlighting significant factors influencing profitability. It provides stakeholders with direction on how to improve premium income strategies, optimize claims management, and strengthen risk-based capital management in order to improve financial performance and strategic decision-making.

Keywords: Profitability, Company-Specific Factors, ROA, Risk-based Capital, Net Premium Income, Net Claim Cost, Underwriting Results, Life Insurance

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Phycological and demographical factors influencing cryptocurrency investment intention with special reference to the western province people in Sri Lanka

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Abstract

Introduction: This research investigates the psychological and demographical factors influence to cryptocurrency investment intentions among peoples of Western Province of Sri Lanka. The study takes place against the backdrop of a rising trend towards cryptocurrencies amidst a population group that is actively using digital and financial resources. There is a significant knowledge gap regarding cryptocurrency investment in Sri Lanka Examining what factors affect this gap and how those factors affect it is critical to promoting informed decision-making and responsible participation in the cryptocurrency market.

Methodology: A quantitative research approach was employed, utilizing a structured questionnaire to gather data from 384 respondents in the Western Province. The study examined psychological determinants alongside demographic variables including age, gender, education, and income. Data analysis was conducted using SPSS software to evaluate the relationships between these variables and investment intentions.

Findings: The analysis revealed that psychological factors significantly influence cryptocurrency investment intentions, with perceived trust emerging as the most influential variable. Demographic analysis showed that income and education levels positively correlate with investment intentions, while age demonstrates a negative correlation. Gender was found to have a significant but complex relationship with cryptocurrency adoption patterns.

Conclusion: The study provides valuable knowledge into cryptocurrency adoption dynamics in Sri Lanka's developing market context. These findings have practical implications for policymakers, financial institutions, and cryptocurrency platforms in developing strategies for promoting responsible investment practices and market development. To the design people appropriate to invest wisely and for the growth of the market.

Keywords: Cryptocurrency investment, psychological factors, demographic factors, investment intentions, Sri Lanka, Western Province, perceived trust, financial behavior, developing markets

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Significance of Company-Specific & Macroeconomic Determinants on the Solvency of Sri Lankan Insurance Companies

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Abstract

Introduction: This study investigates how company-specific variables including return on assets, leverage, investment yield, claims ratio, and retention ratio as well as macroeconomic variables including GDP growth rate, inflation rate, and interest rate affect the solvency of insurance companies. The study fills the empirical gap in Sri Lanka's insurance industry by analyzing key determinants of life and general insurance companies' solvency after introducing the Risk-Based Capital requirement in 2016.

Methodology: The quantitative research methodology was used to analyze the key determinants of solvency by taking 12 life insurance and 10 general insurance companies operating from 2016 to 2023. Statistical methods including descriptive analysis, correlation analysis, and panel data regression analysis were used to assess the impact of selected independent variables on the solvency of insurance companies.

Findings: The findings revealed that the return on assets, investment yield, and retention ratio, have a significant positive influence on the solvency, and the claims ratio has a significant negative influence on the solvency of both sectors indicating the importance of operational efficiencies for greater financial stability. The GDP growth rate and the interest rate had a statistically insignificant impact on the solvency of both sectors and the inflation rate was significant with a negative impact only on the general insurance that could be attributed to the economic volatility during the sample period analyzed.

Conclusion: In conclusion, the study highlights the critical role of insurance companies' operational efficiency and continues monetization of macroeconomic variables to sustain in the industry with actionable recommendations to the regulators and insurers to maintain adequate solvency within the industry while protecting policyholders' interests.

Keywords: Solvency, Risk-Based Capital Requirement, Company-specific Factors, Macroeconomic Factors, Insurance

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Stock Split Announcements and Their Impact on the Short Run Stock Price Performance: An Analysis of the Pre and Post Pandemic Stock Split Announcements in the Colombo Stock Exchange

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Abstract

Introduction: This study was done in order to analyse the short run impact of stock split announcements in the Colombo Stock Exchange of Sri Lanka through a comparison of announcements made during the Pre-Covid and Post-Covid periods. With the use of secondary data the event study methodology was used to recognize the abnormal returns that have occurred due to the announcement of a stock split. The main objective of the study was to recognize whether there has been any changes in how the market perceives stock split announcements and whether there has been any change in the pre and post covid eras. The study has been able to unfold that the negative sentiment that was there towards stock split announcements in the pre covid era has evolved towards a more positive sentiment in the post covid era with the development of capital markets in Sri Lanka.

Methodology: By constructing this study using the event study methodology I have looked at the time period running up to the announcement and have analysed the post announcement period as well by looking at the reaction of the split announcements on the average abnormal returns, cumulative average abnormal returns and the t-statistic of the average abnormal returns. Through these avenues the change in perception of these stock split announcements can be identified.

Finding : While during the Pre-Covid era there has been a negative sentiment towards stock split announcements with negative Average Abnormal Returns of -0.64% there has been a drastic change in the Average Abnormal Returns in the post covid period indicating a return of 15% showing a change in the perception that has evolved with the development of Sri Lankan capital markets. With various new developments in the economy and new innovations the investor sentiment has also changed into seeing more opportunities with stock splits.

Conclusion: Through the findings of this study, we can conclude that the stock split announcements in the pre covid era which were perceived to be negative by the market has been changed into a more positive perception during the post covid period in creating more opportunities for market participants in the short run. With continuous analysis it can be seen that the new developments and changes of the market have facilitated this sentiment and for future research a continuation of such trends can be analysed. Therefore it is important to follow the impact of stock split announcements for short run performance of stocks prices.

Keywords: Stock Splits, Colombo Stock Exchange, Abnormal Returns

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The Day of the Week Effect of Stock Returns: Empirical Evidence from the Colombo Stock Exchange

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Abstract

Introduction: The purpose of this study is to investigate the Day-of-the-Week Effect on stock returns in the Colombo Stock Exchange (CSE), examining whether specific days consistently exhibit abnormal returns. By analyzing the All-Share Price Index (ASPI) data from 2014 to 2024, the research explores how economic crises, such as the Easter Sunday Attack (2019), the COVID-19 pandemic, and Sri Lanka's financial collapse (2022) influenced these anomalies.

Methodology: Statistical Techniques, including Ordinary Least Squares (OLS) regression and unit root tests, confirmed the presence of significant daily return patterns. The data sample consists of daily stock returns of all companies listed on the All Share Price Index (ASPI) from April 2014 to April 2024. The Data was analyzed in two distinct periods: pre-crisis (2014-2019) and post-crisis recovery (2019-2024). Secondary data was used and retrieved from the CSE website.

Findings: Mondays consistently recorded negative returns across all periods, suggesting a "Monday effect". Thursdays showed the most significant positive returns, particularly during the post-crisis recovery period (2019-2024).

Conclusion: The study confirms the existence of the day-of-the-week effect in the Colombo Stock Exchange, with distinct variations during economic crises and recovery periods. These findings underscore the need for further exploration into behavioural finance and its role in emerging markets. Future studies should include cross-market analyses to broaden understanding and applicability. The study provides recommendations to investors and policymakers; investors can understand these patterns and use them to enhance their trading strategies, optimizing buy-sell decisions based on predicted daily returns. The policymakers can get insights into market inefficiencies and offer opportunities to improve regulatory frameworks and foster greater stability.

Keywords: Day-of-the-Week effect, Daily ASPI returns, Monday effect, pre-crisis, post-crisis, Colombo Stock Exchange, Seasonal Anomalies

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The Determinants of Demand for Reinsurance in the Sri Lankan General Insurance Market - Special Reference to the Marine Sector

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Abstract

Introduction: Reinsurance is an indispensable tool in the risk management framework of the insurance industry, enabling companies to transfer significant risks while ensuring financial stability. This research focuses on the determinants of reinsurance demand in the general insurance market of Sri Lanka, focusing on the marine insurance sector, which is very important but not widely researched in the local context.

Methodology: This study collected data from 12 General Insurance Companies in Sri Lanka for a sample period of eight years, from 2015 to 2022. Using quantitative approach, this study collected secondary data from the annual reports of the selected companies. This study primarily investigates how critical financial factors such as Return on Total Assets (ROA), the growth of Gross Written Premiums (GWP), underwriting risk, solvency margin, and financial leverage affect the demand for reinsurance. A series of fixed-effects panel regression models were used in this study to analyze the data.

Findings: The results show that solvency margin, financial leverage and underwriting risk have a positive and significant impact on the demand for reinsurance. On the other hand, the ROA & GWP growth did not show any significant association with the demand for reinsurance, which thus indicates that financial stability rather than profitability or growth motivates the reinsurance decisions mainly in the SL context.

Conclusion: Firms with higher solvency margins use reinsurance to optimize risk retention and capital allocation. Similarly, the higher the leverage, the greater the demand for reinsurance as a strategy to mitigate risks associated with increased financial obligations.

Keywords: Reinsurance demand, Solvency margin, financial resilience, Marine insurance, Risk management.

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The Determinants of the Demand for Motor Reinsurance in Sri Lankan General Insurance Market

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Abstract

Introduction: This study investigates the determinants of the demand for motor reinsurance in Sri Lankan General Insurance market focusing on financial indicators such as return on total assets, growth of gross written premiums, underwriting risk, solvency margin, financial leverage and reinsurance Ratio. The purpose of this study is to identify the what are the factors affecting to the demand for motor reinsurance in Sri Lankan General Insurance market.

Methodology: The target population of this study was Sri Lankan General Insurance market. The study applies the quantitative research approach with deductive research logic and all the secondary data are taken from the annual reports of the General Insurance companies and the IRCSL from 2015 to 2022. Data analyzed by using STATA software which included statistical tests such as Descriptive statistics, diagnostic tests including correlation testing, heteroscedasticity testing, serial autocorrelation testing, cross-sectional dependency and regression analysis.

Findings: The findings of the study highlighted that underwriting risk and solvency margin are the key determinants of the demand for motor reinsurance in Sri Lankan General insurance market. Higher underwriting risk drives insurers to cede more risks to reinsurers, supporting the risk-bearing hypothesis. Conversely, companies with stronger solvency margins tend to retain more risks

Conclusions: The study concludes that managing underwriting risk and maintaining robust solvency margins are critical for optimizing reinsurance strategies and structure for the Sri Lankan General Insurance Companies.

Keywords: Motor Reinsurance, Reinsurance Demand, Underwriting Risk, Solvency Margin, General insurance market.

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The Determinants of the Demand for Fire Reinsurance in Sri Lankan General Insurance Market

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Abstract

Introduction: The assistance of an emphasis on financial indicators including return on total assets, growth in gross written premiums, underwriting risk, solvency margin, and financial leverage Reinsurance Ratio, this study examines the factors that influence the demand for fire reinsurance in the Sri Lankan general insurance market.

Methodology: The general insurance market in Sri Lanka was the study's target audience. All secondary data used in this study comes from the annual reports of general insurance companies and the IRCSL between 2015 and 2022. The study employs a quantitative research approach with deductive research logic. Statistical tests like descriptive statistics, diagnostic tests like correlation, heteroscedasticity, serial autocorrelation, cross-sectional dependence, and regression analysis were among the statistical tests performed on the data using STATA software.

Findings: The findings of the study highlighted that return on total assets, growth of gross written premium and solvency margin are the key determinants of the demand for fire reinsurance in Sri Lankan General insurance market. Financial leverage & underwriting risk has an insignificant relationship between the demand for the reinsurance in fire sector.

Conclusions: The study comes to the conclusion that maximizing reinsurance methods and structure for Sri Lankan general insurance companies requires careful management of return on total assets, growth of gross written premiums, and the maintenance of strong solvency margins.

Keywords: Fire Reinsurance, Reinsurance Demand for fire sector, return on total assets Underwriting Risk, Solvency Margin, General insurance companies.

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The Determinacies of the Cost of Financial Distress in Sri Lankan Insurance Industry

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Abstract

Introduction: Financial distress is one of the most detrimental factors facing businesses in terms of profit, firm value, and sustainability. It arises when the company is unable to meet its debt obligations, leading to bankruptcy, liquidation, or asset seizure. Global economic uncertainty heightens these risks and necessitates that firms develop models to monitor, identify, and measure any potential threats to business performance. The cost of financial distress is one of the most effective tools used to find symptoms of deterioration, such as tenders for sales growth and stock returns, that could avert severe losses or even bankruptcy.

FD is going to touch the minds of a wide variety of stakeholders such as shareholders, employees, customers, suppliers, financial institutions, and society at large. The effects are not only at the level of the firm, but they go beyond and have macroeconomic effects. It might increase the cost of doing business for such firms, compared to companies that are stable. Since these costs have both direct and indirect components, costs are direct to each company if they include legal fees associated with bankruptcy proceedings, such as attorney and administrator fees. Indirect costs are hidden and accrue from interruptions to operations, damage to reputation, and temporary liquidity problems. Such research indicates that costs can reduce firm values by attaching a magnitude of said cost, between 1 percent and 5.3 percent. Early identification and mitigation of financial distress remain essential for ensuring business continuity and minimizing losses.

Methodology: This study collected data from 7 financial distress insurance companies for a sample period of Seven years, from 2016 to 2021. Selected Distress Insurance companies are MBSL life insurance, MBSL Genera,LIC insurance company, Amana Life, LOLC life, Sanasa General and Firfirst insurance company. Using quantitative approach, this study collected secondary data from the annual reports and insurance industry handbooks of the selected financial distress companies. Financial Distress Likelihood, Tangible Fixed Assets, Lóng term leverage and short-term leverage were used as the explanatory variables to reflect the cost of financial distress of the selected distress companies. A series of fixed-effects panel regression models was used in this study to analyze the data.

Findings: The study results showed no significant impact between dependent and independent variables. Therefore, all the hypotheses were rejected.

Conclusion: The findings of the study have practical implications for the strategic leaders of the insurance industry, as they shall consider the cost of financial distress and how impact on insurance industry when making decisions.

Keywords: Cost of Financial Distress, Financial distress likelihood, short team leverage, long term leverage, Tangible fixed assets.

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The Effect of Capital Structure on Firm Performance: Evidence from Listed Capital Goods Sector in Colombo Stock Exchange: Pre-Crisis vs. Economic Crisis

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Abstract

Introduction: This study investigates the impact of capital structure on the financial performance of firms in the capital goods sector listed on the Colombo Stock Exchange (CSE) in Sri Lanka. The analysis covers the period from 2014 to 2023, distinguishing between the pre-crisis (2014-2020) and economic crisis (2021-2023) periods to understand the role of the economic crisis as a dummy variable. Firm performance is measured using Return on Assets (ROA), Return on Capital Employed (ROCE), and Tobin's Q, while the debt-to-equity ratio serves as the independent variable. Control variables include firm size, age, tangibility, and sales growth.

Methodology: Using a quantitative approach, secondary data from 22 listed firms were analyzed using panel data regression through descriptive analysis, correlation analysis, panel regression analysis, and t-tests. The study used a positivism approach. Random effect panel regression models were used to analyze the data.

Findings: The findings indicate a significant negative relationship between the debt-to-equity ratio and all three performance indicators (ROCE, ROA, and Tobin's Q) and ROA, ROCE are significantly statistically impacted by the Economic Crisis and Tobin's Q is not statistically impacted by the Economic Crisis.

Conclusion: The study concludes that higher debt ratios negatively affect firm performance, with this impact being more pronounced during an economic crisis. The findings highlight the need for firms to adopt timely capital structure decisions, especially in uncertain economic conditions.

Keywords: Capital structure, Firm Performance, Economic Crisis, Capital Goods Sector, Colombo Stock Exchange

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The Effect of Capital Structure on Firm Performance: Evidence from Listed Diversified Financials Sector Companies in Colombo Stock Exchange: Pre-Crisis vs. Economic Crisis

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Abstract

Introduction: This study investigates the impact of capital structure on the financial performance of diversified financial sector companies listed on the Colombo Stock Exchange (CSE) during pre-crisis (2014–2020) and crisis (2021–2023) periods. The objectives of the study are to evaluate the strength of the causal relationship between capital structure and firm performance of the listed diversified financial sector companies between the periods of 2014-2023 and to check whether there is a statistically significant impact between the capital structure and firm performance of the listed Diversified Financial sector companies before and during the economic crisis periods (2014-2023). This study addresses this gap by examining the effect of debt on three key performance metrics: Return on Capital Employed (ROCE), Return on Assets (ROA), and Tobin's Q.

Methodology: The research follows a quantitative approach using secondary data from 27 listed diversified financial firms. Panel data regression will be used for the analysis to evaluate the relationship between capital structure and firm performance, with firm age, size, tangibility, and sales growth as control variables. The economic crisis is incorporated as a dummy variable to assess its effect on firm performance. Descriptive statistics and t-tests are used to identify differences in firm performance between pre-crisis and crisis periods.

Findings: The findings indicate a significant negative relationship between the debt-to-equity ratio and all three performance indicators (ROCE, ROA, and Tobin's Q) and ROA, ROCE are significantly impacted by the Economic Crisis and Tobin's Q is not impacted by the Economic Crisis.

Conclusion: Capital Structure and Firm Performance is a highly discussed topic among researchers. However, studies done on specific sectors are very rare in the Sri Lankan context. Furthermore, the study has incorporated the economic crisis as well. Therefore, this study will provide insights into future research on this topic.

Keywords: Capital Structure, Firm Performance, Economic Crisis, Diversified Financial Sector Companies, Colombo Stock Exchange

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The Effect of Company Growth, Managerial Ownership, and Debt Policy on Dividend Policy: Evidence from Manufacturing Companies in Sri Lanka

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Abstract

Introduction: The study probes into the effect of company growth, managerial ownership, and the debt policy on dividend policy of listed manufacturing companies in Sri Lanka. Dividend policy is the most important component of corporate finance decisions in company's trade-off between shareholder returns and the growth and financial viability of the company. This research adopts a quantitative approach in analyzing datasets from the top10 capital goods manufacturing companies of the Colombo Stock Exchange from 2014-2023.

Methodology: The study attempts to fill the existing in literature with regards to manufacturing in Sri Lanka by studying three important variables of dividend policy, growth of the company, ownership by management, and debt policy. For these variables, a conceptual framework was developed to show the impact of where dividend policy would be taken as the dependent variable. Secondary data like financial statements and annual reports would be analyzed using regression models and correlation techniques via STATA software.

Findings: The research has produced a significant positive impact between growth in a company and dividend policy; thus, the higher the rate of company growth, the greater the number of dividends distributed. Although a positive impact exists between managerial ownership and dividend policy, that impact is found not to be significant. The study established a significant negative impact between the debt policy and dividend policy, meaning that higher debt levels restrict a company from paying dividends.

Conclusion: The findings underscore the importance of company growth as a key driver of dividend policy in Sri Lankan manufacturing firms. Managerial ownership demonstrates a positive impact however, the absence of statistical significance indicates the role of more critical factors. The negative effect of debt policy on dividends emphasizes the careful management of levels of debt by companies to sustain returns to shareholders. This study, thus, provides critical insights for investors and policymakers in the understanding of dividend policies in manufacturing.

Keywords: Dividend policy, company growth, managerial ownership, debt policy.

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The Effect of Debt Financing on Corporate Profitability: Special Reference to Retailing Sector Listed in Colombo Stock Exchange

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Abstract

Introduction: Debt financing plays a crucial role in ensuring continuity of operations and achieving maximum profitability in firms. This study probes into how debt financing affects the profitability of retailing firms listed in the CSE, with emphasis on the management of STD, LTD, and TD to attain an optimal capital structure. The study also considers the control variables of firm size and firm growth in assessing the profitability as represented by ROA.

Methodology: A descriptive research design underpinned by a positivist philosophy was employed. Secondary panel data were collected from financial reports of 12 retailing firms listed on the CSE during 2019–2024. The data were analyzed using EViews 12, employing descriptive statistics, correlation analysis, regression analysis, and hypothesis testing. The relationships between STD, LTD, TD, and ROA were examined to understand the debt management strategies affecting profitability in the retail sector.

Findings: The results yielded a negative and significant coefficient of STD on ROA, thus explaining that short-term reliance by firms diminishes profitability. LTD, on its part, demonstrated a positive and significant relation to ROA; hence, the support of trade-off theory presents its merits in the form of tax shields. TD expressed an insignificant influence on profitability; hence, debt mix turns out to be more crucial as compared to total debt amount.

Conclusion: The study concludes that effective debt management is vital for enhancing profitability in the retail sector. Long-term debt should be used strategically to leverage tax benefits and stability, while excessive dependence on short-term debt should be avoided to prevent financial stress. The findings are consistent with the trade-off theory and provide actionable insights for retail firms on optimizing their capital structure. Future research can explore additional variables and their impact on profitability in evolving market conditions.

Keywords: Colombo stock exchange, profitability, total debt, short term debt, long term debt

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The Effect of Financial Literacy on Firm Performance Thorough Mediation of Financial Access and Financial Risk Attitude: Evidence from Selected Manufacturing MSME in Ratnapura District

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Abstract

Introduction: The study assesses the effect of financial literacy on the growth of manufacturing micro, small and medium enterprises (MSMEs) in Ratnapura District, Sri Lanka while examining access to finance and financial risk as mediating variables. This study is based on the premise that MSME sector is critical in the economic development of a nation through employment creation, growth of the Gross Domestic Product (GDP), and investment in innovations. Even with this significance, financial literacy remains an area of concern especially in as far as the ability of MSMEs to have access to formal financial systems and making rational economic decisions is concerned.

Methodology: A quantitative methodology was adopted that used a self-administered structured questionnaire designed for 145 MSME owners/managers. Data were analyzed using SPSS with the aid of regression and mediation analysis using Hayes' Process Macro. Financial literacy, financial access, financial risk attitude and business performance were measured with the use of verified and standardized constructs.

Findings: Having knowledge of finance leads to greater business results through more integration into the economy and a more diversified risk attitude. In addition, MSME loans, credit and other financial services are more accessible as financial education enables better risk assessment. Mediation analysis assists in establishing that financial literacy, firm performance and financial access, and financial risk attitude are all closely interrelated in a cause and effect cycle where each is mediating the other.

Conclusion: financial literacy in the case of owners of MSMEs is crucial in increasing their financial inclusion and risk profile therefore improving the success of their businesses. There is need for financial education, also measures to correct the problem of illiteracy should be taken. Other possible mediating variables and frameworks could be investigated in future studies and other geographical areas or sectors could be incorporated.

Keywords: Financial literacy, MSMEs, business performance, financial access, financial risk attitude, Sri Lanka, Ratnapura district, quantitative research.

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The Effect of Financial Literacy on Firm Performance through Mediation of Financial Access and Financial Risk Attitude: Evidence from Selected Service MSME in Rathnapura

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Abstract

Introduction: This study examines how the literacy of businesses in the service sector in the Ratnapura District, Sri Lanka can be related to their performance. Micro, Small and medium-sized enterprises are the engine of the economy and the main providers of jobs, but they face such difficulties as financial management that is not enough and the difficulty in accessing financial resources. Through the use of financial risk attitude, the research gives financial access golden to the mediating roles and it analyses the connection between financial literacy and MSME performance. This study pursues the gaps found in the current literature and gives real-time advice on how the performance of the MSME in the region can be enhanced.

Methodology: The study engaged in the quantitative methodology which included the participation of 168 MSME owners and managers from the service sector of the Ratnapura District. The data can be collected as structured questionnaire and analysis was done by using SPSS, a statistical software program. This strict methodology made it possible to derive conclusions that are statistically valid. The research passed through the very specified factors of production; these include; financial literacy, financial access, financial risk attitude, and MSME performance, in which the study placed its major focus on their interactions.

Findings: The results demonstrate a clear, and statistically significant correlation between financial knowledge and MSME performance. At the same time, the research has brought out the mediating roles of both financial access and financial risk attitude in this relation. Besides, financial education not only grants a better access to fund, it also brings the creation of the strategy of investment and risk-taking among MSMEs' holders and managers. A calculated mindset, that is; a risk-taking oriented mindset, also creates a strong bond between business activity and excellence. The findings reveal the intricate relations between the performance of MSME, the financial literacy of the individuals, their access to money and of course, their risk-taking approach in the field of maintenance of the infrastructure.

Conclusion: This study is beneficial in comprehending the impacts of financial knowledge on the MSME performances in Ratnapura in particular. Consequently, the report underlines the necessity of financial literacy programs with focus subjects and development of special financial instruments for accuracy in satisfying the effects of MSME owners. There is the potential for growth and sustainability for the targeted regions with the guidance of policymakers and financial institutions. Through addressing some of the research open ends, the study presents options for feasible recommendations for MSMEs' prosperity in the service sector that are also valuable to researchers.

Keywords: Financial Literacy, MSME Performance, Financial Access, Financial Risk Attitude, Rathnapura District

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The Effect of Financial Literacy on Firm Performance Through Mediation of Financial Access and Financial Risk Attitude: Evidence from Selected Trading MSME in Ratnapura District

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Abstract

Introduction: Micro, Small and Medium Enterprises (MSMEs) are important players in economic development as they provide employment and contribute significantly to the GDP of both developed and developing nations. MSMEs face challenges such as limited financial literacy, limited access to financing and poor risk management skills which at the end results in financial failure of the business. Entrepreneurs who can manage their firms more effectively and make informed decisions have access to increased resources and are more effective at managing risks. This study examines the Effect of Financial Literacy on Firm Performance Through Financial Access and Financial Risk Attitude as Mediators.

Methodology: This quantitative and deductive approach was followed, by the positivism philosophy, in an attempt to examine the research problem logically. Primary data were collected from 150 MSMEs using structured questionnaires. Descriptive statistics, correlation analysis, and mediation analysis were conducted using SPSS to evaluate the hypothesized relationships among financial literacy, financial access, financial risk attitude, and firm performance.

Findings: The findings indicate a strong positive relationship between the financial literacy of the MSMEs and their performance. Financial literacy was found to have a direct effect on performance and improved the ability to acquire financial resources and positive risk attitudes, which came as partial mediators. MSMEs with more financial knowledge found it easier to obtain funds, manage risks, and deal with market changes and thus made better performance.

Conclusion: The analysis demonstrates that targeted policy measures and educational programs on financial literacy should be incorporated into the agenda of MSME owners' empowerment. Statistics reveal that with better information, entrepreneurs' judgment is clear, resources are allocated better, and complex financial networks are exploited. Making finance available through efficient and uncomplicated lending and customized financial aid is critical to sustaining liquidity and fostering growth. Also, constructive risk attitudes allow MSME owners to embrace risks and mitigate uncertainties with confidence. These actions are important for establishing a nurturing environment that guarantees the viability and growth of micro, small and medium enterprises in developing countries.

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Keywords: MSMEs, Financial Literacy, Access to Finance, Financial Risk Attitude, Firm Performance.

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The Effect of Money Laundering and Corruption on Banking Sector Stability in Asia

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Abstract

Introduction: The rapid development of modern technology, globalization, and the speed of computer-generated financial transactions enabled by fintech, those advantages have also benefited and facilitated the tasks of criminal groups in money laundering and corruption nowadays. This study aims to empirically test the effect of money laundering and corruption on banking sector stability in Asia.

Methodology: This study collected data from 28 Asian countries for eleven years, from 2011 to 2022. The study designs a quantitative methodology, employing secondary data sources for the analysis. Corruption data were obtained from Transparency International, while the Basel Institute of Governance provided money laundering data additional variables were sourced from the World Bank database. Money laundering and corruption were used as independent variables and using Z-score measured the banking sector stability in the selected sample. Further, return on assets, non-performing loans, bank size, inflation, unemployment, and gross domestic product were used as control variables of the study. The analysis was conducted using regression analysis. Further, this study used random and fixed effects models.

Findings: The results of the study show that money laundering has a positive and significant relationship with the stability of the banking sector in Asia. whereas another hypothesis was rejected. Additionally, return on assets and non-performing loans positively and significantly impact the banking sector stability in Asia.

Conclusion: Based on the findings of the study governments should focus on raising awareness and implementing effective policies to address these challenges. The research offers useful insights for policymakers, financial institutions, and researchers, helping them to understand the knowledge areas of money laundering and corruption. It also provides a foundation for future studies to explore this important topic further.

Keywords: Money laundering, Corruption, Bank Stability, Asia, Regression Model.

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The Effect on Stock Market Volatility on Stock Prices By Using The Methods of Arch, Garch, And Egarch in Colombo Stock Exchange, Sri Lanka

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Abstract

Introduction: The purpose of the study is to examine the effect on stock market volatility on stock prices by using the methods of ARCH, GARCH, and EGARCH in Colombo Stock Exchange, Sri Lanka.

Methodology: The researcher has chosen the S&P SL 20 Index in CSE, Sri Lanka for the study. In this regard the secondary data was collected from the official website of CSE**.** Daily historical stock prices were the independent variables and forecasted stock volatility was the dependent variable. The model has been done using EViews 12 SV. 10 years span of data has been analyzed to find the most accurate forecasting model and the deviation between actual volatility and forecasted volatility. To check the accuracy between actual and the forecasted volatility, the error measurements called MAE, RMSE, MAPE, and TU were used.

Findings: According to the study's findings, all three models were confirmed that there is a significant relationship between actual and forecasted volatility is evident through the model's ability to capture key market patterns, including volatility clustering and persistence. While each model offers unique strengths, the ARCH model emerges as the most balanced option for general use. EGARCH is particularly useful in markets with asymmetrical responses, and GARCH provides reliable short-term forecasting but is less consistent overall.

Conclusion: ARCH consistently performs well, making it the most balanced and reliable model overall. EGARCH effectively captures percentage errors and handles market asymmetries, proving useful for conditions requiring specific percentage accuracy. Finally, GARCH performs best in minimizing large deviations but falls short on other metrics, placing it behind ARCH and EGARCH in terms of consistent forecast reliability. The final result ranking emphasizes ARCH as the top choice for balanced accuracy, followed by EGARCH for specialized contexts, with GARCH providing strong but slightly less consistent performance.

Keywords: Forecasting; Volatility; GARCH models; Colombo Stock Exchange, S&P SL 20 index

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The Firm's Specific Factors Affecting the Financial Performance of General Insurance Companies in Sri Lanka

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Abstract

Introduction: The financial performance of general insurance companies is influenced by various firm-specific factors, including premium income, claim costs, underwriting results, and financial leverage. These factors are crucial in determining the profitability and overall financial health of insurance firms. This study aims to empirically test the impact of these firm-specific factors on the financial performance of general insurance companies in Sri Lanka.

Methodology: This study on the impact of premium income, claim cost, underwriting results, and financial leverage on the financial performance of general insurance companies in Sri Lanka outlines the approach used to analyze these factors. The study uses a quantitative approach, relying on secondary data from the financial reports of 10 selected general insurance companies in Sri Lanka. Key variables, including premium income, claim costs, underwriting results, and financial leverage (debt-to-equity ratio), are measured and analyzed using statistical tools such as regression analysis to assess their effect on financial performance. Financial performance is measured using Return on Assets (ROA) as a dependent variable. Data analysis is performed using Random-effects panel regression models. The sample includes both publicly listed and private insurance companies, and the analysis focuses on data over a defined period.

Findings: The results of the study revealed that premium income and underwriting results have a significant positive impact on ROA, suggesting that higher premium income and better underwriting practices enhance financial performance. Conversely, higher claim costs and increased financial leverage are found to have a negative effect on profitability, reducing ROA. These findings emphasize the importance of managing underwriting practices and claim costs, while also controlling financial leverage to improve overall financial performance.

Conclusion: The study underscores the significant role that premium income, claim costs, underwriting results, and financial leverage play in shaping the financial performance of general insurance companies in Sri Lanka. To enhance profitability and solvency, insurance firms should focus on increasing premium income, optimizing underwriting results, and managing claim costs and financial leverage effectively. These insights provide valuable guidance for investors, management, and policymakers aiming to improve the financial health of the Sri Lankan insurance industry.

Keywords: Premium income, Claim costs, Underwriting results, financial leverage, financial performance, Return on Assets, General insurance.

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The Firm Specific Internal Factors Affecting Financial Performance of Life Insurance

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Abstract

Introduction: This study investigates the financial intricacies of Sri Lanka's life insurance industry by examining how premium income, claim expenses, and investment returns impact net income. These internal factors are pivotal in shaping financial performance, making them essential for insurers striving to optimize profitability. By uncovering the interplay between these variables, this research aims to illuminate strategies for navigating the sector's financial challenges.

Methodology: The analysis focused on six life insurance companies listed with the Insurance Regulatory Commission of Sri Lanka (IRCSL) that provided complete financial disclosures from 2012 to 2022. These firms were selected using purposive sampling, ensuring relevance and data quality. A panel data regression model, processed with the STATA application, was utilized to evaluate the relationships between premium income, claim expenses, and investment returns. This rigorous approach provided nuanced insights into their influence on net income.

Findings: The findings revealed a complex dynamic among the three variables. Investment returns emerged as the most significant driver, positively influencing net income and highlighting their vital role in financial stability. Surprisingly, premium income exhibited a significant negative impact, suggesting inefficiencies in managing these inflows, possibly due to higher associated costs or misaligned operational strategies. Claim expenses, while not statistically significant at the 5% level, displayed a negative impact at the 10% level, underscoring their potential to strain financial resources subtly.

Conclusion: This study underscores the challenges facing Sri Lanka's life insurers. While premium collection remains a priority, inefficiencies in its management can erode profitability. Simultaneously, claim expenses demand careful oversight to mitigate latent financial risks. The key to overcoming these hurdles lies in enhancing investment strategies and adopting robust risk management frameworks. These findings enrich the existing body of knowledge and provide actionable insights for stakeholders in the life insurance sector.

Keywords: Premium income, claim expenses, investment returns, net income.

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Impact of Accounts Receivable Management on Profitability: Evidence from the Listed Consumer Discretionary Sector Companies in Sri Lanka

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Abstract

Introduction: This research has aimed to investigate the impact of accounts receivable management on the profitability of the consumer discretionary sector firms in Sri Lanka. The focus is on key ratios such as inventory turnover ratio, average collection period, account receivables turnover ratio, cash conversion cycle, and their association with the profitability measures: including return on asset and return on equity. This research also finds that the firm size moderates these relations as well.

Methodology: The paper uses a quantitative method and includes data from 23 white-listed consumer discretionary companies listed in the CSE, within the selected period from 2013 to 2023. In this study, multiple regression analyses are used to examine the effects of accounts receivable metrics on profitability with firm size being a control variable. To improve the validity of results, comprehensive diagnostics are conducted to evaluate conformity with normality, multicollinearity, heteroskedasticity, and autocorrelation tests. The inclusion of only white-listed firms helps to get a sufficient and statistically adequate number to analyze the characteristics of accounts receivable management in this sector.

Findings: The findings point to the fact that lower collection periods, or shorter the cash conversion cycles, result in better accounts receivable management and lead to higher profitability as defined by ROA and ROE. It also reveals differences in the performance of receivable management practices across firms, suggesting the existence of distinct financial environments that should be addressed by the corresponding managerial solutions.

Conclusion: The significance of accounts receivable management in enhancing the Profitability of the consumer discretionary sector is further emphasised in this research finding. It does offer support for viable approaches to enhance sound credit management for enhanced cash flows and profitability. Financial managers and policymakers in the consumer discretionary sector should find these observations helpful in improving accounts receivable management and supervising financial activities. The study adds to the scarce literature in Sri Lanka regarding the understanding of financial management within the consumer discretionary industry and revealed the significance of accounts receivable management in maintaining the financial health of organizations in the country.

Keywords: Consumer Discretionary Sector; Accounts Receivable Management; Sri Lanka; Inventory Turnover Ratio; Accounts Receivable Turnover Ratio; Cash Conversion Cycle; Average Collection Period; Return on Assets; Return on Equity: Profitability.

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The Impact of Asset Liability Management on Financial Performance Before and During the Crisis: Evidence from Licensed Finance Companies in Sri Lanka

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Abstract

Introduction: This study critically assesses the impact of ALM on the financial performance of licensed finance companies in Sri Lanka, focusing on pre-economic crises and during the crisis periods. This research integrates measures of financial performance, which include ROE and ROA, while using capital adequacy ratio, CAR; non-performing loans ratio, NPLR; operational efficiency ratio, OER; earning diversification ratio, EDR; and liquid asset ratio and LAR, as main ALM variables to provide holistic understanding in the role of ALM in navigating through financial instability. Whereas firm size is a control variable, COVID-19 pandemic, economic crisis, and combined crises are dummy variables created to capture the temporal and contextual variations.

Methodology: The research conducted on panel data collected from 22 licensed finance companies over the period from 2016 to 2023. Using a quantitative research approach, secondary data was obtained from the annual reports of the selected companies. This study applies panel regression, including random effects and robust error adjustments.

Findings: The results have proved that ALM significantly impacts financial performance, with positive effects of CAR on profitability and negative pulls from both NPLR and OER, especially at more heightened levels of economic stress. Earnings diversification and liquidity were found to moderate these effects. The findings also depicted differentiated impacts of crises and the way COVID-19 heightens the challenge of deterioration in asset quality and inefficient operations.

Conclusion: The study underlines that ALM is important for treading economic turmoil and for achieving the highest level of financial stability. Effective ALM strategies improve resilience, thus allowing finance companies to maintain stability and stakeholder trust during crises. This paper provides useful insights for both policymakers and practitioners on how strategic improvements in the ALM framework should be undertaken to help attain financial sustainability in volatile markets.

Keywords: Asset Liability Management (ALM), Covid-19 Pandemic, Economic crisis, Licensed finance companies in Sri Lanka, financial performance.

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The Impact of Capital Structure on Financial Performance: Evidence from Life Insurance Firms Listed on the Colombo Stock Exchange (CSE) In Sri Lanka

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Abstract

Introduction: The optimal capital structure levels and capital structure decisions that impacts on how a firm performs have been a great dilemma for many. Capital structure decisions have an impact on the growth and profitability of a firm, as these decisions enable firms to maximize their shareholders' wealth. The major research objective was to determine to identify the impact of capital structure on the financial performance of life insurance companies listed at the CSE in Sri Lanka.

Methodology: To justify the research findings, a descriptive research design was used to describe the relationship between the dependent variables and independent variables. The data collected for examination purposes was purely secondary, as it was extracted from the annual reports and financial statements of the listed firms. The target population was all the life insurance firms listed on the CSE. Eight firms were listed and formed part of the study's population. Data analysis was done via multiple regression analysis, descriptive statistics, and correlation analysis. For the significance level of the hypothesis, a confidence interval of 95 % was used. The analytical model used was financial performance as the dependent variable, taking ROA as the measure. Total debt ratio, debt-to-equity ratio, and leverage were the independent variables. Firm size and growth rate were the control variables. The financial ratios were calculated using a Microsoft Excel spread sheet using data obtained for a seven-year period (2017–2023).

Findings: The findings show debt to equity, firm size, and growth rate are all positively and significantly associated with financial performance, while total debt ratio and leverage are not significantly associated with financial performance. The findings reveal that capital structure affects the financial performance of life insurance firms at the CSE.

Conclusion: In view of this, it is recommended that life insurance firms that are capable of funding their operations through retained earnings do so and reduce their borrowings, as this will boost their overall performance.

Keywords: Capital Structure; Financial Performance; Life Insurance; Listed insurance company Colombo Stock Exchange; Sri Lank

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The Impact of Digital Finance literacy and financial socialization on Personal Finance management - Evidence from Undergraduates of University of Kelaniya

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Abstract

Introduction: The purpose of this study is to understand the connection between the digital finance literacy and financial socialization on personal finance management among university students in Sri Lanka. Effective personal financial management is the cornerstone of building a secure and prosperous future. As the society continues to embrace the use of digitally enabled financial products, it becomes important to unravel the importance of digital finance literacy particularly for the young people who are in preparatory stages of joining the working world. Also financial socialization which is the socialization of families, peers and cultures affects the financial attitudes and behaviors.

Methodology: The study identified a sample of 384 undergraduates at the University of Kelaniya. This study was carried out based on primary data and followed the survey questionnaire research strategy. Digital Finance attitudes, Digital finance knowledge, Digital finance awareness, Parental financial socialization, Peer influence on financial socialization, Media influence on financial socialization were used as independent variables and Personal finance management was used as the dependent variable. The major technique to collect data from the undergraduates was the five-point Likert scale questionnaire. A multiple regression analysis was conducted, and the SPSS statistical package was used to analyze the data.

Findings: According to the study's findings, all of six independent variables had a statistically significant positive relationship with the dependent variable among the undergraduates in University of Kelaniya. Independent variables do not influence each other much because the results, inter-correlation matrix, VIF and tolerance values and Cronbach alpha value show all the data is more reliable. In light of the outcomes of the analysis, the authors nod towards the centrality of digital finance literacy and financial socialization, building on the cumulative research evidence.

Conclusion: The final result highlights that the overall model is statistically significant, and the researcher suggests that future researchers might consider employing long-term panel surveys to monitor shifts in Digital financial behavior and attitudes over an extended timeframe.

Keywords: Digital Financial Attitudes, Digital Financial Knowledge, Digital Financial Awareness, Parental Financial Socialization, Peer Influence, Media Influence

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The Impact of Digital Financial Inclusion on Economic Development in Sri Lanka

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Abstract

Introduction: Digital financial inclusion refers to the use of digital platforms such as mobile banking, digital wallets, and online payment systems to expand access to financial services, especially for underserved and rural communities. In the context of Sri Lanka, a developing economy, digital financial inclusion plays a critical role in fostering economic growth and addressing financial disparities. This research investigates the impact of digital financial inclusion on economic development in Sri Lanka while accounting for control variables such as inflation and interest rates.

Methodology: The study adopts a quantitative approach, using EViews software to analyze the relationship between digital financial inclusion and economic development. Control variables such as inflation and interest rate are incorporated to isolate the specific effects of digital financial services on broader economic outcomes. The study was derived data collected through published reports from the Central Bank of Sri Lanka. Specifically, the sample size consists of time-series quarterly data over a 10-year period (2014-2023), representing the key indicators and trends relevant to digital financial inclusion and economic development. The analysis was conducted using descriptive statistics, correlation analysis, and regression analysis with the pretests. As well, the researcher discussing the hypotheses based on the results obtained from the regression analysis.

Findings: The findings of the study have important policy implications for governments and financial institutions in Sri Lanka, offering recommendations on how to harness digital financial inclusion to foster economic development, reduce inequality, and enhance financial resilience in the face of global challenges. Ultimately, the study contributes to the growing body of literature on the role of digital finance in economic development, particularly in emerging economies like Sri Lanka.

Conclusion: This research underscores the intricate relationship between digital financial inclusion (DFI) and economic development in Sri Lanka. While mobile subscriptions and internet access alone have limited impact, their effectiveness depends on complementary factors such as digital literacy, infrastructure quality, and policy support. The study reveals ATM availability significantly contributes to GDP per capita by bridging traditional and digital banking gaps, while debit card usage poses challenges due to insufficient infrastructure. Conversely, credit card usage positively influences economic growth by promoting digital transactions and enhancing financial integration. These findings highlight the need for holistic strategies to optimize DFI's role in sustainable economic development in Sri Lanka.

Keywords: Digital Financial Inclusion, Economic Development, Sri Lanka

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The Impact of Economic Crisis on Firm Performance: Evidence from Listed Commercial Banks in Sri Lanka

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Abstract

Introduction: This paper examines how the economic crisis impacted the listed commercial bank's performance, focusing especially on performance indicators such as primary profitability ratios, Interest Income, and Non-Interest Income.

Methodology: This investigation analyzes panel data covering ten companies over 10 years. The firm age, firm size and asset tangibility used as the control variables.

Findings: According to the t-test results, there is a statistical difference between the previous and during crises groups with a significant decline in financial performance. The regression analysis showed that the financial crisis impacted the ROE most.

Conclusion: The banks need to have proper risk management mechanisms during crisis periods to manage its negative impact. The future studies can use bank specific factors and macroeconomic factors as control variables to see whether the negative impact becomes significant after removing the influence of macroeconomic conditions and bank specific factors.

Keywords : Financial crisis, Firm's age, Firm size, Colombo stock exchange, COVID-19, Central Bank of Sri Lanka, Return on Assets, Return on Equity, Interest Income, Non-interest income, Total Fixed assets ratio.

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The Impact of Environmental, Social and Governance (ESG) Factors on Financial Performance - Evidence from Licensed Banks in Sri Lanka

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Abstract

Introduction: In this context, the integration of Environmental, Social, and Governance (ESG) factors has emerged as one of the critical determinants of financial performance in banking, especially in emerging markets such as Sri Lanka. The study will try to establish how ESG practices have influenced the financial performance of licensed banks in Sri Lanka, focusing on Return on Assets (ROA) and Return on Equity (ROE).

Methodology: This study collected data from 10 licensed banks in Sri Lanka over a sample period of fifteen years, from 2009 to 2023. Using a quantitative approach, this study collected secondary data from the annual and sustainability reports of the selected banks. Environmental, social, and governance (ESG) factors were used as the independent variables of the banks selected. Both Return on Equity and Return on Assets were used to measure the financial performance of the selected banks. Further, bank size, leverage ratio, and dividend yield were used as the control variables. A series of fixed-effects panel regression models was used in this study to analyze the data.

Findings: The results of the study revealed that there is a positive and significant impact between Environmental, Social, and Governance (ESG) factors and ROE and ROA, whereas all the other hypotheses were accepted. In conclusion, this study revealed that the ESG factors significantly impact the financial performance of the licensed banks in Sri Lanka.

Conclusion: The study concludes that ESG integration is no longer solely a regulatory or ethical requirement but also a strategic imperative for financial performance and competitive advantage. It is encouraged that the licensed banks in Sri Lanka adopt comprehensive ESG frameworks with a view to ensuring sustainability and profitability.

Keywords: Environmental, Social, Governance, Return on Equity (ROE), Return on Assets (ROA), Banking sector, Financial Performance, Sri Lanka

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The Impact of Exchange Rate Movements on Stock Market Volatility in South Asia's Diverse Economies

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Abstract

Introduction: Comprehending the impact of exchange rate movements on stock markets reveals the interdependence of financial markets and the broader economy. The purpose of this study is to examine how changes in exchange rates affect stock market volatility in India, Sri Lanka, and Bangladesh. This approach highlights the similarities and contrasts between economies at different stages of development within the same region, making the results more pertinent to policymakers and investors.

Methodology: This research investigates the period from 2014 to 2023 using daily time series data, with a focus on volatility modelling and causality analysis. The Augmented Dickey-Fuller test is used to ascertain whether the time series is stationary. Using the Granger Causality Test, the strength and direction of the correlation between stock returns and currency rates in Bangladesh, India, and Sri Lanka are then examined. Further analysis of the volatility dynamics is done using the GARCH (1,1) model, surpassing Granger causality's directional linkages and capturing time-varying stock returns.

Findings: While the Granger causality test and the GARCH (1,1) model focus on distinct dimensions of causal links and volatility dynamics, respectively, their conclusions are broadly consistent across the three countries. Both tests demonstrated that Sri Lanka and India has significant correlations between currency rates and stock returns, implying a notable interaction between the two variables. Conversely, Bangladesh showed no significant interaction between the two. Furthermore, the GARCH model emphasized how historical volatility influences current volatility more than recent shocks, highlighting the significance of historical market conditions.

Conclusion: Depending on variables including economic size, trade openness, exchange rate regimes, imports/exports reliance, and diversity, exchange rate changes have varying effects on stock market volatility across South Asian economies. To enhance risk management and resilience, future studies should concentrate on sector specific reactions and the consequences of global shocks, particularly in areas like South Asia.

Keywords: Exchange rate movements, Stock market volatility, Granger causality test,

GARCH (1,1) model, South Asia

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Impact of Exchange Rate Movements on Stock Market Volatility: Evidence from Asian Emerging Markets

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Abstract

Introduction: Financial markets are important aspects of the world's economy while the stock market is a vital component of the financial market where shares of publicly listed companies are bought and sold. Stock market volatility is influenced by various factors, making it a key concern for participants. Among the factors that impact stock market exchange rate has a major impact. Focusing on emerging markets may provide more insightful results compared to developed markets. Emerging markets are more vulnerable to changes in the exchange rate, due to their heavy reliance on exports and foreign investments. The main objective of the study to investigates and compares the country-specific impact of exchange rate movements on stock market volatility in Asian emerging markets.

Methodology: The independent variable of the study is exchange rate and dependent variable is stock market return volatility. This consists of daily stock market closing prices and daily USD exchange rates for China, India, Indonesia, Korea, Malaysia, the Philippines, Taiwan, and Thailand for a period of six years from 2018 to 2023. Stock indexes include SSE, BSE Sensex, JKSE, KOSPI, KLCI, PSEI, Taiwan Weighted, and SET. Data were sourced from Investing.com and Analyzed the data using EViews. Granger Causality Test and The Generalized Autoregressive Conditional Heteroskedasticity (GARCH) model were used as data analysis techniques.

Findings: The GARCH results confirm a significant impact of exchange rate movements on stock market volatility across all analyzed Asian emerging markets .In China, Korea, Malaysia, and Indonesia, the exchange rate coefficient is significant and negative, indicating that currency appreciation or stability reduces stock market volatility Conversely, in India, Taiwan, Thailand, and the Philippines, the exchange rate coefficient is significant and positive, suggesting that exchange rate fluctuations increase stock market volatility. These findings underscore that exchange rate movements significantly impact stock market volatility in Asian emerging markets, with varied effects across countries.

Conclusion: These findings underscore that exchange rate movements significantly impact stock market volatility in Asian emerging markets, with varied effects across countries. The empirical findings of this paper provide valuable insights for local as well as foreign investors regarding their equity investments while the findings are also appealing to the policy makers in devising monetary policies.

Keywords: Exchange rates; Stock market volatility; GARCH model; Granger causality; Asian Emerging markets.

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The Impact of Exchange Rates on Stock Market Performance in Sri Lanka

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Abstract

Introduction: The relationship between exchange rates and stock market performance in developing economies is a topic of great interest to investors, researchers and policymakers. This paper examines the impact of exchange rates on the S&P SL20 index in Sri Lanka. This includes the exchange rate behavior of the USD, EUR, GBP, AUD and JPY against the Sri Lankan rupee. Apart from other factors in the economy, the behavior of exchange rates has made a difference in economic development and investor decisions. Therefore, the purpose of the research is to explore the relationship between exchange rates and the stock market in Sri Lanka in the short and long term.

Methodology: This paper used monthly data from January 2010 to July 2024. After conducting unit root tests using ADF analysis for stationarity of all variables, the strength of association between the dependent and independent variables is measured through a correlation analysis. The ARDL model elaborates on the short- and long-run impacts, as well as using a GARCH model that captures the effect of the volatility of exchange rates on stock market returns. Descriptive statistics represent data development through the study period with the help of tables or graphs.

Findings: Descriptive statistics show positive means for all variables but non-normal distributions with skewness and kurtosis. The ADF test confirmed stationarity, thus enabling further analysis. The USD has a significant negative impact, and both short- and long-run dynamics are highlighted through the ARDL model. The ARCH test does not show heterogeneity, while the GARCH model confirms volatility clusters and emphasizes the strong influence of the USD. The results emphasize that not all exchange rate movements have the same impact on the performance of the S&P SL20, and that some currencies strongly determine its performance.

Conclusion: This paper highlights the relationship between exchange rates and stock market performance in Sri Lanka. Foreign exchange stability is important for market outcomes and suggests currency stabilization strategies that minimize market crashes. Investors should consider how to manage their investments against the exchange rate to maximize returns when investing in the stock market. Due to the large differences between past literature reviews and the current database and the differences in the variables considered, the current research is bound to shed new light on the short-run and long-run relationship.

Keywords: Exchange rate, Colombo Stock Exchange, Sri Lanka

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The Impact of Financial Inclusion on Economic Growth: Evidence From India

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Abstract

Introduction: This paper discusses how financial inclusion has affected India's economic growth, considering its multi-dimensional aspects: Banking access, Banking Penetration, Use of banking Services, and financial stability. While there have been significant improvements, structural problems like low financial literacy, limited digital infrastructure, and regional imbalances impede broader financial inclusiveness. The objectives are to assess the role played by financial inclusion in fostering Economic development and identify ways the existing challenges can be overcome.

Methodology: A quantitative approach was adopted, using time-series data from 2000 to 2023. Key variables of interest, including GDP growth, Access to banking Services, Banking Penetration, Use of banking Services, and financial stability indicators (Bank Z-Score, Non-performing loans) were analyzed using descriptive statistics, Correlation analysis, Regression analysis, and classical assumption testing. The results affirm that financial inclusion significantly influences economic growth by facilitating access to financial services and promoting equitable participation in economic activities in India. However, challenges such as high non-performing loans and inflation persist, underscoring the need for targeted policies.

Findings: According to the results, FI has a statistically significant positive impact on economic growth. It has been observed that access and use of banking services are crucial drivers in ensuring equality in economic participation. There is still significant NPL and inflation, which pose an upward risk and necessitate very targeted intervention. It calls for more substantial digital financial inclusion, supported by higher levels of financial literacy, in terms of their reach and significance.

Conclusion: It sums up that financial inclusion will play a very important factor in sustaining economic growth in India. It suggests increasing financial literacy among people, the use of digital banking facilities, the increase of Digital Financial infrastructures, and sound regulatory mechanisms for access to financial services by all. Due consideration of regional and demographic disabilities by policymakers and financial institutions is required for interventions appropriate to the context to elicit maximum benefits from financial inclusions.

Keywords: Financial Inclusion, Economic Growth, Financial Stability, Banking Penetration, Financial Access

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The Impact of Financial Leverage and Working Capital Management on Financial Performance: An Analysis Before and During the Economic Crisis: Evidence from Listed Companies in The Food, Beverage, and Tobacco Industries of Sri Lanka

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Abstract

Introduction: This investigation focuses on examining whether financial leverage and working capital management impact on financial performance of companies, particularly before and during the economic crisis. Special attention is given to financial performance indicators such as Return on Assets and Return on Equity.

Methodology: This study analyzes panel data covering ten companies over ten years of Food, Beverage and Tobacco sector. Here, the company was selected based on market capitalization. Using a quantitative approach, secondary data has been obtained from the annual reports of the selected companies for this study. The Independent variables are Total Debt Ratio, Inventory Conversion Period, Average Receivable Period, Average Payable Period and the Dummy variables are Covid 19, Economic Crisis and Full Crisis Period. Control variables are Firm Size, Sales Growth, Asset's Tangibility. Also, a t-test and Regression were mainly used for the analysis.

Findings: According to t-test results, there is no statistical difference between pre-crisis and during-crisis groups. In the regression analysis, it was found that the economic crisis and Covid-19 have impacted on the financial performance of the food beverage and tobacco sector.

Conclusion: It highlights the importance of effective financial leverage and working capital management practices to enhance resilience even during economic crises. It also provides valuable guidance for managers, investors, and policymakers seeking to enhance performance during challenging periods and provides a foundation for future research on capital strategies in emerging economies during economic crises.

Keywords: Economic Crisis, Financial Performance, Food and Beverage Industry, Sri Lanka, Working Capital Management, Financial Leverage

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The Impact of Financial Performance on The Share Price: Evidence from Listed Finance Service Sector Companies in Sri Lanka

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Abstract

Introduction: Financial performance is an important factor in attracting investors to buy shares and make investment decisions. This study examines the impact of financial performance on the share prices of the financial service sector in Sri Lanka. Therefore, the main purpose of the study is to explore "Is the relationship between financial performance and share price", while special reference to listed financial service sector in Sri Lanka.

Methodology: Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin, Earnings Per Share (EPS), and Debt to Equity Ratio (D/E), were used as the dimensions of financial performance, while closing market price were used as the proxy of the share price. Secondary data was used and obtained from published annual reports in respective companies and CSE website. A quantitative research design was employed, analyzing panel data from 21 listed companies including finance, banking and insurance companies over the period of 2015–2023, yielding 189 observations.

Findings: According to the study's findings, two independent variables, such as return on assets and earning per share had a statistically significant relationship with the dependent variable of share price. and other independent variables had not statistically significant relationship with the dependent variable. The result highlights that the overall models are statistically significant. The study found out that there is a strong impact of earning per share (EPS) and return on assets (ROA) on Share prices of financial service sector in Sri Lanka.

Conclusion: The findings of the study have practical implications for investors and stakeholders to make their decisions respectively. Also, this study concludes that the proxy of financial performance can be used for investors to make decisions in respective to investing shares in financial service sector in Sri Lanka.

Keywords: Financial performance, Return on assets, Return on equity, Net profit margin, Earning per share, Debt to equity ratio, Share price

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The Impact of Financial Risk on Financial Performance Before and During the Crisis: Evidence from Listed Consumer Service Sector Companies in Sri Lanka

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Abstract

Introduction: The purpose of this study is to investigate the impact of financial risk on financial performance of listed consumer service sector companies in Sri Lanka before and during the crisis. This research aims to identify whether the financial performance measures and financial risk measures have been statistically different before and during the crisis and to identify the causal relationship between financial risk and financial performance.

Methodology: Panel regression analysis is used in the study to investigate how operational risk, liquidity risk, market risk and credit risk impacts Return on Equity and Return on Assets. 19 Listed Consumer service sector companies selected, and the sample period was from 2016 to 2023. Secondary data collected from the annual reports and websites. For testing the statistical difference between before and during the crisis this study used a Sample t-test with unequal variances and Wilcoxon rank sum test.

Findings: Operational risk, market risk has a significant positive impact on both ROE and ROA, liquidity risk has a statistically insignificant effect on both ROE and ROA. Credit risk has a negative but significant relationship with both ROE and ROA. According to the Sample T test with unequal variances and Wilcoxon rank sum test indicate all variables statistically different between before and during the crisis.

Conclusion: This study highlights the critical role of effective financial risk management in sustaining profitability during economic crises. While operational and market risks were associated with improved financial outcomes, higher credit risk severely impaired financial performance. The significant decline in both ROE and ROA during the crisis emphasizes the vulnerability of consumer service sector companies to economic disruptions.

Keywords: Consumer service sector, Sri Lanka, Financial risk, financial

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The Impact of firm specific and macroeconomic factors on financial performance: Evidence from listed material companies in Sri Lanka

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Abstract

Introduction: The material sector consists of a range of industries such as manufacturing and distribution of raw materials and finished products for infrastructure development and construction. And material companies contribute significantly to the country's GDP. In this study aim to investigate firm specific and macroeconomic factors on financial performance, based on the listed material companies in Sri Lanka.

Methodology: The independent variables in this study include firm-specific factors such as firm size, leverage, and liquidity, as well as macroeconomic factors such as the inflation rate, interest rate, and GDP growth rate, while the dependent variable is financial performance. There are 18 material companies listed on CSE. The total population as a sample. The panel data regression analysis was employed for analysis purposes and using the STATA software.

Findings: According to the results Firm size, Leverage and inflation rate have significant impact on financial performance of listed material companies in Sri Lanka, while liquidity, Interest rate and GDP growth rate do not have significant impact on financial performance of listed material companies in Sri Lanka.

Conclusion: The analyses indicate that firm size and inflation rate positively and significantly affect financial performance, suggesting that larger firms and periods of inflation positively influence ROA. Conversely, leverage has a significant negative impact on ROA, indicating that higher debt levels reduce profitability.

Keywords: Firm specific factors, Macroeconomic factors, financial performance

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The Impact of Firm-Specific and Macro-Economic Factors on Financial Performance: Evidence from Listed Finance Companies in Sri Lanka

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Abstract

Introduction: Company performance plays an important role in national economic growth and employment creation in the country. Both macro and microeconomic factors influence a firm's performance. This study seeks to examine the impact of firm-specific and macroeconomic factors on the financial performance of listed finance companies in Sri Lanka. It tries to find out the various factors which determine the company performance of listed finance companies.

Methodology: The study investigates the effect of the inflation rate, interest rate, and gross domestic product (GDP) growth rate, while the firm characteristics were firm size, leverage, and capital ratio. The dependent variable financial performance is measured as return on assets (ROA). The analytical approach involves employing panel data regression techniques using STATA. Data for analysis were sourced from company annual reports and Central Bank reports covering the period from 2014 to 2023 inclusive of both years. There are 35 CSE-listed entities under the diversified financial industry, out of which this study sample contained 33 entities.

Findings: According to the findings, the GDP growth rate and inflation rate had a positive and significant effect, while the interest rate had a positive but non-significant effect on the financial performance of listed finance companies in Sri Lanka. Second, the firm characteristics demonstrate that firm size had positive and significant effects on return on assets (ROA) while leverage had a negative significant effect on return on assets (ROA).

Conclusion: This research provides valuable insights to policymakers, professionals in finance, and management teams of finance companies in Sri Lanka. This study adds to the existing literature on how internal and external variables influence company outcomes by analyzing the effect of firm-specific and macroeconomic factors on financial performance using return on assets as a measure.

Keywords: Financial performance, Firm characteristics, Macroeconomic Factors, Sri Lanka, Diversified financial industry

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The Impact of Firm-Specific and Macroeconomic Factors on Financial Performance: Evidence from Companies in the Listed Food, Beverage and Tobacco Industry in Sri Lanka

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Abstract

Introduction: Financial performance is a crucial aspect of assessing a company's overall financial health and can provide insights into its profitability, efficiency, and growth potential. A firm's financial performance is influenced by both internal (micro) and external (macro) factors. The purpose of this study is to examine the impact of firm-specific and macroeconomic factors on the financial performance of companies listed in the food, beverage and tobacco industry in Sri Lanka.

Methodology: The population was forty-five listed food, beverage and tobacco firms in Sri Lanka. The representative sample consists of the twenty listed Sri Lankan food, beverage and tobacco companies based on their overall market capitalization. Consequently, ten companies with the highest market capitalization and ten companies with the lowest market capitalization. Firm size, liquidity and leverage were considered as firm-specific factors and interest rate, inflation rate and GDP growth rate were considered as macroeconomic factors. In contrast, the return on assets ratio (ROA) was used to measure the financial performance. Using a quantitative approach, this study collected secondary data from the annual reports of the selected companies from 2014 to 2023. A series of random-effects panel regression model was used to evaluate the hypotheses. STATA software was then used to analyze the data.

Findings: The findings showed that firm size and liquidity positively influenced the financial performance of food, beverage and tobacco companies exhibiting the highest level of significance at 1%. The inflation rate is statistically significant at the 5% level, while the GDP growth rate demonstrates significance at the 10% level positively with ROA. However, leverage and interest rate do not emerge as a significant factor and negatively affect for the financial performance of food, beverage and tobacco companies in Sri Lanka. In conclusion, this study revealed that firm characteristics and macroeconomic factors significantly impact the financial performance of food, beverage and tobacco industry in Sri Lanka.

Conclusion: This research offers crucial insights for policymakers, investors, and management teams in Sri Lankan food, beverage, and tobacco companies. The findings provide strategic guidance for improving financial performance, particularly for food, beverage and tobacco companies operating in similar macroeconomic conditions, supporting informed decision-making and fostering industry growth.

Keywords: Firm characteristics, Macroeconomic factors, financial performance, Food, beverage and tobacco companies, Sri Lanka.

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The Impact of Green Banking Practices on Bank Financial Performance, Study Based on Commercial Banks of Sri Lanka

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Abstract

Introduction: This study focused on the Impact of Green Banking Practices on Bank Financial Performance Study Based on Commercial Banks of Sri Lanka. Local or foreign researchers have not done any research considering the recent effect of green banking practices by evaluating the quantitative data on financial performance.

Methodology: To address the three objectives; impact of green costs on the bank's financial performance, the impact of corporate governance and its moderate relationship between green banking practices and banks' financial performances, the effect of country regulation, and moderate the relationship between green banking practices and the financial performance of 10 licensed commercial banks in Sri Lanka under registration in the Colombo Stock Exchange, This study uses six variables including one dependent variable, one independent variable, two moderate variables, and two control variables. The study used secondary data from banks' annual reports and worldwide Governance Indicators from 2015 to 2023 and used panel regression to analyze the data.

Findings: The study found green costs are negatively significant with ROA, demonstrating that short-term costs related to green initiatives could have a negative impact on short-term financial performance. While country regulatory, and corporate governance showed a significant positive relationship with ROA.

Conclusion: This research suggests that bank financial performance is significantly impacted by green cost, green governance, and green country. Strong corporate governance procedures are crucial for promoting sustainable growth.

Keywords: Green Cost, Financial Performance, Commercial Banks, Panel Regression, Worldwide Governance Indicator

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The Impact of Industry-Specific Factors on Non-Performing Loans: "Evidence from Licensed Banks and Finance Companies in Sri Lanka"

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Abstract

Introduction: Diverse studies have been undertaken on different aspects of the industry and their respective impacts on the amount of non-performing loans in licensed banks and finance companies in Sri Lanka. These generalizations apply to every financial institution and concern both profitability and stability. These data will be considered based on quantitative measures that will cover a range of years from 2012 until 2023, which include gross amounts of loans as well as liquidity ratios, loans-to-deposit ratio, return on assets (ROA), size of the bank, and the level of capital adequacy ratio (CAR) as potential explanatory variables for NPL levels among the responding banks in the study.

Methodology: The research relies on panel data analysis and regression models. Data was collected from the annual reports of 10 licensed banks and 5 licensed finance companies. The statistical techniques used included normality tests, correlation, regression analyses, and diagnostic checks (e.g., heteroskedasticity, and multicollinearity).

Findings: Gross loans, liquidity ratios, and CAR have direct positive effects on NPLs as loan amounts and regulatory capital requirements increase, the risks get higher. In contrast, the loan-to-deposit ratio and ROA exhibit negative relationships with NPLs, which implies that improved profitability leads to fewer loan defaults. Thus, mixed results were given on bank size since larger institutions are linked to higher risks and operational complexity.

Conclusion: The results highlight the necessity for fortified risk management, custom credit policies, and enhanced regulatory frameworks to mitigate NPLs. The research adds to the scant literature on dynamics in NPL in Sri Lanka and offers facts for policymakers and financial executives to consider.

Keywords: Non-performing loans, Industry-specific factors, Licensed banks, Finance companies, Gross loans, Liquidity ratio, Loan-to-deposit ratio, Return on assets, Bank size, Capital adequacy ratio, Sri Lanka, Risk management.

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Impact of Intellectual Capital on Profitability of Licensed Specialized Banks of Sri Lanka: Evidence from Sri Lanka

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Abstract

Introduction: This study contributes to investigate the impact of intellectual capital (IC) on the profitability of six licensed specialized banks in Sri Lanka.

Methodology: Human Capital Efficiency, Structural Capital Efficiency, Capital Employed Efficiency and Relational Capital Efficiency are the independent variables used in this study and ROA, ROE are the dependent variables. For empirical problems, this research addresses balanced panel data with 6 Licensed Specialized Bank of Sri Lanka from 2013 to 2022, based on data availability for the study. STATA will be used for data analysis through regression while testing my hypothesis

Findings: This analysis shows a significant positive relationship between MVAIC and profitability. Among the MVAIC components, there is a significant positive impact between HCE and profitability (ROA, ROE). However, this study shows that there is no significant impact on profitability with SCE and RCE. However, although CEE shows a significant positive impact on ROA, it is not significant on ROA.

Conclusion: The result highlights that the overall model is statistically significant. According to the findings, the need to establish targeted strategies to improve IC, promote innovation, and profitability in the banking environment is evident.

Keywords: Intellectual, Capital, Modified Value- Added Intellectual Capital Coefficient, Profitability, Licensed specialized banks, Value added intellectual coefficient

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The Impact of Leverage on the Profitability of Commercial Banks in Sri Lanka

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Abstract

Introduction: This study investigates the impact of leverage on profitability in Sri Lanka's licensed commercial banks from 2020 to 2023 (using quarterly data), focusing on indicators such as Degree of Financial Leverage (DFL), Degree of Operating Leverage (DOL), Debt-to-Equity Ratio (DER), and Asset Growth. It aims to understand how excessive leverage, amidst fluctuating economic conditions, might affect both financial stability and profitability.

Methodology: This quantitative study analyzes the impact of leverage on the profitability of 10 licensed commercial banks in Sri Lanka from 2020 to 2023 using secondary data from quarterly financial statements. Key leverage variables—Degree of Financial Leverage (DFL), Degree of Operating Leverage (DOL), Debt-to-Equity Ratio (DER), and Asset Growth—are assessed for their relationship with Return on Assets (ROA), which measures profitability. The study employs regression analysis to determine the influence of leverage on profitability, with correlation analysis examining the strength and direction of these relationships. Diagnostic testing ensures the reliability of the regression model by addressing potential issues like multicollinearity and heteroscedasticity.

Findings: The overall regression model was found to be statistically insignificant with an R-squared value of 0.0349, indicating a poor fit. Among the independent variables, only DER showed a significant positive relationship with ROA, suggesting that higher debt relative to equity correlates with improved profitability. The other variables, DFL, DOL, and Assets Growth, were not significantly related to ROA. This implies that while DER can be a factor in enhancing profitability.

Conclusion: The study concludes that traditional leverage measures, such as DFL and DOL, have no significant impact on bank profitability, while DER shows a marginally positive effect. Asset growth alone does not significantly enhance profitability. Therefore, banks should focus on optimizing their capital structure, improving operational efficiency, and managing assets strategically. Policymakers should promote sustainable leverage and better risk management. Researchers should explore other profitability determinants, and investors should prioritize banks with balanced leverage and effective asset management for sustainable growth.

Keywords: Corporate governance, financial performance, Return on equity, Return on Assets, Gender of board members.

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The Impact of Loan Portfolio Diversification on Bank's Credit Risk: Evidence from Sri Lanka

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Abstract

Introduction: This study investigated the impact of loan portfolio diversification on the risk of commercial and specialized banks in Sri Lanka. Although the impact of credit diversification on enhancing fundamental stability and competitiveness needs to be considered, research on credit portfolio diversification in Sri Lanka is limited. Therefore, this study is helpful in that regard.

Methodology: The sample consisted of 12 Domestic banks in Sri Lanka and the research period is 2009-2023. The data for the study is collected from secondary sources, such as the Annual report, CBSL report, and Sustainability report. The research philosophy of this research is positivism. The collected panel data is analyzed using the STATA software.

Findings: The findings suggest that product-based diversification of the loan portfolio has a significant impact on NPLR, while industry-based diversification of the loan portfolio does not appear to have a significant impact. These findings may be valuable for banks in managing their capital adequacy, deposit levels, and cost efficiency to improve their financial performance and reduced credit risk.

Conclusion: The study investigated impact of loan portfolio diversification on credit risk of banking industry in Sri Lanka. This study analysis has two independent variables, three control variables and two dependent variables. There are non performing loan ratio and Loan loss provisioning ratio as dependent variable and, as independent variables, there are HHI index of product wise (HHIp) and HHI index of industry wise (HHIs). Here is data analysis through the STATA-13 software. Further research on loan portfolio diversification and its impact on credit risk in the Sri Lankan banking sector could explore several avenues beyond the current study. First, future studies could delve deeper into the role of macroeconomic variables such as inflation, exchange rates and GDP growth. Another area for further research is the impact of non-traditional banking products, such as digital loans and microfinance, on credit risk.

Keywords: Credit Risk, Loan Portfolio Diversification, Sectoral loan diversification, Product loan diversification, loan monitoring

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Investigating the Impact of Economic Shocks on the Renewable Energy Industry Growth in Sri Lanka: A Cointegration Approach Using the ARDL Model

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Abstract

Introduction: Sri Lanka is a country that faced many adverse situations such as the tsunami in 2004, the civil war, covid pandemic, the easter Sunday bombing and the economic crisis. Thus, it is important to study how these changes in economic variables impact economic activities of the country. The renewable energy industry, which is an industry with immense potential and high volatility is the center of economic activity and sustainability. Therefore, this study aims to investigate the impact that macroeconomic shocks have on the renewable energy industry returns in Sri Lanka**.**

Methodology: This study collected data for 5 firms in the renewable energy industry listed on the Colombo Stock Exchange for a sample period of 10 years, from 2014 to 2024. Using a quantitative approach, this study collected secondary data from CapIQ. The Colombo Consumer Price Index (CCPI), Average Weighted Lending Rate (AWLR), and Industrial Production Index (IPI) were taken as the explanatory variables to reflect economic variables and were obtained from the CBSL publications. These three variables were used to investigate the long-run and short-run relationship between the variables. The Autoregressive Distributed Lag model (ARDL) was used in this study to analyze the short-run and long-run relationship between the variables.

Findings: The results of the study revealed that the average weighted lending rate has a negative and statistically significant impact on the renewable energy returns in the long-run, and in the short run the Industrial Production Index has a positive and statistically significant impact on the renewable energy returns, and in the short run the AWLR has a negative and statistically significant impact on the renewable energy returns in Sri Lanka.

Conclusion: The findings of the study can be used by industrial experts to plan ahead and mitigate risk relating to economic shocks caused by changes in macroeconomic variables and by policy makers to set policies conducive to the growth of the renewable energy sector for sustainable development of the economy.

Keywords: Renewable energy, Economic shocks, Colombo Consumer Price Index, Average Weighted Lending Rate, Industrial Production Index

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The Impact of Monetary Policy on Stock Market Performance: Evidence from Sri Lanka

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Abstract

Introduction: The study explores the pivotal role of monetary policy in shaping stock market performance, focusing on Sri Lanka's All Share Price Index (ASPI). It highlights the critical influence of monetary tools like Treasury Bill Rate (TBR), Money Supply (M2), Standing Lending Facility Rate (SLFR), and Statutory Reserve Ratio (SRR) alongside macroeconomic variables like the Exchange Rate and Inflation Rate. By addressing the gaps in existing literature, particularly during the post-COVID-19 economic crisis, the research emphasizes the dynamic interplay between monetary policy and market performance.

Methodology: This will be a quantitative test based on secondary data from July 2014 to August 2024, which was extracted from the Colombo Stock Exchange and Central Bank of Sri Lanka. Analyzing the research will draw upon econometric methods which include tests of unit roots, regression analysis, and diagnostic checks for multicollinearity, heteroskedasticity, and autocorrelation in order to draw conclusions about how monetary policy variables affect the ASPI. The model has been developed considering its robustness and reliability by incorporating all the required macroeconomic indicators as control variables.

Findings: The above analysis indicates that monetary policy variables such as money supply, treasury bill rate, and inflation rate are positively and significantly related to ASPI. Thereby, these variables prove to be the important contributors toward improving stock market performance in Sri Lanka. On the contrary, SLFR and ER negatively influence ASPI, reflecting the devastating effects of the tight monetary stance and currency depreciation on market dynamics. The contribution of the SRR, though positive, is insignificant to explain the trend in the stock market. All diagnostic tests prove that the estimated model is reliable and free from multicollinearity, heteroskedasticity, or autocorrelation. The findings emphasize that monetary policy does not have a one-way effect on the stock market in Sri Lanka.

Conclusion: Monetary policy significantly influences the performance of the stock market in Sri Lanka; therefore, proper monetary interventions are very important in creating a stable and prosperous market. Though the findings support theoretical expectations and prior literature on the subject, there are limitations to this present study, which include exclusion of some of the key macroeconomic variables, such as fiscal policy, and also sector-specific analysis. Thus, future study could elaborate more on those dimensions and create more comprehensive insights. These are very important findings in terms of the policy implications for policymakers and investors in developing an appropriate view of how monetary policy affects stock performance in emerging economies.

Keywords: Monetary Policy, ASPI, Stock Market Performance, Sri Lanka

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The Impact of Transparency and Disclosure and Financial Distress on the Financial Performance: Evidence from Licensed Commercial Banks in Sri Lanka

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Abstract

Introduction: Transparency and disclosure and financial distress are the critical factors affecting the financial performance of bank institutions. This research presents the relationship between these factors and the financial performance of commercial banks operating within the Sri Lankan market. The primary aim of this research is identifying the impact of transparency and disclosure and financial distress on the financial performance in licensed commercial banks in Sri Lanka.

Methodology: The sample of the research consists with eighteen licensed commercial banks in Sri Lanka for a period of 2014 to 2023. Transparency and disclosure and financial distress were considered as the independent variables of the regression models. The firm performance of the licensed commercial banks was considered as the dependent variable which was measured based on return on assets and return on equity. Descriptive analysis, correlation analysis and panel data regression were engaged to analyze the data in this study.

Findings: The findings revealed that transparency and disclosure has a negative and insignificant impact on firm performance measured by return on asset and financial distress has a positive and insignificant impact on return on asset. Also, the analysis revealed that transparency and disclosure has negative and insignificant impact on return on equity and financial distress has a negative and significant impact on return on equity.

Conclusion: The study concluded that in Sri Lankan context, transparency and disclosure have a negative impact on return on asset, and financial distress has a negative impact on return on asset. However, these variables have no significant impact on ROA. And the transparency and disclosure and financial distress have a negative impact on return on equity. Financial distress is significant, and transparency and disclosure have an insignificant impact on ROE.

Keywords: Transparency and Disclosure, Financial Distress, Financial Performance, Licensed Commercial Banks, Return on Asset, Return on Equity

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The Impact of Regulatory Capital on Credit growth, Non-Performing Loans, And Bank Efficiency: Evidence from Sri Lanka

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Abstract

Introduction: This paper is regarding the effect of capital regulatory requirements on credit growth, non-performing loans, and bank efficiency in Sri Lanka, focusing on 2008–2022 years. The banking industry in Sri Lanka has faced grabbing new opportunities, as well as challenges, especially in balancing the requirement for capital adequacy with operational performance, since the Basel III laws took effect.

Methodology: The study done a quantitative methodology, evaluating a balanced panel dataset from ten commercial banks with fifteen years, using econometric models such Ordinary Least Squares (OLS), Fixed Effects, and Random Effects. The Capital Adequacy Ratio (CAR), Net Interest Margin (NIM), credit growth, and non-performing loan (NPL) ratios are significant variables that have control for macroeconomic factors which include GDP growth and the policy rates.

Findings: The findings imply that growing capital reserves reduce lending ability since higher CAR levels have an inverse impact on credit expansion. Conversely, there is a positive relationship between CAR and NIM, revealing that higher capital buffers lead to improved operational stability and performance. Nevertheless, there is an astonishingly helpful relationship between CAR and NPLs, which would imply that high credit risk and not poor loan quality should require high reserves. These findings demonstrate how regulatory capital plays a twin role of improving bank stability and risk management at the cost of availability and prosperity of lending. It follows, therefore, that the policymakers should consider a balanced rules approach where capital requirements are adjusted for market conditions and bank-specific risks. Negative impacts on nonperforming loans and credit growth can be softened by increasing operational efficiency and practices related to risk management.

Conclusion: This research contributes to our knowledge of the intricate relationships between regulatory capital and banking performance in developing countries by providing guidance to improve financial regulations to ensure stable and sustainable growth in the banking sector in Sri Lanka. I focus further on the logic behind these collaborations at the end. Why it is each positive and negative.

Keywords: Banks, Regulatory change, Capital, non – Performing Loans, Credit Growth, Net Interest Margin.

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The Impact of Capital Structure on Firm Performance: A Comprehensive Analysis of the Sri Lankan Plantation Companies Before and During the Crisis Evidence From Selected Listed Plantation Companies in Sri Lanka

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Abstract

Introduction: The purpose of this study is to determine the impact of capital structure on firm performance. This study provides a comprehensive analysis of the Sri Lankan plantation companies before and during the crisis as this sector remains an unexplored area which plays an important role in their economies.

Methodology: This research uses positivism research philosophy and the quantitative research approach and uses the convenience sampling method. This study is primarily based on secondary data that were extracted from the annual reports of companies listed in Colombo Stock Exchange (CSE) over the past eight-year period from 2016 to 2023. Balanced Panel Data (BPD) of 15 plantation companies were analyzed using STATA software, which included statistical tests such as normality, multicollinearity, heteroscedasticity, autocorrelation, cross sectional dependance, and panel regression analysis. Further this study uses a comparison test to identify the statistical difference in the periods.

Findings: According to the findings of the study, the results confirm that there is a statistically significant difference in terms of ROE and ROA before and during the crisis. All the independent variables, excluding TDTE, also show a statistically significant difference between the periods. According to the regression analysis, it shows a negative and statistically significant relationship between TDTE and ROE and positive and statistically significant relationship between ICR and ROE. TDTA negatively impacts ROA, and the effect is statistically significant. As well as there is a statistically significant causal relationship between ROA and Interest Coverage Ratio. Finally, the overall models are statistically significant.

Conclusion: The findings indicate that the crisis had a notable effect on plantation companies' financial performance and suggest that debt is not a primary strategy to cope with the crisis. Therefore, this study is advisable for firms to consider their funding strategies and manage their total debt wisely to sustain the overall performance by adapting to the market conditions.

Keywords: ROE, ROA, Before Crisis, During Crisis, TDTE, TDTA, SDTA, LDTA

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The Influence of Managerial Ownership and Firm Size on Debt Policy Evidence from Listed Manufacturing Companies in Sri Lanka

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Abstract

Introduction: This study looks at how managerial ownership and firm size affect debt policy in listed manufacturing companies in Sri Lanka, using data from the Colombo Stock Exchange (CSE) from 2013 to 2023. It shows that when managers own shares, it reduces conflicts between managers and shareholders, while firm size impacts borrowing capacity and leverage. The research provides useful insights into how these factors influence debt policies in Sri Lanka and fills gaps in existing studies, offering practical guidance for better financial decision-making.

Methodology: In this study, a quantitative approach was used, analysing panel data from 10 companies listed on the Colombo Stock Exchange (CSE) over the past 11 years. The main variables examined were managerial ownership (measured by the percentage of shares held by management), firm size (measured by total assets), and debt policy (measured by the debt-to-equity ratio). Multiple regression analysis was conducted, along with diagnostic tests like the variance inflation factor (VIF) and autocorrelation tests, to ensure the reliability of the data and the accuracy of the results.

Findings: The study shows that more managerial ownership leads to higher debt because it aligns managers' interests with shareholders. It also finds that larger companies use less debt, likely due to stronger financial positions. The analysis highlights differences in ownership and firm sizes, and the diagnostic tests confirm the results are reliable.

Keywords: Managerial Ownership, Firm Size, Debt Policy, Capital Structure, Manufacturing Companies, Sri Lanka, Leverage, Ownership Structures.

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The Moderating Impact of Financial Performance and Stock Returns on the Relationship Between Corporate Governance and Corporate Value. Evidence from Top-Rated Companies in Sri Lanka's S&P SL 20 Index.

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Abstract

Introduction: This research demonstrates how financial performance and stock returns moderate the link between corporate governance and corporate value. The study has been conducted on firms in the S&P SL 20 Index. It addresses how sound governance mechanisms affect firm value, and how stock returns and financial performance either enhance or suppress these impacts

Methodology: The study uses a quantitative research methodology where data from 20 listed firms in the S&P SL 20 index is analyzed over the period 2014 to 2024**.** To conduct this analysis secondary data from annual and quarterly reports were utilized. The diagnostic test used the Panel data analysis to assess the model's validity. Further, to analyze the moderate effect of stock return and financial performance regression models were developed.

Findings: This analysis shows a significant relationship between corporate governance and corporate value, a weakly positive relationship. Stock returns moderate the relationship between better corporate governance and corporate value. Financial performance, which is measured through ROA and ROE also enhances the link between good corporate governance and corporate value.

Conclusion: The study supports the importance of proper governance structures in the development of corporate values. The findings are informative for policymakers and investors, calling for efforts to build governance mechanisms in firms while relying on financial indicators and market conditions to increase firm value.

Keywords: Corporate governance, corporate value, Stock return, financial performance

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The Month of the Year Effect of Stock Returns: Empirical Evidence from the Colombo Stock Exchange

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Abstract

Introduction: The Efficient Market Hypothesis (EMH) assumes that stock prices fully reflect all the available information ensuring stock market efficiency. The prevalence of seasonal effects leads to market efficiencies, enabling investors to reap abnormal returns. The purpose of this study is to investigate the existence of the January effect of the All-Share Price Index (ASPI) on the Colombo Stock Exchange (CSE), which is supported by the previous findings considering how the most significant economic events in Sri Lanka affect this phenomenon.

Methodology: This study examines the stock market anomalies focusing on 10 years of ASPI monthly returns from 2014–2024, which were converted into natural logarithm returns. To address the existence of ARCH effects in the residuals, such as GARCH and EGARCH, apart from the OLS regression model.

Findings: Even though there is a negative January effect, the results indicate that there is a positive July effect for the full period, a positive April effect for the pre-crisis period and a significant negative March effect for the post- and recovery period (after 2022).

Conclusion: According to the results, EMH is a contradiction as the results exhibit that there are anomalies during the full period, pre-crisis, and post-crisis period. In conclusion, CSE is not a weak form efficient suggesting that investors can earn abnormal returns by applying investment strategies observing historical stock patterns.

Keywords: Month-of-the-Year Effect, Colombo Stock Exchange, Monthly ASPI Returns, Seasonal Anomalies, Economic Shocks

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Impact of Climate Finance on Debt Sustainability: An Analysis of Green Climate Finance and Debt-for-Climate Mechanisms in Sri Lanka

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Abstract

Introduction: Unsustainable national debt and growing climate change vulnerability are Sri Lanka's two main problems. This paper explores how climate finance tools like debt-for-climate swaps and green bonds might reduce the nation's debt load while boosting climate resilience. A substantial empirical evidence vacuum about the quantitative effect of climate funding on debt sustainability is filled by the study.

Methodology: The study used secondary data from 2015–2023 that was obtained from organizations such as the Central Bank of Sri Lanka, the IMF, and the Green Climate Fund. It did this by using a positivist research philosophy and a deductive technique. The association between debt-to-GDP ratios and climate finance inflows was assessed using statistical techniques such as regression and correlation analysis.

Findings: The results showed that while climate financing systems have theoretical potential, there is currently little evidence of their actual influence on debt sustainability. Negligible regression results and weak correlations imply that present inflows are not enough to considerably lower Sri Lanka's burden of debt. The primary barriers were found to be ineffective resource allocation, institutional imperfections and a lack of conformity with national fiscal policy. The study highlights the possibility of expanding these mechanisms and incorporating them into all-encompassing debt management plans despite these barriers.

Conclusion: According to the study's findings, climate finance can help address Sri Lanka's environmental and economic problems, but its efficacy is dependent on improved policy coordination, larger funding scales, and strengthened institutional ability. Among the suggestions are improving governance structures, encouraging private sector involvement, and coordinating climate finance instruments with more comprehensive fiscal plans.

Keywords: climate finance, debt sustainability, green bonds, debt-for-climate swaps, Sri Lanka, economic resilience, climate adaptation, institutional capacity.

The week of the month effect of stock returns: Empirical evidence from the Colombo Stock Exchange

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Abstract

Introduction: The purpose of this study is to examine the existence of the week-of-the-month effect in the Colombo Stock Exchange (CSE) from 2014 to 2024 while considering the effects of the significant economic event in Sri Lanka that has any impact on the week-of-the-month effect.

Methodology: Weekly closing prices of the All Share Price Index (ASPI) were collected from CSE for a sample period of 10 years, from 2014 to 2024. The weekly returns of the ASPI were calculated using the logarithm rerun calculation formula. The study used the Ordinary Least Square Method (OLS), GARCH model and EGARCH model to examine the effect. To explore the best-fitted models, GARCH and EGARCH models were compared using AIC and SIC.

Findings: The results of the study revealed that there is a third-week effect in period 01 and a fifth-week effect in period 02 at a 5% significant level. In the full period, there is a negative third-week effect at a 10% significant level and a positive fifth-week return at a 5% significant level.

Conclusion: The findings of the study indicate that there is a week-of-the-month effect exists in Period 1, Period 2, and the Full period in CSE. Also, it is highlighted that the Colombo Stock Exchange is not a weak form efficient market since the investors can earn abnormal returns using trading strategies constructed using the historical information of stock prices.

Keywords: Week of the month effect, ASPI, CSE, Stock returns

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