

DFIN SRS 2022/2023

ABSTRACTS

11th Students' Research Symposium

"Revitalizing MSMEs to develop the export economy in Sri Lanka"



Department of Finance
Faculty of Commerce and Management Studies
University of Kelaniya
Sri Lanka

11th Students' Research Symposium 2022/2023

“Revitalizing MSMEs to develop the export economy in Sri Lanka.”

ABSTRACTS

**Department of Finance
Faculty of Commerce and Management Studies
University of Kelaniya
Sri Lanka**

03rd March 2023

@ 2023 Department of Finance

ISSN 2279-3097

11th Students' Research Symposium

“Revitalizing MSMEs to develop the export economy in Sri Lanka.”

Responsibilities of the content of abstracts included in this publication remain with the respective authors.

Symposium Coordinator: Dr. M.L.D.C.J Liyanage
Editor in Chief: Ms. Ganga Madhushani
Cover Page Design: Mr. A. J. P. Samarawickrama

Department of Finance
Faculty of Commerce and Management Studies
University of Kelaniya
Sri Lanka
Telephone: +94112903553
Web: <http://fcms.kln.ac.lk/dep/dfin/index.php/home>

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 2022/2023, organized by the Department of Finance, Faculty of Commerce and Management Studies, University of Kelaniya for the 11th 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 11th Students' Research Symposium 2022/2023 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. Further, 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 11th Students' Research Symposium 2022/2023.

Dr. Narada Fernando

Dean Faculty of Commerce and Management Studies

University of Kelaniya

Message from the Head of the Department of Finance



As the Head of the Department of Finance (Dfin), it's a great pleasure for me to send a message for the 11th Students' Research Symposium 2022/2023 (SRS) organized by the Department of Finance, Faculty of Commerce and Management Studies of the University of Kelaniya. The main objective of SRS is to provide an opportunity for fourth-year undergraduates of the Dfin to come together and share their research work in a safe environment. Dfin always encourages students and the staff to create a research culture and a supportive environment in which students can present their research findings and receive feedback from the faculty members. It was interesting to notice that this year there were several research studies done focusing on the Economic crisis in Sri Lanka while providing their views especially on revitalizing the Small and Medium Enterprise sector. Dfin believes that organizing SRS could develop students' critical thinking, communication, and time management skills that are necessary to become an industry-ready graduate. I wholeheartedly congratulate and wish the 11th SRS to be a success. I take this opportunity to thank all the students and staff members who were involved in research projects and organizing the SRS.

Prof. R. Abeysekera

Head

Department of Finance

Faculty of Commerce and Management Studies

University of Kelaniya

Message from the Chairman of the Research Council



It gives me great pleasure to send this message on behalf of the 11th Student Research Symposium organized by the Department of Finance of the Faculty of Commerce and Management Studies of the University of Kelaniya. This symposium, organized for the 11th consecutive time is a symbol of the dedication of the Department of Finance towards the development of research skills of the students.

This research event has become a part of the research culture of the Faculty of Commerce and Management Studies. I am sure that the timely theme, Revitalizing MSMEs to develop the export economy in Sri Lanka, has attracted a lot of attention from the university community. Writing research abstracts and presenting them provide necessary training to the students in writing reports, public speaking, and publicly defending research findings. This training cannot be achieved through normal classroom lectures. Therefore, participating in this symposium will be a memorable event for the students presenting their research for the first time. The Research Council of the University of Kelaniya promotes research culture in the university, high-quality publications and an interdisciplinary approach to research. Starting point of high-quality research is student research symposia of this nature. The abstract of a symposium is a condensed form of a research report. It briefly includes the reason why the research was conducted, how the research was conducted, the methods used, the results, the conclusion, etc. Therefore, this conference prepares students for writing full papers in the future.

I praise the leadership and guidance of Prof. Narada Fernando and Prof. Ruwan Abeysekera and wish you all a very fruitful symposium.

Senior Professor Kapila Seneviratne

Chairman of the Research Council

University of Kelaniya

Message from the Coordinator of the Dissertation and Symposium



It gives me immense pleasure to welcome you to the 11th Students' Research Symposium 2022/2023 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 at the Faculty of Commerce and Management Studies. This year, by continuing the tradition of transforming knowledge for the betterment of business and society, SRS is unfolding as a virtual symposium for the 11th consecutive year under the theme of "Revitalizing MSMEs to develop the export economy in Sri Lanka". It creates a platform for 182 undergraduates at the Department of Finance to share knowledge and expertise on the business management discipline and their application in various sectors in order to create a positive impact on business and society at large. The success of the 11th SRS 2022/2023 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.

Dr. M.L.D.C.J Liyanage

Senior Lecturer

Department of Finance

Faculty of Commerce and Management Studies

University of Kelaniya

Keynote Speech - SRS 2022/2023

Revitalizing Micro Small and Medium Enterprises (MSME) for economic recovery and development.

The role of micro, small, and medium enterprises (MSME) is vital for economic growth, as they account for a large share of enterprises. This sector provides many opportunities for employment, tax, social well-being, and several economic and non-economic benefits. These enterprises also contribute to achieving Sustainable Development Goals by supporting the livelihoods of many people and reducing economic inequality. While this remains a key driver of economic growth, this sector faces many challenges that include lack of access to finance, limited human resource capabilities, and lack of information and market access. These problems are persistent and affect their progress adversely. Another important characteristic of Sri Lanka's MSME sector is that only around one-third of the total employment contributed by this sector comes from formal businesses, and the rest remains informal. This means a significant number of businesses are unregistered, and the types of employment generated are classified as unpaid family workers, own account workers, and workers without a permanent employer. Of the 2.2 million employed in the MSME sector, a large number, nearly 1.3 million are found in the microenterprise category, which employs less than five people. In other words, many people, particularly low-income families, depend on this sector for income. Therefore, if this sector fails, it will have serious socio-economic consequences, which will lead to increasing poverty and vulnerability. More broadly, it will have a profound impact on many national development goals, which include Income growth, livelihood development, poverty reduction, international trade, and gender equality. Therefore, a national policy on sustaining the MSME sector, and enabling them to participate in the supply chain process is vital, not only for local economic recovery but also to assist them in the process of indirect participation in international trade.

On the other hand, SMEs play an important role in the export sector. It is found that nearly two thirds of the export firms are SMEs. A key growth strategy of Sri Lanka has been promotion of FDI and export development. It is argued that Sri Lanka economy has not been able to make significant progress in terms of export performance since its liberalization and has been suffering from a persistent balance of payment problem. This has been a key contributor to the current debt crisis. Small export basket and continued reliance on a few traditional export products, and a lack of diversification of export destinations are key constraints. While Sri Lanka's exports have increased over the years, it has not been able to narrow the trade deficit. The trade deficit remains high, for instance it is around 8 billion USD in 2021, which has been the trend even before the covid 19. While Sri Lanka must address many of its macroeconomic

policy defects, such as the interest rate and exchange rate policies that affect stability and predictability of the export sector, it is also vital to address the fundamental problems faced by the export firms in having access to finance, skills, and technology.

Trade financing is one of the major areas Sri Lanka needs improvement. While there are several public financing schemes, such as the refinancing schemes available to the SMEs, the question as to whether these services facilitate a process of increasing access to trade financing is a key issue. Revitalizing these services is vital for promoting the SME sector in general. However, the SMEs- need to be exposed to diverse financing options to increase competitiveness in the international trade. Sri Lanka needs to identify more financing actors in the supply chain, rather than depending on traditional actors. Areas for intervention includes training for SMEs in financial skills, obtaining financial solutions from different supply chain actors - for instance through reverse factoring and forfaiting – and ability to engage in online transactions which can reduce traditional transaction costs to the SMEs. A concerted effort in increasing access to domestic as well as global finance for SMEs should be a policy focus, for Sri Lanka to pursue an export development growth strategy.



Dr. Neavis Morais

Senior Lecturer

Social Studies, Faculty of Humanities and Social Sciences

Open University of Sri Lanka

Message from the Editor in Chief



On behalf of the editorial board of the 11th 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 "Revitalizing MSMEs to develop the export economy in Sri Lanka".

This edition contains the abstracts of the thesis of the fourth-year undergraduates. 182 students in their academic year 2021/2022 conducted their dissertations on diverse aspects related to finance. Among them, many of the students' aspects have been directed towards the Economic crisis of Sri Lanka, which has a great influence on the business sector, especially the small and medium enterprise sector which is considered the backbone of the Sri Lankan Economy. Hence, I believe the outcome of the students' investigations will be important for the different policymakers of the country to formulate their strategies for uplifting the country.

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. 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 sector.

Ms. Ganga Madhushani

Department of Finance

Faculty of Commerce and Management Studies

University of Kelaniya

List of Abstracts

The role of Microfinance Services on Women Empowerment in the Kotapola Division Sri Lanka <i>Hettiarachchi, R.C. and Abeysekera, R.</i>	01
Impact of Income Diversification on Bank Performance: Evidence From Licensed Commercial Banks in Sri Lanka <i>Fernando, W.N.M. and Weligamage, S.S.</i>	02
Risk Management and Firm Financial Performance: A Study on Listed Insurance Companies in Sri Lanka <i>Sasikumar, K. and Fernando, J.M.R.</i>	03
Financial Constituency Instrument as a Market Economic Determinant: How Interest Rate Performs as a Market Economic Determinant in Monetary Policymaking <i>Nithiya, P.A. and Liyanage, M.L.D.C.J.</i>	04
Impact of Exchange Rate and Inflation on The Performance of Foreign Portfolio Inflows To Colombo Stock Exchange Sri Lanka Pre And During Covid – 19 Periods <i>Dissanayake, D.A.S.D. and Gunasekara, A.L.</i>	05
The Mediating Impact of Employee Motivation Variable On The Relationship Between Determinants of Motivation And Organizational Performance <i>Fernando, J.A.H.P. and Buddhika, H.J.R.</i>	06
Customer Perception towards Cyber Security Threats Affecting Online Banking and Online Transactions <i>Samarasekara, U.A.N. and Samarawickrama, A.J.P.</i>	07
The Impact of Taxation on Investment Decisions of Listed Commercial Banks in Sri Lanka <i>Kavishka, S.A.K.N. and Madhushani, P.W.G.</i>	08
Determinants of Financial Performance During Covid 19 Pandemic: Evidence from Colombo Stock Exchange <i>Eshan, W.M.T. and Perera, L.A.S.</i>	09

The Impact of Financial Ratios and Economic Variables on Stock Price <i>Premathilaka, A.B.B.I. and Kethmi, G.A.P.</i>	10
The Impact of Dividends on Share Price Volatility Before and During Covid -19 Evidence from Listed Non-Financial Companies in Sri Lanka. <i>Ekanayake, P.L.C. and Dissanayake, D.M.U.H.</i>	11
Effect of Earning Per Share and Price Earnings Ratio on Share Price Before and During Covid -19; Evidence from CSE <i>Ahamedha, M.A.S. and Perera, P.A.S.D.</i>	12
Examining The Barriers to The Microfinance Sector: Evidence from Padukka Division Sri Lanka <i>Hansani, W.A. and Abeysekera, R.</i>	13
Impact of Climate Finance Literacy on Investment Decisions Among Organizations and General Public in Sri Lanka <i>Taiba, M.N.F. and Weligamage, S.S.</i>	14
The Analysis of the Determinants of Profit Growth: Evidence from Sri Lankan Food, Beverage & Tobacco Companies Listed in Colombo Stock Exchange Sri Lanka <i>Devage, W.S.D.V.A. and Perera, P.A.S.D.</i>	15
Financial Inclusion and Income Inequality: Evidence from South Asian Countries <i>Kaushalya, M.L.M. and Perera, L.A.S.</i>	16
Do Insurance Companies Provide Flexible Life Insurance Policies to Suit, the Customer Needs: A Study on Gampaha District <i>Chathurangani, H.K.G.A.V. and Fernando, J.M.R.</i>	17
Impact of Inflation on Economic Growth: Evidence from South Asian Countries <i>Jayasundara, J.M.U.U. and Dissanayake, D.M.U.H.</i>	18
The Impact of Financial Literacy on Financial Decision-Making in Business: Evidence from Economic Enterprises of Nuwara Eliya dedicated Economic Center <i>Jayakumar, M.M.V. and Perera, P.A.S.D.</i>	19

The Relationship Between Financial Management Practices And Financial Performance of SMEs In Matale District, Sri Lanka <i>Wickramasinghe, D.M.A. and Liyanage, M.L.D.C.J.</i>	20
The Impact of Monetary Policy on Economic Growth and Unemployment: Evidence From Sri Lanka <i>Ruwindrika, K.R.S. and Perera, L.A.S.</i>	21
Customer Perception Towards Cyber Security Threats Affecting Online Banking and Online Transactions <i>Samarasekara, U.A.N. and Samarawickrama, A.J.P.</i>	22
The Impact of Macroeconomic Factors on Economic Growth: Evidence from Asian Frontier Financial Markets <i>Madhuwanthi, M.A.W. and Dissanayake, D.M.U.H.</i>	23
Impact of Financial Leverage, Size & Asset Structure on Firm Value: Evidence from Non-Financial-Service Firms in Sri Lanka <i>Dumankorala, H.S. and Gunasekara, A.L.</i>	24
The Impact of Financial Ratios on Stock Return before and during Covid-19; Empirical evidence from Colombo Stock Exchange <i>Kavindhya, U.D.P. and Perera, P.A.S.D.</i>	25
Impact of Exchange Rate Volatility on Sri Lankan Exports: Evidence from Before and During COVID-19 <i>Priyadarshani, Y.M.A. and Dissanayake, D.M.U.H.</i>	26
Determinants of Low Insurance Penetration in the Sri Lankan Life Insurance Market <i>Arachchi, K.D.G. and Buddhika, H.J.R.</i>	27
The Impact of Extended Service Quality Dimensions on Customer Satisfaction in the Life Insurance Industry in Western Province, Sri Lanka <i>Wijeruwana, M.P.N.K. and Perera, L.A.S.</i>	28
Impact of Monetary Policy on Balance of Payment in South Asian Countries <i>Sandarenu, M.M.I.K. and Dissanayake, D.M.U.H.</i>	29
Dividend Policy and Stock Price Volatility: A Study among the Commercial Banks in Sri Lanka <i>Mathumitha, G. and Madhushani, P.W.G.</i>	30

Impact of Bank-Specific and Macroeconomic Factors on the Profitability of Commercial Banks in Sri Lanka <i>Shrimalshani, M.K.S. and Perera, P.A.S.D.</i>	31
Determinants of Financial Literacy with Special Reference to Young Adults in the Western Province of Sri Lanka <i>Malavithanthila, M.K.T.N. and Perera, L.A.S.</i>	32
The Impact of Corporate Governance Characteristics on the Financial Performance of the Listed Finance Companies in Sri Lanka <i>Jayasingha, D.C. and Kethmi, G.A.P.</i>	33
Investigating the impact of financial literacy on the performance of Micro Enterprises in Gampaha district, Sri Lanka <i>Fernando, B.R.M. and Abeysekera, R.</i>	34
Attitudes towards Credit Card Usage of Banking Sector Employees in Sri Lanka <i>Jayasena, R.A.H.P.U. and Weligamage, S.S.</i>	35
Impact of Microfinance Services on Living Standard of Micro-Entrepreneurs with Reference to Gampaha District Sri Lanka <i>Dissanayaka, D.M.D.N. and Liyanage, M.L.D.C.J.</i>	36
Impact of Fintech on Economic Growth, Evidence from Asian Countries <i>Tashikala, H.A.L. and Perera, L.A.S.</i>	37
Factors Affecting the Capital Structure of Sri Lankan Nonfinancial Sector Before and During the Covid-19 Pandemic <i>Gallage, K.S.S. and Gunasekara, A.L.</i>	38
Factors Effecting on Life Insurance Demand during the Covid-19 Pandemic <i>Fernando, M.S.S.N. and Buddhika, H.J.R.</i>	39
Macroeconomics Determinants on Banks Profitability: A comparative study between Sri Lanka and India <i>Wijedasa, W.A.D.I.L. and Madhushani, P.W.G.</i>	40
Impact of Board Size, Gender Diversity, CEO Duality and Board Independence on Firm Value: Evidence from Diversified Finance Companies Listed in CSE <i>Fernando, H.N.J. and Gunasekara, A.L.</i>	41

The Impact of Covid-19 Pandemic on the Profitability of Licensed Commercial Banks and Licensed Finance Companies in Sri Lanka <i>Fernando, W.K.S. and Kethmi, G.A.P.</i>	42
The Relationship Between Macroeconomic Variables, Covid-19 Pandemic on Sri Lankan Stock Market Performance <i>Wijeyaratne, K.S. and Weligamage, S.S.</i>	43
Impact of Company Internal Factors on Debt Policy of the Listed Entities in Colombo Stock Exchange <i>Darshika, K.M.W. and Gunasekara, A.L.</i>	44
Analysis of the Factors Affecting the Employees Job Satisfaction with Special Reference to AIA Insurance Lanka Ltd <i>Bopage, B.S.D. and Liyanage, M.L.D.C.J.</i>	45
Determinants of Non- Performing Loans in the Banking Sector: Evidence from Sri Lanka <i>Kumara, G.S.P. and Gunasekara, A.L.</i>	46
The Mediating Impact of Employee Motivation Variable on the Relationship between Determinants of Motivation and Organizational Performance <i>Fernando, J.A.H.P. and Buddhika, H.J.R.</i>	47
Relationship Between Liquidity Position and Firm's Profitability: Evidence from Colombo Stock Exchange <i>Fonseka, W.A.L.M. and Gunasekara, A.L.</i>	48
Sustainable Development and Financial System: Perception of Socially Responsible Investing (SRI) in Commercial Banks of Sri Lanka <i>Herath, H.M.A.P. and Kethmi, G.A.P.</i>	49
Determinants of Financial Literacy: Analysis of the Influence of Financial Behavior and Financial Attitudes <i>Navodani, R.B.G.S.D. and Gunasekara, A.L.</i>	50
Factors Affecting the Banking Adoption Intention of the Amana Bank Customers <i>Risan, B.M.A. and Kethmi, G.A.P.</i>	51

Moderating Role of Corporate Governance on the Nexus Between Capital Structure and Firm Performance: Evidence from Consumer Service Sector <i>Kodippili, C.U. and Gunasekara, A.L.</i>	52
The Dynamic Relationship of Domestic Credit and Stock Market Liquidity of the Commercial Banks on the Economic Growth of Sri Lanka <i>Kumara, A.G.D.M. and Gunasekara, A.L.</i>	53
The Impact of Corporate Social Responsibility on Firm's Performance: Evidence from Textile and Apparel Manufacturing Companies in Sri Lanka <i>Nuwarapaksha, N.E.D. and Chathurika, H.L.D.J.</i>	54
The Impact of the Intellectual Capital on Firms' Financial Performance and the Market Value: Evidence from the Listed Companies in the Colombo Stock Exchange <i>De Mel, V.N.S., Premarathna, W.G.I.D. and Tennekoon, S.T.M.S.</i>	55
The Impact of Board Composition and Ownership Structure on Dividend Policy: Evidence from Sri Lanka <i>Pramodya, L.A.D.K. and Chathurika, H.L.D.J.</i>	56
Impact of Sustainability Reporting Practices on Firm Performance: With Special Reference to Banks in Sri Lanka <i>Ranathunga, Y.W.H.C.K., Premarathna, W.G.I.D. and Tennekoon, S.T.M.S.</i>	57
Determinants of Commercial Banks' Lending Behavior in Sri Lanka <i>Gimhana, K.P.S. Weerasinghe, W.D.J.D.</i>	58
Determinants of Non-Performing Loans in Licensed Commercial Banks and Impact of Covid-19 on Nonperforming Loans: Evidence from Sri Lanka <i>Weerakoon, K.W.H.M.Y.R. and Weerasinghe, W.D.J.D.</i>	59
A Study of Purchasing Power Parity in South Asian Countries <i>Karunawardhana, S.S. and Weerasinghe, W.D.J.D.</i>	60
Impact of Financial Literacy on Financial Risk Tolerance in the Context of Investment Decision-Making: Empirical Evidence from Individuals in Gampaha District <i>Siriwardena, H.D.H.K. and Weerasinghe, W.D.J.D.</i>	61

The Impact of Covid-19 Pandemic on Financial Performance of the Insurance Companies in Sri Lanka <i>Shamali, K.D. and Weerasinghe, W.D.J.D.</i>	62
The Impact of Exchange Rate Volatility on Profitability of Insurance Industry in Sri Lanka <i>Weerasinghe, W.M.Y.P. and Weerasinghe, W.D.J.D.</i>	63
Board Characteristics and Firm Performance: Evidence from the Life Insurance Companies in Sri Lanka <i>Jayasundara, J.M.D.N. and Buddhika, H.J.R.</i>	64
Determinants of Tax Compliance Among Small and Medium-Sized Enterprise Owners in Kandy District <i>Gunarathna, W.M.N.R. and Sudasinghe, S.L.</i>	65
Cashflow Indicators as a Predictive Tool for Financial Distress <i>Gamage, A.D.W. and Sudasinghe, S.L.</i>	66
The Relationship between Market Risk and Financial Performance: evidence from Sri Lankan Public Listed Companies <i>Lakma, M.A.K.T. and Sudasinghe, S.L.</i>	67
The Impact of Internal Control System on Banks' Performance: with Special Reference to Kandy District, Sri Lanka <i>Manangala, T.M. and Sudasinghe, S.L.</i>	68
The Factors Affecting Foreign Reserves in Sri Lanka: Does the Covid-19 Pandemic Matter? <i>Amarasiri, W.T.H.I. and Piyananda, S.D.P.</i>	69
Impact of Board Structure on Financial Performance: Evidence from Licensed Commercial Banks in Sri Lanka <i>Dinelka, W.P.S. and Piyananda, S.D.P.</i>	70
Impact of Forensic Audit on Fraud Detection and Prevention of Sri Lankan State Banking Industry: A Qualitative Study <i>Kaushalya, P.M.I.N. and Piyananda, S.D.P.</i>	71
The Impact of Service Quality on Customer Satisfaction of State Commercial Banks in Sri Lanka: with Special Reference to Kandy District <i>Madhusanchi, T.G.R. and Piyananda, S.D.P.</i>	72

Foreign Direct Investment as a Determinant of the Performance of Share Market in Sri Lanka <i>Sewwandi, N.B.A.A. and Piyananda, S.D.P.</i>	73
Impact of Liquidity Risk on the Performance of Licensed Commercial Banks in Sri Lanka <i>Walpita, W.D.N.P. and Piyananda, S.D.P.</i>	74
Effects of the Exchange Rate Volatility on Financial Performance of Licensed Commercial Banks in Sri Lanka <i>Wasana, W.E. and Piyananda, S.D.P.</i>	75
Impact of Macroeconomic Variables on the Performance of the Licensed Finance Companies in Sri Lanka <i>Zoysa, A.I.G.U. and Piyananda, S.D.P.</i>	76

The Role of Microfinance Services on Women's Empowerment in the Kotapola Division, Sri Lanka

Hettiarachchi, R.C.¹ and Abeysekera, R.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

Chathuhettiarachchi05@gmail.com¹, ruwanab@kln.ac.lk²

ABSTRACT

Purpose: Women have always been the focus of microfinance because they are associated with lower socio-economic status. The microfinance industry works to empower women in reducing poverty and can, in turn, have a transformative impact on their families and communities. This study focuses on identifying factors that empower women in the Kotapola division.

Methodology: The data were gathered from 100 women in the Kotapola area who obtained services from microfinance Institutions. Based on the literature review, 20 factors were used in the questionnaire to identify the most significant factors. Factor analysis was used to analyse the data.

Findings: Seven factors significantly enhanced women empowerment in the Kotapola division. They are Poverty Reduction, Income Level, Consumption Level, Self-Satisfaction, Entrepreneurship skill, Social status and Decision Making.

Originality: The study's findings contribute to the microfinance knowledge domain.

Keywords: *Women Empowerment, Microfinance, Factor Analysis*

Impact of Income Diversification on Bank Performance: Evidence from Licensed Commercial Banks in Sri Lanka

Fernando, W.N.M.¹ and Weligamage, S.S.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

fernando_bm17119@stu.kln.ac.lk¹, susima@kln.ac.lk²

ABSTRACT

Purpose: To diversify their sources of income, banks have started additional operations, such as brokerage, investment banking, and the underwriting and trading of securities. Non-interest income is regarded as an essential source of bank diversification, and it refers to a bank's earnings that are not derived from interest payments on deposits, loans, or investments. The purpose of this study is to look into the impact of income diversification on commercial bank performance in Sri Lanka.

Design/methodology/approach: Ten licensed commercial banks were chosen based on the most significant market capitalization and data availability. Secondary data was collected covering the period of the year 2011 to 2021. Quantitative research techniques and a deductive methodology were used. Return on assets and return on equity are performance measures, while the diversification index measures income diversification, and panel data regression is used for data analysis.

Findings: findings revealed that income diversification has a perfect impact on bank performance in Sri Lanka (ROA and ROE). Both bank size and ROE significantly influence the performance of banks in both ROA and ROE models. Financial leverage significantly increases ROA while having a negligible effect on ROE. However, the impact of growth rate and lending strategy on bank performance is minimal. Finally, the findings show that income diversification significantly improves bank performance.

Originality: To improve overall aims and objectives and eventually improve bank performance, the banking industry can use the findings of this study as a guide.

Keywords: *Income Diversification, Bank Performance, Diversification Index, Return on Assets, Return on Equity*

Risk Management and Firm Financial Performance: A Study on Listed Insurance Companies in Sri Lanka

Sasikumar, K.¹ and Fernando, J.M.R.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

karthisasi1022@gmail.com¹, ruwani@kln.ac.lk²

ABSTRACT

Purpose: Risk management is a significant business function, particularly in the insurance sector. Thus, this study examines the effect of risk management on the financial performances of Sri Lankan insurance companies over the period of 2015 to 2021.

Design/methodology/approach: Ten listed insurance companies were chosen as the sample of the study. Solvency risk, underwriting risk, liquidity risk and operation risk are the independent variables of the study whereas return on assets and Return on Equity used as the proxies for the dependent variable. This study also examines the moderating effect of firm age in between the risk management and firm performances proxies.

Findings: Solvency risk, underwriting risk and operation risk show a significant impact on the insurance company performances. Further, firm Age shows significant moderating effects on the relationship between operational and solvency risk and of Insurance firms' financial performance.

Originality: The findings imply that effective management of a firm's operations lowers operating costs, which in turn raises net premiums and improves a firm's success. As a result, this study advise managers, other stakeholders, and directors should use effective risk management strategies to improve financial performance.

Keywords: *Operation Risk, Liquidity Risk, Underwriting Risk, Solvency Risk, Risk Management, Financial Performance.*

Financial Constituency Instrument as a Market Economic Determinant: How Interest Rate Performs as a Market Economic Determinant in Monetary Policymaking

Nithiya, P.A.¹ and Liyanage, M.L.D.C.J.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

annenithiya05@gmail.com¹, chaturaj@kln.ac.lk²

ABSTRACT

Purpose: The purpose of this study is to examine the correlations of monetary policy and its market determinants in Sri Lanka. This is finalized by analyzing and evaluating the market economic determinants that are published in Central bank of Sri Lanka, and in World bank reports.

Design/ Methodology/ Approach: The research approach is based on empirical research, drawing from Central bank, IMF, and World bank reports for the period from 2019- 2022. OLS regression models used to analyze the relationship between monetary policy and the policy making determinants.

Findings: The finding revealed that there is a significant positive and negative relationship between the variables of monetary policy. Moreover, there is a significant positive relationship between policy rate and commercial bank deposit rate, interest rate and deposits, investment, and economic growth. However, there are significantly negative relationship between policy rates and interest rates, deposit rates and domestic savings, interest rate and investment, policy rate and inflation.

Originality: The results of this study suggest that financial constituency instruments positively as well as negatively correlated within the variables.

Keywords: *Gross Domestic Product, Standing Deposit Facility Rate, Average Weighted Deposit Rate, Short- Term Interest Rate, Long -Term Interest Rate*

Impact of Exchange Rate and Inflation on the Performance of Foreign Portfolio Inflows to Colombo Stock Exchange Sri Lanka: Pre and During Covid – 19 Periods

Dissanayake, D.A.S.D.¹ and Gunasekara, A.L.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

sumududhananjana333@gmail.com¹, gunasekaral@kln.ac.lk²

ABSTRACT

Purpose: The objective of this research is to investigate whether the exchange rate, Inflation rate fluctuations, and covid-19 impact on foreign portfolio inflows (FPI) to Colombo Stock Exchange (CSE) Sri Lanka.

Design/Methodology/Approach: This Study is based on secondary and time series data. This study uses 8 years monthly data from 2015 January to 2022 November. The data were collected from the Central Bank report and CSE Data library of Sri Lanka. The study used foreign purchases to measure the study's dependent variable, foreign portfolio investments. Exchange rate, inflation and covid-19 are the independent variables. The VAR, Granger causality test, Variance decomposition and impulse response are used as methods to examine the relationship between Inflation rate, Exchange rate and covid-19 on FPI.

Findings: The results show that there is positive significant relationship between Inflation Rate and FPI while in Exchange rate and covid-19 have a negative impact on FPI.

Originality: Studies that examine the association between salient macroeconomic effects and foreign portfolio inflows considering the pandemic period are rare in the context of Sri Lanka. Therefore, this study is a first attempt that examine above matter in the context of Sri Lanka.

Keywords: *Foreign Portfolio Investment, Inflation Rate, Exchange Rate, Covid-19*

The Mediating Impact of Employee Motivation Variable on the Relationship between Determinants of Motivation and Organizational Performance

Fernando, J.A.H.P.¹ and Buddhika, H.J.R.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

hashinifernando1004@gmail.com¹, buddhikar@kln.ac.lk²

ABSTRACT

Purpose: Organizations are always seeking to retain talented and motivated employees. Thus, they will maximise the performance of the organization. However, to what extent the employees need to be motivated still needs to be resolved. This study has focused on identifying different determinants of executive employees' motivations related to the general insurance industry in Sri Lanka and the mediating impact of employee motivation on organizational performance.

Design/Methodology/Approach: This study attempted to bridge the gap by analysing the impact of determinants of employee motivation on employee motivation and organizational performance. This study sought to find the impact between the independent variables (Financial benefits, non-financial benefits, Management and Leadership factor, and Organizational factor), mediation variable and dependent Variable (Organizational Performance) through thirteen different hypotheses. Employee Motivation is measured as the mediating variable in the relationship between Determinants of Employee motivation and Organizational Performance. This study gathered Primary data from 369 executive employees of eight leading general insurance. Data were collected with a structured questionnaire and SPSS software has been selected as the key software for data analysis According to the research findings.

Findings: The linear output supports for identify the linear relationship between independent variables and dependent variables within the study contexts and organizational factors and financial benefits are statistically significant with Employee Motivation and Organizational Performances.

Originality: This study will particularly help the general insurance sector to make the right decision to retain their employees.

Keywords: *Executive Employee, Motivation, Organizational Performance, General Insurance*

Customer Perception towards Cyber Security Threats Affecting Online Banking and Online Transactions

Samarasekara, U.A.N.¹ and Samarawickrama, A.J.P.²
Department of Finance, University of Kelaniya, Sri Lanka^{1,2}
upekshasamarasekara@gmail.com¹, aravindaj@kln.ac.lk²

ABSTRACT

Purpose: This study was aimed to study about the cyber security issues in Sri Lanka and to give suggestions for those issues. According to managerial and social perspective this study will help to measure applicability of managers to ensure the safety of their customers and as a social guider this study will help to identify how that we can overcome cyber security issues.

Design/Methodology/Approach: The researcher has used the quantitative method in this study. Convenient sampling method was used to gather data from 119 online customers in Colombo district using an online questionnaire. Perceived Identify Theft, Perceived Impersonation and Perceived Account Hijacked were the independent variables and E-banking adaptation and retention was the dependent variable in this study. For data analysis, descriptive statistics, independent sample T-test, ANOVA test, and multiple regression were used.

Findings: Based on the study's findings Perceived Identify Theft and Perceived Account Hijacked are having significant impacts on E-banking adoption and retention. The adjusted R square value of the multiple regression model 0.61 indicates that the Perceived Identify Theft and Perceived Account Hijacked explain 61% of E-banking adoption and retention.

Originality: Findings of this study will help the banking sector and future researchers to identify the potential threats to e-banking systems and online transactions and the measures to mitigate them.

Keywords: *E-banking, Cybersecurity, Perceived Identity Theft, Perceived Impersonation, Perceived Account Hijacked*

The Impact of Taxation on Investment Decisions of Listed Commercial Banks in Sri Lanka

Kavishka, S.A.K.N.¹ and Madhushani, P.W.G.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

kavishkanaveen38@gmail.com, gangam@kln.ac.lk

ABSTRACT

Purpose: Tax is a compulsory charge by the government. Every country uses a tax system and is compulsory. It has an influence on business decision-making. Hence the main aim of this study was to investigate the impact of corporate tax on the investment decisions undertaken by the Banking sector of Sri Lanka.

Design/ Methodology/Approach: Two key variables; the average tax rate and the effective income tax rate were taken as the independent variables after controlling the firm size. The Return on Investment (ROI) was taken as the dependent variable. Data collection was carried out with a sample of 10 listed Licensed Commercial Banks (LCBs) for the period from 2011 to 2020.

Findings: The panel regression results revealed that both the average tax rate and the effective income tax rate have a significant negative impact on ROI, mentioning that the reduction of tax rates increases Investment.

Originality: The findings suggest that lower corporate tax rates stimulate investment. Hence in Sri Lanka, huge fluctuations in tax policies with the changes of the political parties should be eliminated, and it is needed to establish an appropriate or suitable fiscal system or a tax system in the country that will lead to generating sufficient revenue for the organizations.

Keywords: *Corporate Income Taxation, Investment Decision, Average Tax Rate, Effective Average Income Tax Rate, Licensed Commercial Banks*

Determinants of Financial Performance During Covid 19 Pandemic: Evidence from Colombo Stock Exchange

Eshan, W.M.T.¹ and Perera, L.A.S.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

eshanthisura@gmail.com¹, Shanakala@kln.ac.lk²

ABSTRACT

Purpose: Financial information is crucial for improving Sri Lanka's economy and delivering critical services to its citizens. The purpose of this study was to identify factors influencing financial performance with special reference to top companies in CSE in 20 sectors in Sri Lanka before and during the COVID-19 period. The study's importance lies in its ability to pinpoint the variables influencing the financial performance of Sri Lanka's top CSE firms across 20 industries.

Design/Methodology/Approach: The target population of the study was 295 CSE companies Sri Lanka. The sample size in this study was top 50 companies in CSE in 20 industries. Data was obtained from audited financial reports. Data were analyzed using both descriptive, correlation and regression analyses. Statistical Software for Data Science (Stata) software was used as a tool for data analysis. The dependent variable is a firm's performance measure ROA, the independent variables include Firm Size (FS), Asset Utilization (AU), Leverage (LEV), Liquidity (LIQ), Capital Structure (CS) and Operating Expenses (OPEX).

Findings: The finding shows that leverage and capital structure have significantly impact on financial performance in top companies in CSE in 20 sectors and Liquidity, assets utilization, capital structure and operating expenses are not significantly impact on firm's performance of companies in CSE in 20 sectors in Sri Lanka in before and during the COVID-19 period.

Originality: This study has identified the determinants of financial performance During Covid 19 Pandemic for entire 20 sectors in the CSE.

Keywords: *Financial Performance, Firm Size, Leverage, Liquidity, Return on Asset*

The Impact of Financial Ratios and Economic Variables on Stock Price

Premathilaka, A.B.B.I.¹ and Kethmi, G.A.P.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

buddhikaindiwari001@gmail.com¹, kethmip@kln.ac.lk²

ABSTRACT

Purpose: Various nations have conducted a variety of empirical studies to determine the variables influencing the stock price. Studies from the past demonstrate that both internal and external factors influence stock price changes. This study considers external and internal factors, and the main objective of the study is to examine the Impact of the financial ratios and economic variables on stock prices in Sri Lanka.

Design/Methodology/Approach: Under the internal factors Earnings per share, Dividends per share, and Net assets value per share were taken into the study while Inflation, Interest rate, and Exchange rate were considered as the external factors. The sample is 60 companies that are listed in CSE, and the considered time period is 10 years from 2012 – 2021.

Findings: Using the random effect model the results revealed that there is a positive relationship between financial ratios Earnings per share, Dividends per share, Net assets value per share and the stock price. Considering all financial variables together, it was revealed that it has a significant impact on the stock price. The overall impact of economic variables on stock price, the result shows a significant impact. The relationship between the economic variables and the stock price has a negative relationship. From the findings, it has been identified that inflation and the interest rate do not have a significant relationship with the dependent variable. Considering all financial ratios and economic variables the results revealed that there is a significant relationship between the independent variables and the dependent variable.

Originality: The study considers both Financial and Economic variables which have not been considered for the Sri Lankan context in the recent past.

Keywords: *Interest Rate, Exchange Rate, Colombo Stock Exchange (CSE), Listed Companies*

The Impact of Dividend on Share Price Volatility Before and During Covid -19 Evidence from Listed Non-Financial Companies in Sri Lanka

Ekanayake, P.L.C.¹ and Dissanayake, D.M.U.H.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

lahiruchandimal945@gmail.com¹, uththarad@kln.ac.lk²

ABSTRACT

Purpose: The main objective of the study was to examine impact of dividend on share price volatility of listed non-financial companies in Sri Lanka is the goal of this study before and during COVID 19.

Design/Methodology/Approach: In this study, the researcher used a quantitative approach. The secondary data were collected from 2016 to 2021. 40 listed non-financial companies were selected as the sample of the study using stratified random sampling. The dividend payments are considered as the independent variable whereas share price volatility is used as the dependent variable of the study. Further, COVID 19 is used as the dummy variable of the study.

Findings: Based on the regression analysis result, it can be concluded that there is a significant impact of dividend on the share price volatility during and before COVID 19. This study provides support for the dividend relevant theory in that regard.

Originality: Research on the dividend payment and share price volatility are not rare. However, no published prior study has been conducted to examine the impact of dividend on share price volatility before and during COVID 19 which is a novel contribution to the existing research.

Keywords: *Dividend Pay-Out Ratio, Dividend Yield Ratio, Share Price Volatility*

Effect of Earning Per Share and Price Earnings Ratio on the Share Price Before and During Covid 19: Evidence From CSE

Ahamedha, M.A.S.¹ and Perera, P.A.S.D.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

masajidh@gmail.com¹, shalinip@kln.ac.lk²

ABSTRACT

Purpose: The purpose of this research on “Effect of earning per share and price earnings ratio on share price of listed companies in CSE before and during Covid-19” is to give some idea of the relationship between share prices and related variables.

Design/Methodology/Approach: In this study, the researcher used earnings per share and price-earnings ratio as the independent variables and share price as the dependent variable. The researcher adopted a descriptive and causal-comparative research design to conduct the study. Diversified financial companies listed in CSE were the study population, and the researcher selected 20 companies as the study sample. Data were collected through the annual reports of the selected sample and descriptive statistical analysis, correlation analysis and multiple regression analysis were used in the data analysis process of the study.

Findings: Correlation analysis revealed a significant correlation between earnings per share and share price and an insignificant correlation between the price-earnings ratio and share price. The regression result denotes a statistically significant moderate impact of both independent variables on the dependent variable before covid-19 and a significantly weak impact of independent variables on the dependent variable in after covid-19.

Originality: As per the findings of the study, the researcher concluded that investors in the diversified financial sector are sensible not only on return but also on the risk of the investment.

Keywords: *Earnings Per Share, Price Earnings Ratio, Share Price*

Examining The Barriers to The Microfinance Sector: Evidence from Padukka Division Sri Lanka

Hansani, W.A.¹ and Abeysekera, R.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

amayawelikala1998@gmail.com¹, ruwanab@kln.ac.lk²

ABSTRACT

Purpose: Microfinance Institutions (MFIs) provide services to low-income people to alleviate poverty. MFIs face barriers when reaching out to clients. This research aims to examine the barriers to the microfinance sector in the Padukka division of Sri Lanka.

Design/Methodology/Approach: The study used the multiple case study method. Four MFIs were selected for the study. Data were gathered by conducting 12 in-depth interviews of managers, officers, and clients from selected MFIs. The data were analysed by using cross-case analysis and pattern matching.

Findings: Supply-side and demand-side barriers were identified. Supply-side barriers are Deposit side barriers, loan-side barriers, and lack of knowledge, Demand-side barriers are lack of knowledge, non-membership, and economic barriers.

Originality: The findings contribute to the microfinance domain, and the practitioners could implement the recommendations.

Keywords: *Microfinance, Barriers, Sri Lanka*

Impact of Climate Finance Literacy on Investment Decisions among Organizations and General Public in Sri Lanka

Taiba, M.N.F.¹ and Weligamage, S.S.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

taibamnp_fe17044@stu.kln.ac.lk¹, susima@kln.ac.lk²

ABSTRACT

Purpose: Climate change mitigation and adaptation play an important role in overcoming the climate change challenges faced by Sri Lanka today. But the major issue is the concept of Climate Finance and the importance of investing in Climate Finance is not popular among Sri Lankan people. Proper awareness about Climate Finance should take place to make climate finance an alternative investment source among people in Sri Lanka. So that they could contribute to saving the environment and mitigating climate change. Thus this research examines the literacy and awareness of Climate Finance and Climate finance sources in Sri Lankan people. Additionally, this study hopes to increase Sri Lankans' awareness of climate finance and sources and encourage them to invest in Climate Finance.

Design/methodology/approach: The quantitative research approach and deductive design were used in this study by surveying Sri Lankan bank personnel and the general public. sample of 100 people from locally incorporated banks and financial institutions, a proportion of the general public was chosen for the survey. Investing or not in climate finance is identified as a dependent variable and awareness of climate change, resources, environment, and social impact is included as independent variables. The IBM SPSS Software was used to analyze the data using correlation and regression methods.

Findings: According to the objectives of the study Climate finance literacy on investment decisions is examined based on awareness respondents have about climate finance due to personal opinion, awareness of climate change due to environmental and social aspects, awareness of climate finance and climate finance sources has a positive relationship in investing in climate finance.

Originality: Despite there being studies focusing on climate change and related policies as well as mitigating and adapting to climate change, limited research has been carried out regarding awareness of climate finance and investing in climate finance sources. Within this context, this study makes an original contribution to the area of climate financing with reference to a developing country like Sri Lanka.

Keywords: *Climate Finance, Investing, Finance Sources, Change Policy Implementations, Environment*

The Analysis of Determinants of Profit Growth: Evidence from Sri Lankan Food, Beverage & Tobacco Companies Listed in Colombo Stock Exchange Sri Lanka

Devage, W.S.D.V.A.¹ and Perera, P.A.S.D.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

vidunidevage@gmail.com¹, shalinip@kln.ac.lk²

ABSTRACT

Purpose: The aim of this study is to estimate the impact of current ratio (CR), current liability to inventory (CLI), total asset turnover (TAT), net profit margin (NPM), sales growth (SG), and company size (FS) on profit growth (PG) of listed Food, Beverage & Tobacco Companies in Sri Lanka

Design/Methodology/Approach: The study followed deductive research logic, positivism philosophy and a quantitative approach. A total of 50 Food, Beverage & Tobacco companies listed on the Colombo Stock Exchange (CSE) is considered as the population. The sample size of collecting data of 20 Food, Beverage & Tobacco companies were analyzed using a purposive sampling technique and the data estimation method used the random effect panel data regression model processed using STATA 16 application.

Findings: Random effect model reveals that the CR and CLI ratios have a negative effect on PG, while the TAT, NPM, SG and firm size ratios have a positive effect. The study's findings suggest that higher sales growth combined with efficient operations and low liquidity can lead to higher company profits. Also, it was found that except for the determinant Sales Growth (SG), all other variables had a statistically insignificant impact on Profit growth (PG).

Originality: The researcher proved that CR, CLI, and sales growth ratios have a negative effect on profit growth while TAT, NPM, SG and FS have positive effect on profit growth.

Keywords: *Current Ratio (CR), Current Liability to Inventory (CLI), Food Beverage and Tobacco Sector Companies listed in CSE, Profit Growth*

Financial Inclusion and Income Inequality: Evidence from South Asian Countries

Kaushalya, M.L.M.¹ and Perera, L.A.S.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

liyanagekaushalya97@gmail.com¹, shanakala@kln.ac.lk²

ABSTRACT

Purpose: This study investigates the impact of financial inclusion on income inequality for five south Asian countries such as Sri Lanka, India, Bangladesh, Pakistan and Maldives over the 2007 to 2021.

Design/Methodology/Approach: All the data collected as a secondary data and Data for all variables will be collected from the World Bank database, World Governance Indicators, International Labor Organization, the International Monetary Fund, and some national reports from 2007 and 2021. The variables underwent multiple regression model analysis to identify the predictability of the explanatory variables on GINI index.

Findings: The research found that there is a positive significant impact of financial inclusion on income inequality in south Asian countries. As well as there is a positive significant impact of the number of commercial bank branches per 100,000 adults, school enrollment, government effectiveness and unemployment on income inequality. There is a negative significant impact of Number of ATMs per 100,000 adults on income inequality.

Originality: The results showed that except for SE and GE, the remaining variables of BRANCHES, ATM and unemployment had a significant impact on income inequality. The overall result showed the positive significant impact of financial inclusion on income inequality.

Keywords: *Financial Inclusion, Income Inequality, South Asia, GINI index*

Do Insurance Companies Provide Flexible Life Insurance Policies to Suit the Customer Needs: A Study on Gampaha District

Chathurangani, H.K.G.A.V.¹ and Fernando, J.M.R.²
Department of Finance, University of Kelaniya, Sri Lanka^{1,2}
chathura_bm17050@stu.kln.ac.lk¹, ruwani@kln.ac.lk²

ABSTRACT

Purpose: Human life is a most important asset and life insurance is the most important type of insurance which provides financial protection to a person and his family at the time of uncertain risks or damage. This study examines the flexibility of life insurance policies to cater customer needs also to identify the affecting on buying life insurance policies.

Design/Methodology/Approach: A questionnaire was delivered to 140 policy holders in Gampaha district, and it included a Likert scale and multiple-choice questions. However, only 129 responded to the survey. Study chosen investment plan, pension plan, education plan and house building fund plan as the proxies for flexible life insurance policies.

Findings: The study shows a statistically significant positive impact on buying decision on life insurance policies in the Gampaha district. Pension plan is the more effective policy on buying decision of life insurance policies in Gampaha district. Investment Plan is secondly effective followed by House Building Fund Plan and Education Plan.

Originality: This study is the first to explore the flexibility of life insurance policies in Sri Lankan context. Accordingly, the study tested the hypotheses on investment plan, pension plan, education plan and house building fund plan as the indicators of life insurance policies.

Keywords: *Education Plan, House Building Plan, Investment Plan, Life Insurance, Pension Plan*

Impact of Inflation on Economic Growth: Evidence from South Asian Countries

Jayasundara, J.M.U.U.¹ and Dissanayake, D.M.U.H.²
Department of Finance, University of Kelaniya, Sri Lanka^{1,2}
jayasund_bm17184@stu.kln.ac.lk¹, uththarad@kln.ac.lk²

ABSTRACT

Purpose: The main objectives of this research are to investigate the impact of inflation rate on economic growth, the relationship between inflation rates on economic growth and covid 19 effects on economic growth in South Asia.

Design/Methodology/Approach: In this study, the researchers used a quantitative approach. The target population of this study are the eight South Asian countries, and the research sample is same as the population. The sample period is 20 years from 2002 and 2021. Further, this study concentrated on secondary data. Data were analyzed using descriptive analysis, correlation analysis, ARDL approach.

Findings: Based on the ARDL analysis, it can be concluded that there is a significant negative impact of inflation on economic growth before COVID 19. However, it was identified that there is a positive but insignificant impact of inflation on economic growth during COVID 19.

Originality: No prior published study has been conducted to examine the impact of inflation on economic growth on South Asian countries during and before COVID 19

Keywords: *Gross Domestic Production (GDP), Inflation rate (INFR), South Asian countries*

The Impact of Financial Literacy on Financial Decision-Making in Business: Evidence from Economic Enterprises of Nuwara Eliya Dedicated Economic Center

Jayakumar, M.M.V.¹ and Perera, P.A.S.D.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

michelajayakumar@gmail.com¹, shalinip@kln.ac.lk²

ABSTRACT

Purpose: The purpose of this study is to investigate the significant effect of financial literacy and its impact on financial decision making in business of vendors in Nuwara Eliya Dedicated Economic Center. Further, this study explores the impact of subjective financial literacy, financial knowledge and financial background on financial decision making in business.

Design/Methodology/Approach: The population of this study consisted of 138 vendors in Nuwara Eliya Dedicated Economic Center. A sample of 131 vendors were selected using convenience sampling technique and primary data was collected through a structured questionnaire. The independent variable of the research is financial literacy with the dependent variable being financial decisions. Financial Literacy consists of three dimensions namely, subjective financial literacy, financial knowledge, and financial background whereas the financial decisions are measured by financing decisions, investment decisions and working capital decisions. Data was analyzed using the techniques of correlation, regression and ANOVA by using the IBM SPSS Statistics Version 23 Software.

Findings: The results revealed that financial literacy significantly positively impacts on financial decision making of vendors in Nuwara Eliya Dedicated Economic Center. It was further revealed that the vendors who are having a sound financial background or experience in business more than 10 years were successfully managing their business, though they don't have a sound educational background.

Originality: It was revealed that their knowledge on financial matters based on experience has a significant impact on making sound financial decisions. The findings recommend the necessity for effective financial literacy programs focusing especially on financial knowledge to facilitate informed financial decisions of these vendors.

Keywords: *Financial Background, Financial Decisions, Financial Knowledge, Financial Literacy, Subjective Financial Literacy, Vendors*

The Relationship between Financial Management Practices and Financial Performance of SMEs in Matale District, Sri Lanka

Wickramasinghe, D.M.A.¹ and Liyanage, M.L.D.C.J.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

anuradhawickramasinghe18@gmail.com¹, chaturaj@kln.ac.lk²

ABSTRACT

Purpose: The purpose of this study is to identify what is the relationship between financial Management practices (fixed asset management, working capital management, accounting information systems, financial reporting analysis), and the financial performance of small and medium-sized enterprises in Matale district, Sri Lanka.

Design/Methodology/Approach: The independent variables of this study were fixed asset management, working capital management, Accounting Information Systems, and financial reporting analysis and the dependent variable was the financial performance of SMEs, s. All SMEs (2402 SMEs) operating in the Matale district during the year 2021 were identified as the population of this study. Out of that, 120 SMEs were selected as the sample was manufacturing, service, and trade SMEs operating in the Matale district. Data was collected through a structured questionnaire distributed among SMEs functioning in the Matale district. Descriptive statistics and inferential statistics like Pearson correlation analysis and multiple regression analysis were used to analyze data using the SPSS version 26.0.

Findings: According to the regression results, there is a significant relationship ($\beta=0.262$ $p=0.000$) between financial reporting analysis and financial performance and there is a significant positive relationship ($\beta=0.300$ $p=0.000$) between working capital management practices and financial performance. Further, there is a significant positive relationship ($\beta=0.221$ $p=0.000$) between fixed asset management and financial performance. There is a significant relationship between ($\beta=-0.247$ $p=0.000$) accounting information systems and financial performance. All significant values are significant at 0.05. Therefore, according to the study, there is a significant relationship between financial information practices and the financial performance of SMEs in Matale district.

Originality: This study has discovered a new finding about the relationship between financial Management practices (fixed asset management, working capital management, accounting information systems, and financial reporting analysis), and the financial performance of small and medium-sized enterprises with respect to the Matale district of Sri Lanka.

Keywords: *Financial Management practices, Financial Performance, SME, Matale District.*

The Impact of Monetary Policy on Economic Growth and Unemployment: Evidence from Sri Lanka

Ruwindrika, K.R.S.¹ and Perera, L.A.S.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

shaliniruwindrika@gmail.com, shanakala@kln.ac.lk²

ABSTRACT

Purpose: Economic growth and unemployment are some of the major macroeconomic problems in Sri Lanka for decades. In finding answers to these macroeconomic problems governments make use of fiscal policy and monetary policy. Therefore, the primary objective of this study is to examine the effects of monetary policy tools on economic growth and unemployment of Sri Lanka for the period of 1975 to 2021.

Design/ Methodology/ Approach: This study focuses on GDP, Unemployment, and monetary policy tools such as Interest Rate, Money Supply and Exchange Rate. Further trade balance, capital formation, labor force and wages are considered as control variables in the study. The annual time series data are collected from 1975 to 2021. Research uses descriptive statistics, correlation, and regression models to analyze the data.

Findings: The results show that the inflation rate, interest rate and money supply have a positive and exchange rate has a negative relationship with GDP. Inflation rate and money supply have positive with unemployment, but interest rate and exchange rate have negative relationship with unemployment. Inflation and exchange rates are significant but inflation rate and money supply insignificant with unemployment.

Originality: This study examines the impact of monetary policy on both economic growth and unemployment in Sri Lanka.

Keywords: *GDP, Unemployment, Monetary Policy Instruments, Inflation Rate, Interest rate, Money Supply, Exchange Rate*

Customer Perception towards Cyber Security Threats Affecting Online Banking and Online Transactions

Samarasekara, U.A.N.¹ and Samarawickrama, A.J.P.²
Department of Finance, University of Kelaniya, Sri Lanka^{1,2}
upekshasamarasekara@gmail.com¹, aravindaj@kln.ac.lk²

ABSTRACT

Purpose: This study was aimed to study about the cyber security issues in Sri Lanka and to give suggestions for those issues. According to managerial and social perspective this study will help to measure applicability of managers to ensure the safety of their customers and as a social guider this study will help to identify how that we can overcome cyber security issues.

Design/Methodology/Approach: The researcher has used the quantitative method in this study. Convenient sampling method was used to gather data from 119 online customers in Colombo district using an online questionnaire. Perceived Identify Theft, Perceived Impersonation and Perceived Account Hijacked were the independent variables and E-banking adaptation and retention was the dependent variable in this study. For data analysis, descriptive statistics, independent sample T- test, ANOVA test, and multiple regression were used.

Findings: Based on the study's findings Perceived Identify Theft and Perceived Account Hijacked are having significant impacts on the E-banking adoption and retention. The adjusted R square value of the multiple regression model 0.61 indicates that the Perceived Identify Theft and Perceived Account Hijacked explain 61% of E-banking adoption and retention.

Originality: Findings of this study will help for banking sector and future researchers to identify the potential threats to e-banking systems and online transactions and take the measures to mitigate them.

Keywords: *E-banking, Cybersecurity, Perceived Identify Theft, Perceived Impersonation, Perceived Account Hijacked*

The Impact of Macroeconomic Factors on Economic Growth: Evidence from Asian Frontier Financial Markets

Madhuwanthi, M.A.W.¹ and Dissanayake, D.M.U.H.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

maduwant_bm17261@stu.kln.ac.lk¹, uththarad@kln.ac.lk²

ABSTRACT

Purpose: The main objective of the study was to examine the impact of macroeconomic variables on economic growth in Asian Frontier financial markets.

Design/Methodology/Approach: In this study, the researcher used a quantitative approach. The secondary data were collected for the study. The four Asian Frontier financial markets are known as the population of the study. The sample of the study is same as the population. The independent variables of the study are, foreign direct investment (FDI), Government debt (GD), the labor force (LB), inflation rate (IR), and exchange rate (ER) and the dependent variable is Economic growth (GDP). ARDL Approach was used as the data analytical technique.

Findings: This study examines the relationship between economic growth and macroeconomic variables in Asian frontier financial markets. Using long-run and short-run analysis, the results reveal both positive and negative significant and insignificant relationships between these variables.

Originality: No published prior study has been conducted to evaluate the impact of macroeconomic factors on economic growth in Asian Frontier financial markets.

Keywords: *Economic Growth, Foreign Direct Investment, Government Debt, Labor Force, Inflation Rate, Exchange Rate*

**Impact of Financial Leverage, Size & Asset Structure on Firm Value:
Evidence from Non-Financial-Service Firms in Sri Lanka**

Dumankorala, H.S.¹ and Gunasekara, A.L.²
Department of Finance, University of Kelaniya^{1, 2}
hasinisewwandee@gmail.com¹, gunasekaral@kln.ac.lk²

ABSTRACT

Purpose: This study aims to identify the impact of financial leverage, firm size, and asset structure on firm value, with a focus on non-financial service firms listed on the Colombo stock exchange.

Design/Methodology/Approach: The study is conducted based on quantitative approaches by using financial information from 121 non-financial service firms listed on the Colombo Stock Exchange during the time period from 2018 to 2021 and considering the COVID-19 impact. Regression analysis is used to recognize the impact of financial leverage, firm size, asset structure, and COVID-19 on firm value. This study used financial leverage, firm size, asset structure, and COVID-19 as the independent variables and firm value as the dependent variable.

Findings: The results show that financial leverage and COVID-19 have statistically insignificant impact on the firm value, while firm size and asset structure have a statistically significant relationship with firm value at 5% level.

Originality: This study supports the expansion of existing knowledge on the topic of the impact of financial leverage, firm size, and asset structure on the firm value of non-financial service firms and helps policymakers develop policies on corporate finance and develop strategies to increase firm value and performance by considering factors affecting firm value.

Keywords: *Non-Financial-Service Firms, Financial Leverage, Firm Size, Asset Structure, COVID-19, Firm Value*

The Impact of Financial Ratios on Stock Return before and during Covid-19: Empirical evidence from Colombo Stock Exchange

Kavindhya, U.D.P.¹ and Perera, P.A.S.D.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

pavanikavindhya98@gmail.com¹, shalinip@kln.ac.lk²

ABSTRACT

Purpose: The purpose of this study was to examine the impact of financial ratios on stock return before and during Covid-19 in Sri Lankan context using data collected from the companies listed in Colombo Stock Exchange.

Design/Methodology/Approach: The data was collected as two samples. 2016- 2019 was considered as before Covid-19 and 2020-2021 was considered as during Covid-19 for 60 companies listed under consumer durables and apparel, consumer services, and food and beverage and tobacco sectors in CSE. The study used four financial ratios as the independent variables; Return on asset, current ratio, debt to equity ratio, and price to earnings ratio and stock return as the dependent variable. The analysis was conducted using a multiple regression model via STATA software to understand the impact of financial ratios on stock return.

Findings: The results indicated that the price-to-earnings ratio has a significant impact on the stock return before covid-19, and the remaining financial ratios; current ratio, and debt to equity had an insignificant impact on stock return. During Covid-19, all financial ratios had a statistically insignificant impact on stock return.

Originality: It was revealed that their knowledge on financial matters based on experience has a significant impact on making sound financial decisions. The findings recommend the necessity for effective financial literacy programs focusing especially on financial knowledge to facilitate informed financial decisions of these vendors.

Keywords: *Covid-19, Financial Ratios, Significant, Stock Return, Multiple Regression model*

Impact of Exchange Rate Volatility on Sri Lankan Exports: Evidence from Before and During COVID-19

Priyadarshani, Y.M.A.¹ and Dissanayake, D.M.U.H.²
Department of Finance, University of Kelaniya, Sri Lanka^{1,2}
priyadar_bm17333@stu.kln.ac.lk¹, uththarad@kln.ac.lk²

ABSTRACT

Purpose: The main objective of the study was to examine the impact of exchange rate volatility on Sri Lankan exports before and during COVID 19.

Design/Methodology/Approach: In this study, the researcher used a quantitative approach. The secondary data were collected from 2010 to 2021 monthly. ARDL approach was used to Analyse the data. Exchange volatility is considered as the independent variable while Exports are used as the dependent variable of the study. Further, COVID 19 was used as the dummy variable.

Findings: Based on the ARDL model it shows a negative and positive relationship between Sri Lankan Export and Real effective exchange rate in short and long run periods respectively. Results show evidence of volatility of REERV clustering on import trading activities in Sri Lanka.

Originality: No prior study has been conducted to examine the impact of exchange rate volatility on Sri Lankan exports before and during COVID 19.

Keywords: *Real Exports, Exchange Rate Volatility, Real Effective Exchange Rate, COVID - 19*

Determinants of Low Insurance Penetration in the Sri Lankan Life Insurance Market

Arachchi, K.D.G.¹ and Buddhika, H.J.R.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

arachchi_bm17024@stu.kln.ac.lk¹, buddhikar@kln.ac.lk²

ABSTRACT

Purpose: Insurance penetration is the most popular measurement in the insurance sector. The main goal of this study is to identify the Determinants of Low Insurance Penetration in the Sri Lankan Life Insurance Market. Sri Lanka has a considerably low insurance penetration when compared with other main south Asian countries. Higher insurance penetration indicates the capability and confidence of the insurance industry. Insurance penetration serves as a benchmark for measuring the progress of the insurance sector. Many studies have been undertaken in the framework of foreign nations, but just a handful in the context of Sri Lanka.

Design/Methodology/Approach: It was decided that an insurance penetration research study should be conducted to emphasize the factors of insurance penetration in the Sri Lankan setting. According to previous studies, some independent variables affect insurance penetration, which was Inflation rate, Income, Literacy ratio, and dependency ratio. And the data was gathered over 22 years from 2000 to 2021. This study was conducted as quantitative research and for the analysis of data, this research uses the EViews statistical software to find out the relationship between the independent variables and the dependent variable (life insurance penetration).

Findings: Most of the independent variables are significant to the life insurance penetration in Sri Lanka long run as well as the short run. Not only that, but this study also examines if there is any difference between the pre-war-the post-war and the pre covid and post covid.

Originality: This study guided the government of Sri Lanka to focus on factors leading to low insurance penetration and further weight on those to improve the insurance penetration in Sri Lanka.

Keywords: *Life Insurance penetration, Sri Lanka, Inflation, Income, Literacy ratio*

The Impact of Extended Service Quality Dimensions on Customer Satisfaction in the Life Insurance Industry in Western Province, Sri Lanka

Wijeruwana, M.P.N.K.¹ and Perera, L.A.S.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

Nishadikanchana1998@gmail.com¹, shanakala@kln.ac.lk²

ABSTRACT

Purpose: In insurance industry service quality is a crucial factor because the services offer by the company are not visible, the quality of the Service is intangible, and it is difficult to assess quality of the service at the point of purchasing the service. Hence the objective of this study is to examine the impact of service quality dimensions on customer satisfaction in life insurance industry in Sri Lanka.

Design/ Methodology/ Approach: The study empirically evaluated five service quality dimensions; Reliability, Responsiveness, Tangibility, Assurance, Technology and Corporate Image and their impact on life insurance customer satisfaction. The service quality measured by SERVQUAL model. Technology and Corporate Image are the newly introduced service quality dimensions to the insurance industry in Sri Lanka. The sample consisted of 277 life insurance customers in Western Province and primary data were gathered through a structured questionnaire among the respondents.

Findings: The results demonstrated that there is a significant impact from Reliability, Assurance, Responsiveness, Technology and Corporate Image to the customer satisfaction. But Tangibility has an insignificant impact to the customer satisfaction in Insurance industry.

Originality: This study concluded that Technology, Corporate Image, and Responsiveness are the key factors that influence mostly on customer satisfaction in life insurance industry in Sri Lanka. In the light of the results, extended service quality dimensions have an impact of customer satisfaction in Life Insurance Industry in Sri Lanka.

Keywords: *Service Quality, Customer Satisfaction, SERVQUAL Model, Insurance*

Impact of Monetary Policy on Balance of Payment in South Asian Countries

Sandarenu, M.M.I.K.¹ and Dissanayake, D.M.U.H.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

kavindiresha@gmail.com¹, uththarad@kln.ac.lk²

ABSTRACT

Purpose: This study was investigated the impact of monetary policy on balance of payment (BOP) in south Asian countries in addition investigate the balance of payment relationship with post and pre COVID-19 period.

Design/Methodology/Approach: In this study, the researcher used a quantitative approach. Data were gathered from 21 countries of south Asian countries from 2000 to 2021. Afghanistan, Bhutan, Nepal, India, Pakistan, Bangladesh, Maldives and Sri Lanka selected as sample. Descriptive statistics, Correlation analysis and panel data regression have been employed to identify the relationship between the predictor variables and dependent variable. Balance of payment (BOP) was used as dependent variable and Gross domestic product (GDP), official exchange rate (OER), Real interest rate (RIR), inflation (I) and net trade balance (NTB) were used as independent variables.

Findings: According to the overall panel regression model, GDP, OER, RIR, I, and NTB were recorded a significant negative relationship with BOP in south Asian countries. Furthermore, gross Domestic product, Official exchange rate and net trade balance were recorded significant positive relationship with BOP, but inflation and real interest rate was recorded a significant negative relationship with BOP in south Asian countries. Covid-19 was recorded insignificant positive relationship with BOP. Likewise, OER and NTB were recorded a significant relationship with COVID-19 in south Asian countries. And GDP, RIR and Inflation was shown an insignificant relationship with Covid-19. Furthermore, this study was investigated similarities and differences of Balance of payment implemented by pre covid-19 and post covid-19 periods in south Asian countries.

Originality: No prior study has been conducted to measure the impact of monetary policy on Balance of Payment in South Asian Countries during and pre COVID 19 period.

Keywords: *Balance of Payment, Gross Domestic Product, Official Exchange Rate, Inflation, Net Trade Balance, Covid-19*

Dividend Policy and Stock Price Volatility: A Study among the Commercial Banks in Sri Lanka

Mathumitha, G.¹ and Madhushani, P.W.G.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

mathumithaganesh12@gmail.com, gangam@kln.ac.lk

ABSTRACT

Purpose: The main aim of this study is to identify the impact of the dividend policy on stock price volatility in listed commercial banks in Sri Lanka because the volatility of share prices affects the price return of shares (capital gain).

Design/ Methodology/Approach: Two key variables; Dividend payout and Dividend yield have been taken as the independent variables after controlling for firm size. The stock price volatility was taken as the dependent variable. Data collection was carried out with a sample of 10 listed Licensed Commercial Banks (LCBs) in Sri Lanka for the period from 2012 – 2019. A Panel regression model was adopted with the random effect model to analyze the impact of dividend policy on stock price volatility.

Findings: The results revealed that the Dividend Payout ratio has a significant positive and Dividend Yield has an insignificant negative impact on the stock price volatility of LCBs in Sri Lanka.

Originality: The findings suggest that the dividend payout would lead to volatile stock prices. Hence potential and existing investors should focus on banks that have a high payout ratio compared to the earnings generated.

Keywords: *Dividend Payout Ratio, Dividend Yield, Share Price Volatility, Dividend Policy, Licensed Commercial Banks*

Impact of Bank-Specific and Macroeconomic Factors on the Profitability of Commercial Banks in Sri Lanka

Shrimalshani, M.K.S.¹ and Perera, P.A.S.D.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

shakilasrimalshani2018@gmail.com¹, shalinip@kln.ac.lk²

ABSTRACT

Purpose: This study aims to examine how macroeconomic and bank-specific factors affect the profitability of commercial banks in Sri Lanka. The balance panel data regression model was used to attain the study objective and to respond to the research questions.

Design/Methodology/Approach: All bank-specific and macroeconomic profitability determinants for the ten years from 2012 to 2021 were the subject of secondary data collection. Twelve licensed commercial banks, including private and state banks, made up the study sample. To examine the impact of bank-specific and macroeconomic factors on banks' profitability, the study separately generated two regression models using STATA 15.0. In addition to being dependent variables, ROA and ROE were used in the study as proxies for banks' profitability. As independent variables, the exchange rate, GDP growth rate, inflation, lending interest rate, unemployment, BOP, operating margin, deposits, loans to assets, debt to equity, capital adequacy, loans to deposits, and asset size were used. The fixed effect was used to analyze both ROA model and ROE model as suggested by the Hausman test.

Findings: According to research, there is a positive correlation between commercial banks' profitability as measured by ROA and the following variables: Ex. rate, GGR, inflation, BOP, operating margin, and loan-to-deposit ratio. The remaining factors were discovered to be negatively linked with ROA. The Ex. rate, GGR, inflation, BOP, operating margin, loans to total assets, debt to equity and capital adequacy were positively associated with ROE. In contrast, the rest of the variables negatively correlated with ROE. Ex. rate, inflation, operating margin, Loans to Assets, Deposit, DE, Asset Size and LD had a significant impact in deciding how they affected banks' profitability.

Keywords: *Bank-Specific Determinants, Commercial Banks, Fixed Effect, Hausman Test, Macroeconomic determinants, Profitability*

Determinants of Financial Literacy with Special Reference to Young Adults in Western Province of Sri Lanka

Malavithanthila, M.K.T.N.¹ and Perera, L.A.S.²
Department of Finance, University of Kelaniya, Sri Lanka^{1,2}
thisurimalavi1@gmail.com, shanakala@kln.ac.lk

ABSTRACT

Purpose: The aim of this study is to investigate and evaluate the factors affecting financial literacy among the young adults of western province of Sri Lanka. The fact that this study expands on the idea of financial literacy and its factors is one of its strengths.

Design/methodology/approach: The research has a quantitative survey-based data collection, and it also uses both structural equation modeling (SEM) and Regression analysis. The population of the study is the young adults that is young adults whose age is between 17 to 30 in Western province of Sri Lanka. The sampling method of the study is convenience sampling, and the sample size was determined using Cochran's formula which is 384.91.

Findings: The results of the study showed that the young adults are more confident with financial literacy, financial behavior, financial knowledge, and financial experience whereas they should concentrate more on improving their financial goals, financial decisions and financial wellbeing. With the help of the regression models, it also proved that financial Technology is a new determinant of financial literacy and the model built showed the interrelationship between the financial literacy determinants.

Originality: This study fills a gap in the body of knowledge about the several variables that affect financial literacy. It offers data to aid decision-makers in creating plans to improve societal financial literacy.

Keywords: *Financial Literacy, Financial Technology, Young Adults, Sri Lanka*

The Impact of Corporate Governance Characteristics on the Financial Performance of the Listed Finance Companies in Sri Lanka

Jayasingha, D.C.¹ and Kethmi, G.A.P.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

dushmanthijayasinghe@gmail.com¹, kethmip@kln.ac.lk²

ABSTRACT

Purpose: Corporate governance has become a major issue that is gaining more attention nowadays as a result of the various business difficulties that have occurred throughout the world. The primary goal of this study is to investigate the impact of corporate governance characteristics on the financial performance of Sri Lankan listed companies.

Design/Methodology/Approach: This research study uses random sampling approach to choose 130 organizations as the sample and the data is collected from annually audited annual reports and the published database of the CSE for the period from 2018 to 2021. The Board size (BSIZE), CEO duality (CEODUA), Board committee (BCOM), and CEO characteristic (CEOCHA) were considered as independent variables, whereas, Return on assets (ROA) and Return on equity (ROE) were dependent variables. A regression model is used to establish the relationship between corporate governance characteristics and firm performance.

Findings: The result revealed that there is a positive impact on composition favoring a majority of non-executive directors and the financial performance; there is a negative impact on two persons being elected as the CEO and the chairman of the company and the financial performance of the company; there is a negative impact on the number of board committees of the company and the financial performance of the company; and there is a negative impact on the CEO's working experience and the financial performance of the company. According to the adjusted R squared value, 100% of changes in performance (ROA) depend on other factors. But 20.33% of changes in performance (ROE) are explained by the selected independent variables. According to this study, the corporate governance characteristics impact on firm performance of listed companies in Sri Lanka.

Originality: Corporate governance promotes company transparency, which is essential for establishing shareholder trust. There have been few studies conducted in Sri Lanka. It contributes to economic stability by boosting organizational performance and increasing access to external resources. The research used recent data and the findings can be used to implement new policies as well.

Keywords: *Board Size, Board Committee, CEO duality, CEO Characteristic, Return on Assets, Return on Equity*

Investigating the Impact of Financial Literacy on the Performance of Micro Enterprises in Gampaha district, Sri Lanka

Fernando, B.R.M.¹ and Abeysekera, R.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

fernando_fe17008@stu.kln.ac.lk¹, ruwanab@kln.ac.lk²

ABSTRACT

Purpose: The micro-enterprise sector continues to be a fundamental inducement for job creation and economic growth in Sri Lanka. About 80 per cent of the economy is provided by the small-scale sector, which shows the importance of harnessing its potential in developing the Sri Lankan economy. It has been established that financial literacy significantly influences whether or not small-scale enterprises succeed. Yet, the exact effect of financial literacy on small-scale enterprise performance has to be fully identified in Sri Lanka, hence the need for the present study. This research study examines the effect of financial literacy (awareness, attitude and knowledge) of managers on the performance of micro-enterprises in the Gampaha District, Sri Lanka.

Design/Methodology/Approach: Primary data were obtained from micro scale-enterprise managers through structured questionnaires. The data were analysed using Multiple Regression Analysis.

Findings: The results revealed a significant effect of financial literacy on firm performance (both financial and non-financial performance). Also, all four financial literacy components (knowledge, behaviour, attitude, and skill) significantly positively affect financial and non-financial performance.

Originality: This study fills empirical and practice gaps.

Keywords: *Financial Literacy, Micro-Enterprises, Gampaha, Firm Performance*

Attitudes towards Credit Card Usage of Banking Sector Employees in Sri Lanka

Jayasena, R.A.H.P.U.¹ and Weligamage, S.S.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

jayasena_bm17179@stu.kln.ac.lk¹, susima@kln.ac.lk²

ABSTRACT

Purpose: There are number of empirical researchers in other countries regarding credit card usage, but in Sri Lankan context there are not much empirical researcher regarding the credit card usage. Among them there is lack of sufficient empirical evidence regarding to credit card usage of banking sector employees in Sri Lanka. The main aim of this study is to identify the attitudes towards credit card usage of banking sector employees in Sri Lanka.

Design/Methodology/Approach: To identify their attitudes, 300 questionnaires were distributed and only 270 were responses. The sample is collected based on convenient sampling method. Perceived usefulness, perceived ease of use, customer knowledge and social influence are the independent variables and credit card usage is the dependent variable. Through the use of the SPSS software's (23.0 version) correlation test and regression analysis, four hypotheses were examined.

Findings: Findings revealed that there is a significant positive relationship between perceived ease of use, customer knowledge, social influence and credit card usage, as well as it is found in between perceived usefulness and credit card usage is not having a significant positive relationship.

Originality: Identifying and understanding these customers' attitudes towards credit card usage will be useful to the banks/ credit card issuers, government and future researchers as well.

Keywords: *Credit Card Usage, Customer Attitudes, Banking Sector Employees, Sri Lanka*

Impact of Microfinance Services on Living Standard of Micro-Entrepreneurs with Reference to Gampaha District Sri Lanka

Dissanayaka, D.M.D.N.¹ and Liyanage, M.L.D.C.J.²
Department of Finance, University of Kelaniya, Sri Lanka
dissanayakedushani24@gmail.com¹, chaturaj@kln.ac.lk²

ABSTRACT

Purpose: The main purpose of this study is to access the impact of microfinance services on the living standard of micro-entrepreneurs in the Gampaha District, Sri Lanka.

Design/Methodology/Approach: In this study, the researcher used a quantitative approach. The independent variables of this study were micro-credit, micro-saving, and advisory services, and the dependent variable was the living standards of the micro-entrepreneurs in the Gampaha District. The study population comprised 116,611 microfinance beneficiaries in the Gampaha district, out of which 324 micro-entrepreneurs were selected. The convenience sampling method was used and the primary data was collected through a questionnaire. Data analysis methods were multiple regression analysis, Correlation coefficient, and descriptive analysis using SPSS software.

Findings: According to the results, micro-credit, micro-savings, and advisory services have a significant positive relationship with the living standards of the micro-entrepreneurs in the Gampaha District. The research concludes that microfinance services as a whole have helped to improve the living standards of micro-entrepreneurs in the Gampaha district. The study recommended that the microfinance institution should provide advisory support on the management of loans, preparing business plans, and marketing the business. Further, the government should encourage more entrepreneurs to access micro-credit, micro-saving, and advisory services to improve their living standards. The finding of this study can act as a guideline in the future for decision-makers to identify the factors that influence on living standard of micro-entrepreneurs.

Originality: This study has discovered a new finding about the relationship between micro-credit, micro-savings, and advisory services have a significant positive relationship with the living standards of the micro-entrepreneurs in the Gampaha District of Sri Lanka. The finding of this study can act as a guideline in the future for decision-makers to identify the factors that influence on living standard of micro-entrepreneurs.

Keywords: *Micro Credit, Micro Saving, Advisory service, Living Standard, Microfinance Institution*

Impact of Fintech on Economic Growth: Evidence from Asian Countries

Tashikala, H.A.L.¹ and Perera, L.A.S.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

lakshitashikala@gmail.com, shanakala@kln.ac.lk

ABSTRACT

Purpose: Fintech, otherwise called internet finance or digital financial inclusion, simply refers to an amalgamation of finance and information technology. The objective of this study is to examine the effect of Fintech to the economic growth of Asian countries. The sub objectives are to find out whether there is any impact of depth of ATM's, depth of Credit Cards, depth of Debit Cards and depth of POS terminals on the economic growth of Asian countries.

Design/Methodology/Approach: The research uses descriptive statistics, and the panel data regression technique is used to analyze the study. And uses deductive research logic and a quantitative research approach. The total population consists of all Asian Countries. Eight countries were selected as the sample. All the data collected falls into the period between 2009 -2020.

Findings: The Research analysis has followed a fixed effect model and it includes Depth of ATMs and Depth of Debit Cards which are significant towards economic growth. Depth of Credit cards and Depth of POS terminals shows insignificant relationship with economic growth. The results emphasizes that the overall model is statistically significant, and researcher conclude Fintech and economic growth of Asian countries have a significant relationship.

Originality: This is one of the pioneer studies conducted on FinTech and economic growth for South Asian countries.

Keywords: *Financial Technology, Fintech, ATM, Debit Cards, Credit Cards*

Factors Affecting the Capital Structure of Sri Lankan Nonfinancial Sector Before and During the Covid-19 Pandemic

Gallage, K.S.S.¹ and Gunasekara, A.L.²

Department of Finance, University of Kelaniya^{1, 2}

gallagek_bm17123@stu.kln.ac.lk¹, gunasekaral@kln.ac.lk²

ABSTRACT

Purpose: This study attempts to find the factors affecting to capital structure before and during the COVID-19 pandemic taking empirical evidence from the Sri Lankan non-financial-sector companies listed in Colombo Stock Exchange.

Design/Methodology/Approach: This study uses secondary data from 2019 to 2021. The data are gathered from the listed firm's annual reports. The explanatory variables of this study are Size, Profitability, Tangibility, Growth, Risk, and the COVID-19 dummy variable. Further, Total Debt and Long-term Debt are the dependent variables used for the analysis.

Findings: The results reveal a significant negative impact from profitability to the total debt ratio before the pandemic period. However, it is positive and not significant during the pandemic period. Further, during the pandemic period, the size of the firm shows a positive significant impact on total debt ratio while growth of the firm shows a negative significant impact on the total debt ratio. In the case where the long-term debt ratio is considered as the dependent variable, tangibility has a positive significant impact before and during the pandemic.

Originality: Studies linked to COVID-19 and its impact on capital structure is rare in relation to Sri Lanka. In this context, this study uncovers the association between firm specific factors and capital structure under the pandemic in Sri Lanka.

Keywords: *Capital Structure, Size, Profitability, Tangibility, Growth, Risk, COVID-19*

Factors Effecting on Life Insurance Demand during the Covid-19 Pandemic

Fernando, M.S.S.N.¹ and Buddhika, H.J.R.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

shemayafernando05@gmail.com¹, buddhikar@kln.ac.lk²

ABSTRACT

Purpose: The covid-19 has been a worldwide pandemic and it needs studies related to the effect of people's demand for insurance during the pandemic which is an important way to transfer risk. And apart from that as an investment method during the pandemic, life insurance plays a vital role. However, there is a lack of research linking covid-19 and people's demand for insurance. Covid-19 has been a worldwide pandemic which will greatly affect people's behaviour. Current studies have examined the impact covid-19 on people's investment consumption and risk-taking behaviour, but there is a lack of research linking covid-19 and people's demand for insurance which is an important way to transfer risk. In this research, I complement the literature by exploring the impact of covid-19 pandemic and with that situation how people demand life insurance policies.

Design/Methodology/Approach: The researcher chose the western province as the population of this research and in this regard, data was collected from life insurance policyholders who live in the three districts which are Colombo, Gampaha and Kalutara district in the western province according to the ratio of population. The data were analyzed by using SPSS software which included statistical tests.

Findings: The study aimed to identify the factors that affect life insurance demand during the covid-19 pandemic by focusing on 04 independent variables; dependency ratio, income, economic condition, and social factors. During the study, the researcher identified the above independent variables have a neutral impact and statistically significant relationship between them.

Originality: This study found and further guides future factors effect for Life Insurance Industry in Sri Lanka during the Covid 19 period and this would be strong output for similar incidents that will happen in future.

Keywords: *Insurance Demand, Covid -19, Economic, Social Factors, the Dependency ratio*

Macroeconomics Determinants on Banks Profitability: A Comparative Study between Sri Lanka and India

Wijedasa, W.A.D.I.L.¹ and Madhushani, P.W.G.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

Wijedasa_bm17482@stu.kln.ac.lk¹, gangam@kln.ac.lk²

ABSTRACT

Purpose: Banks play a major role in the service sector of a country. The main aim of this study was to examine the impact of macroeconomic variables on the profitability of listed commercial banks in Sri Lanka and India.

Design/Methodology/Approach: The study used 10 Commercial banks listed in the Colombo Stock Exchange (CSE), in Sri Lanka, and 19 commercial banks listed in the National Stock Exchange (NSE) in India during the period 2012 and 2021. Gross Domestic Product (GDP), Inflation, and the exchange rate were the key independent variables controlled by the Firm size and the years of operations while Return on Assets (ROA).

Research findings: The multiple linear regression analysis revealed that GDP has a significant positive influence on the banks' profitability in both countries whereas Inflation rates also had a beneficial influence on banks' performance. Greater levels of inflation rates have resulted in increasing banks' profitability. The Exchange Rate had a negative and statistically significant impact on Sri Lankan banks' profitability and a positive statistically significant impact on Indian banks' profitability.

Originality: The results contributed to the existing literature on the macroeconomic determinants and provide a better insight into the Sri Lankan and Indian banking sectors when determining their profitability

Keywords: *Commercial Banks, Sri Lanka, India, Gross Domestic Production, Exchange Rate, Inflation Rate*

Impact of Board Size, Gender Diversity, CEO Duality and Board Independence on Firm Value: Evidence from Diversified Finance Companies Listed in CSE

Fernando, H.N.J.¹ and Gunasekara, A.L.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

Jayasank_bm17174@stu.kln.ac.lk¹, gunasekaral@kln.ac.lk²

ABSTRACT

Purpose: This study aims to examine the impact of board diversity on firm value of listed diversified financial companies listed in the Colombo Stock Exchange (CSE) in Sri Lanka.

Design/Methodology/Approach: To examine the research objectives diversified financial sector is taken as the population. In this regard, data is collected from diversified financial firms listed in main board of CSE. Board size, gender diversity, CEO duality and board independence are employed as independent variables in this study, while the firm value is the dependent variable. All the collected data were analyzed using STATA software, which included statistical tests such as multicollinearity, normality, and panel regression analysis.

Findings: According to the study's findings, board size had a statistically significant positive relationship and gender diversity, and firm age had a statistically significant negative relationship with the dependent variable (firm value) while other three variables (Board independence, CEO duality and firm size) are statistically insignificant. Hence data set having heteroskedasticity and autocorrelation, cluster option was done to fix those errors. According to the regression results, board size is more effective in increasing value of diversified financial companies listed in CSE.

Originality: The novelty of this study is that this research considers the whole the diversified financial companies listed in the Colombo Stock Exchange (CSE) and considers the Covid 19 period within the sample.

Keywords: *Corporate Governance, Board Independence, Gender Diversity, CEO Duality*

The Impact of Covid-19 Pandemic on the Profitability of Licensed Commercial Banks and Licensed Finance Companies in Sri Lanka

Fernando, W.K.S.¹ and Kethmi, G.A.P²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

kethmini.s.fernando@gmail.com¹, kethmip@kln.ac.lk²

ABSTRACT

Purpose: This study is carried out to determine the impact of Covid-19 pandemic on the profitability of Licensed Commercial Banks and Licensed Finance Companies in Sri Lanka and attempts to assess the pandemic's impact in relation to Covid-19 related variables (number of confirmed Covid cases and lockdown effect), Covid-19 related spillover effects (high Non-Performing Loans and low Capital Adequacy Ratio) and in relation to the financial institution category

Design/Methodology/Approach: Three profitability indices, Return on Assets (ROA), Return on Equity (ROE) and Net Interest Margin (NIM) were used as dependent variables and three separate Panel data regression analyses were performed taking data of 23 Licensed Commercial Banks (LCBs) and 33 Licensed Finance Companies (LFCs).

Findings: Covid-19 cases showed a negative but insignificant impact on all the three profitability indices, and the lockdown effect was also negative for all three indices and significant (1%) only for ROE. NPL showed a significant impact at 1% for both ROA and ROE with high coefficients of -0.12 and -0.51 respectively, indicating that high NPL was the main cause for the reduction of their profitability during the crisis.

Originality: This study is the first attempt in Sri Lanka that considers the impact of the Covid-19 pandemic on the profitability of two key financial categories by considering both Covid-19-related factors and Covid-19-related spillover effects.

Keywords: *Covid-19, profitability, Licensed Commercial Banks, Licensed Finance Companies*

The Relationship Between Macroeconomic Variables, Covid-19 Pandemic on Sri Lankan Stock Market Performance

Wijeyaratne, K.S.¹ and Weligamage, S.S.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

kushsachi98@gmail.com¹, susima@kln.ac.lk²

ABSTRACT

Purpose: The main objective of the study is to examine the relationship between All Share Price Index (ASPI), selected key macroeconomic variables and the Covid-19 pandemic that prevailed in the last two years in Sri Lanka.

Design / Methodology/ Approach: Monthly time series data for Gross Domestic Product (IPI consider as a proxy), Inflation rate (NCPI Index), Interest rate (T-Bill Rate) and Exchange rate (USD exchange rate) and Covid-19 pandemic were used from January 2017 to April 2022. Unit root tests, (ADF, PP and KPSS tests) Johansen Cointegration test and Ordinary Least Square Method are employed.

Findings: The result of this study indicated that in the long-run, that there was a significant but negative relationship between IPI and ASPI. The study has not found any significant relationship from Covid-19 neither on the ASPI nor the other macroeconomic variables. However, further analysis showed that even the IPI does not have any significant impact indicating that there is no long-run equilibrium in the model.

Originality: The result emphasizes that the relationship between selected macroeconomic variables and the Covid-19 impact towards to ASPI is not significant. During Covid-19 pandemic situation, the stock market activities witnessed negative trends. Some possible facts for these findings could be that due to high volatilities in the stock market in Sri Lanka which emanates from the prevailing economic uncertainty. Further, it has been observed that there were deliberate interferences in operations of a stock market.

Keywords: *All Share Price Index, Macroeconomic Variables, Covid-19 Pandemic, Stock Market Performance, Economy*

Impact of Company Internal Factors on Debt Policy of the Listed Entities in Colombo Stock Exchange

Darshika, K.M.W.¹ and Gunasekara, A.L.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

wdarshika27@gmail.com¹, gunasekaral@kln.ac.lk²

ABSTRACT

Purpose: This study aims to examine the impact of institutional ownership, managerial ownership, free cash flow, asset structure and dividend policy on debt policy of listed firms by also considering the Covid 19 period.

Design/Methodology/Approach: This study uses secondary data, that is, the financial reports of main board companies listed on the Colombo Stock Exchange 2019-2021. Purposive sampling using 92 data is being used in the research. Random effect regression analysis and conventional assumptions are the analysis methods employed in this study.

Findings: The findings demonstrate that institutional ownership, free cash flow, and asset structure significantly improve debt policy, whereas managerial ownership and dividend policy have no impact.

Originality: The sample period of this study covers the pandemic period. This is a novelty in this study.

Keywords: *Institutional Ownership, Managerial Ownership, Free cash flow, Asset structure, Debt policy*

Analysis of the Factors Affecting on the Employees Job Satisfaction with Special Reference to AIA Insurance Lanka Ltd

Bopage, B.S.D.¹ and Liyanage, M.L.D.C.J.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

dilshanbopage67@gmail.com¹, chaturaj@kln.ac.lk²

ABSTRACT

Purpose: The purpose of this research study is to analysis the impact of the factors affecting the employees' job Satisfaction with special reference to AIA Insurance Lanka.

Design/methodology/approach: In this study, the researcher used a quantitative approach. The independent variables of this study were job security, pay and promotion, health and safety, fairness and job training. The dependent variable was job satisfaction. Primary data were collected through a structured questionnaire distributed to the employees of AIA Insurance Lanka. The data gathered were analyzed using descriptive statistics and regression analysis using SPSS software.

Findings: This survey found that job security, pay and promotion, health and safety, fairness and job training have positive relationship with the job satisfaction. Out that the salary (pay and promotion) of the employees has the strongest impact to the job satisfaction. The study has further provided recommendations to improve the level of job satisfaction to the said organization.

Originality: This study has discovered a new finding about the relationship between job security, pay and promotion, health and safety, fairness and job training with the job satisfaction of AIA Insurance Lanka Ltd during the year 2022.

Keywords: *Job Security, Pay and Promotion, Health and Safety, Fairness, Job Training, Job Satisfaction*

Determinants of Non- Performing Loans in the Banking Sector: Evidence from Sri Lanka

Kumara, G.S.P.¹ and Gunasekara, A.L.²

Department of Finance, University of Kelaniya^{1, 2}

kumarags_bm17209@stu.kln.ac.lk¹, gunasekaral@kln.ac.lk²

ABSTRACT

Purpose: In Sri Lankan context, Non-Performing Loans of banks have significantly increased during last few years due to the pandemic, and it has bad effect on bank performance. Non-performing loans have a negative impact on banks' profits directly. Therefore, this study aims to identify determinants of non-performing loans and banking sector taking evidence from Sri Lanka.

Design/Methodology/Approach: The sample of the study consists of 10 banks as included CSE main board in Sri Lanka. 10 years from 2012 to 2021 was used as the period for data collection. All the collected data were analyzed using STATA software, which included statistical tests such as multicollinearity, normality, and panel regression analysis.

Finding: The findings show that return on equity ratio had a statistically significant negative relationship with the dependent variable (non-performing loans). while other variables (capital adequacy ratio, loan to deposits ratio, return on assets ratio, public debt as % of GDP, Annual average inflation rate, interest rate) are statistically insignificant. Also, the control variable firm size is statistically insignificant. Hence, banks should focus more on these dimensions while making a concerted effort to reduce non-performing loans.

Originality: This study considers the pandemic period and it's a novelty in this research.

Keywords: *NPL, Return on Assets, Return on Equity, Capital Adequacy Ratio, Loans to Deposit Ratio*

The Mediating Impact of Employee Motivation Variable on the Relationship between Determinants of Motivation and Organizational Performance

Fernando, J.A.H.P.¹ and Buddhika, H.J.R.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

hashinifernando1004@gmail.com¹, buddhikar@kln.ac.lk²

ABSTRACT

Purpose: Organizations are always seeking to retain talented and motivated employees. Thus, they will maximise the performance of the organization. However, to what extent the employees need to be motivated still needs to be resolved. This study has focused on identifying different determinants of executive employees' motivations related to the general insurance industry in Sri Lanka and the mediating impact of employee motivation on organizational performance.

Design/Methodology/Approach: This study attempted to bridge the gap by analysing the impact of determinants of employee motivation on employee motivation and organizational performance. This study sought to find the impact between the independent variables (Financial benefits, non-financial benefits, Management and Leadership factor, and Organizational factor), mediation variable and dependent Variable (Organizational Performance) through thirteen different hypotheses. Employee Motivation is measured as the mediating variable in the relationship between Determinants of Employee motivation and Organizational Performance. This study gathered Primary data from 369 executive employees of eight leading general insurance. Data were collected with a structured questionnaire and SPSS software has been selected as the key software for data analysis According to the research findings.

Findings: The linear output supports for identify the linear relationship between independent variables and dependent variables within the study contexts and organizational factors and financial benefits are statistically significant with Employee Motivation and Organizational Performances.

Originality: This study will particularly help the general insurance sector to make the right decision to retain their employees

Keywords: *Executive Employee, Motivation, Organizational Performance, General Insurance*

Relationship Between Liquidity Position and Firm's Profitability: Evidence from Colombo Stock Exchange

Fonseka, W.A.L.M.¹ and Gunasekara, A.L.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

maduwanthifonseka1998@gmail.com¹, gunasekaral@kln.ac.lk²

ABSTRACT

Purpose: This research study aims to examine the relationship between liquidity position and firm's profitability pre and during the Covid-19 pandemic period taking evidence from Colombo Stock Exchange (CSE)

Design/Methodology/Approach: The Sample of the study consist with 44 companies from CSE and the data are collected from the period of 2017 to 2021, where 2017-2019 period is considered as per Covid pandemic period; 2020-2021 period is considered as during the Covid pandemic period. This study use panel regression model considering ROA and ROE as dependent variables and Current Ratio (CR) and Quick Ratio (QR) as the independent variables.

Findings: The results of the study show that the QR is significantly and positively related to both ROA and ROE during the Covid-19 period.

Originality: This study is a first attempt to examine the relationship between liquidity position and firm's profitability, pre and during the Covid-19 pandemic period in Sri Lanka.

Keywords: *Liquidity, Profitability, Colombo stock exchange, Covid-19 pandemic*

Sustainable Development and Financial System: Perception on Socially Responsible Investing (SRI) in Commercial Banks of Sri Lanka

Herath, H.M.A.P.¹ and Kethmi, G.A.P.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

amaparames98@gmail.com¹, kethmip@kln.ac.lk²

ABSTRACT

Purpose: This study examines how the Sri Lankan commercial banks perceive socially responsible investing in relation to sustainable development and the financial system as compared to other developing countries.

Design/Methodology/Approach: A qualitative research design was applied to conduct this study. Accordingly, the data were collected by interviewing 10 top-level Sri Lankan commercial banking professionals through a structured questionnaire in order to answer the main research questions.

Findings: The findings revealed that the concept of socially responsible investing (SRI) is predominant in nature for the purpose of maintaining a balanced strategic economic service that has been delivered to clients, the economy, and the country's development. Furthermore, the outcomes of this study will be important for the growth of the banking sector in general and the sustainable development of Sri Lanka in particular.

Originality: This study represents a significant effort for the top-level managers who engaged in strategic decision-making in their banking institutions in order to sustain the most qualitative SRI position that could be adopted with the country's regulating and operational background.

Keywords: *Sustainable Development, Socially Responsible Investing, Financial System, Commercial Banks, Sri Lanka*

Determinants of Financial Literacy: Analysis of the Influence of Financial Behavior and Financial Attitudes

Navodani, R.B.G.S.D.¹ and Gunasekara, A.L.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

sasinidilunika1998@gmail.com¹, gunasekaral@kln.ac.lk²

ABSTRACT

Purpose: The purpose of this study is to identify the determinants of financial literacy and examine the most significant determinant of the financial literacy in Sri Lanka. This study focuses on how financial behavior and financial attitude impacts on the financial literacy in Sri Lanka.

Design/Methodology/Approach: The research has used the quantitative approach to investigate this notion and gathered data from 400 individuals between only 18 and 60 years old in all nine provinces in Sri Lanka in order to achieve the research objectives. This research used a simple random sampling technique. In this study, the main source of data gathering approach is questionnaires.

Findings: Based on the study's findings, the hypotheses test shows that the financial behavior and financial attitude are significantly impact to the financial literacy in Sri Lanka. As a result, the researchers suggest that the efforts needed to be made to include the importance of risk diversification, the time value of money, the calculation of compound interest, the importance of budgeting, effective savings strategies and money management skills debt in financial literacy programmes.

Originality: This study considers the whole Sri Lanka to identify whether the financial behavior and financial attitude impacts financial literacy. This is a novelty of this study.

Keywords: *Financial Behavior, Financial Attitude, Financial Literacy*

Factors Affecting the Banking Adoption Intention of the Amana Bank Customers

Risan, B.M.A.¹ and Kethmi, G.A.P.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

risanbmar@gmail.com¹, kethmip@kln.ac.lk²

ABSTRACT

Purpose: The country's economic growth is significantly influenced by the banking sector's performance because it is the most important industry in the nation. The difficulties that banks encounter make it difficult for customers to accept banking. In Sri Lanka, Amana Bank was formally established in 2005. The bank has accomplished several noteworthy milestones over the years, but records show that despite its best efforts, it was unable to become the market leader due to a number of obstacles. This study investigates the factors affecting the banking adoption intention of the Amana Bank customers of Sri Lanka.

Design/Methodology/Approach: The study was carried out in the Batticaloa district, and the data collected from 94 consumers using a questionnaire. The bank's customers' purpose to adopt banking was assessed based on their desire to join the bank in the future.

Findings: The correlation results showed a substantial positive association between the lack of Shariah governance legislation and the issue of product uniformity and the level of customer awareness of the services. Regression results revealed that the sole factor negatively affecting customers' intentions to adopt banking was a lack of customer awareness of the services.

Originality: Good Shariah governance laws are in place at the Amana bank, and product standardization is at a higher level. Consumers, however, have identified the lack of legislation on Shariah governance and the problem of product uniformity as hurdles for Amana bank performance because they are unaware of the banking service. The stakeholder should spend more on advertising to raise consumer knowledge of Amana bank services in order to promote the adoption of Amana bank clients.

Keywords: *Banking Sector, Economic Growth; Amana Bank; Sri Lanka; Performance; Mix Approach; Shariah Governance*

Moderating Role of Corporate Governance on the Nexus between Capital Structure and Firm Performance: Evidence from Consumer Service Sector

Kodippili, C.U.¹ and Gunasekara, A.L.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

chathuranikodippili@gmail.com¹, gunasekaral@kln.ac.lk²

ABSTRACT

Purpose: The purpose of this research paper is to identify the moderating effect of Corporate Governance on the relationship between accounting base financial performance i.e., ROA, and ROE and Capital Structure of 12 consumer service sector firms listed in CSE main board.

Design/Methodology/Approach: This study uses secondary data gathered from annual reports for the period of 2012 to 2021. In this study, multiple regression method is used under random effect regression model approach on panel data.

Findings: The findings of the research's regression analysis indicate a negative relationship between the ROE and the independent variable of debt equity ratio (DER) and three moderating variables of board composition (BCOM), board size (BSIZE) and CEO duality (CEOD). When consider the moderating effect only CEO duality shows the significant impact to the DER and ROE. When considering return on assets (ROA) as the dependent variable, only DER has a significant impact on ROA. That means only DER that significantly effects on ROA in consumer service sector companies in Sri Lanka. Additionally, the moderating variables are not shown any significantly impact to the ROA.

Originality: Considering corporate governance factors as moderating factors is a novelty in this study.

Keywords: *Capital Structure, Corporate Governance, Financial Performance, Consumer Service Sector*

The Dynamic Relationship of Domestic Credit and Stock Market Liquidity of the Commercial Banks on the Economic Growth of the Sri Lanka

Kumara, A.G.D.M.¹ and Gunasekara, A.L.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

ghanushkamanoj99@gmail.com¹, gunasekaral@kln.ac.lk²

ABSTRACT

Purpose: Domestic credit and Stock market liquidity are the most important components of the economy in any country. Both of these two components have been identified as highly impacted factors that affect economic growth in the studies. This study examines the dynamic and significant impact and the relationship between domestic credit and stock market liquidity on economic growth.

Design/Methodology/Approach: The researchers use the quantitative research method and positivism philosophy. Researchers have collected secondary data from 2011 to 2021 on the selected research variables from Central Bank and other economic publications for the study. Also, domestic credit and stock market liquidity have been identified as independent variables and economic growth has been identified as dependent variables.

Findings: The correlation analysis shows that the domestic credit has a weak negative and significant correlation to economic growth. Further, stock market liquidity has a weak, negative, and insignificant correlation to economic growth.

Originality: This study covers the Covid-19 period and it is a novelty in this study.

Keywords: *Domestic Credit, Stock Market Liquidity, Economic Growth*

The Impact of Corporate Social Responsibility on Firm's Performance: Evidence from Textile and Apparel Manufacturing Companies in Sri Lanka

Nuwarapaksha, N.E.D.¹ and Chathurika, H.L.D.J.²
Department of Finance, University of Kelaniya, Sri Lanka^{1,2}
dinunuwarapaksha9@gmail.com¹, jayanic@kln.ac.lk²

ABSTRACT

Purpose: The purpose of this study is to determine the impact of Corporate Social Responsibility on firm's performance of Apparel manufacturing companies in Sri Lanka.

Design/Methodology/Approach: This study focused on how Corporate Social Responsibility like Economic Responsibility, Legal Responsibility, Ethical Responsibility, Philanthropic Responsibility are effect on the firm's performance of apparel manufacturing companies in Sri Lanka. The research has used the quantitative approach to investigate the research and gathered data from 150 apparel manufacturing companies in Sri Lanka in order to achieve the research objectives. This research used a simple random sampling technique. In this study, the main source of data gathering approach is questionnaires. For data analysis, descriptive statistics, multicollinearity test, independent sample T-test, ANOVA test, and multiple regression were used, and SPSS statistical software has been to analyze the survey data.

Findings: Based on the study's findings the hypotheses test demonstrates that the Economic Responsibility, Legal Responsibility, Ethical Responsibility, Philanthropic Responsibility are significantly impact to the firm's performance of the apparel manufacturing companies in Sri Lanka. The study's adjusted R square is 51.9 percent, according to the multiple regression model, which indicates that the Corporate Social Responsibility elements in this study explain 51.9 percent of Corporate Social Responsibility on firm's performance of apparel manufacturing companies in Sri Lanka. Apparel Manufacturing Companies are the major income source to the economy.

Originality: According to the research findings, Corporate Social Responsibility has a bigger impact on performance of apparel manufacturing companies in Sri Lanka.

Keywords: *Economic Responsibility, Legal Responsibility, Ethical Responsibility, Philanthropic Responsibility, Apparel Manufacturing Companies, Firm's Performance*

The Impact of the Intellectual Capital on Firms' Financial Performance and the Market Value: Evidence from the Listed Companies in the Colombo Stock Exchange

De Mel, V. N. S.¹, Premarathna, W.G.I.D.² and Tennekoon, S.T.M.S.³

Department of Finance, University of Kelaniya, Sri Lanka^{1,2,3}

nidukshi.sa98sri@gmail.com¹, imeshadevindi888@gmail.com², stmst201@kln.ac.lk³

ABSTRACT

Purpose: The purpose of this research was to examine the impact of intellectual capital on firms' financial performance and market value.

Design/Methodology/Approach: Intellectual capital was measured using the value-added intellectual capital coefficient and hence, human capital, structural capital, and capital employed efficiency were used as the components of the independent variable of Intellectual capital. The dependent variables of the study were firm's performance and the firm's value which were measured using return on assets and market to book value respectively. Secondary data were collected over the period of 2017 to 2021, from the annual reports of highest market capitalized companies from each sector of the GICS classification. Data of the research was analyzed by using the e-views software.

Findings: The panel data regression analysis revealed that there is a positive significant impact of human capital, structural capital, and capital employed efficiency on firm's performance. Further, the analysis confirmed the existence of a positive significant of human capital, structural capital, and capital employed efficiency on firm's value.

Originality: The finding of this research will be beneficial to the management of the company to make decisions relating to intellectual capital, human capital development, knowledge management, and to prepare a succession plan for the organizations.

Keywords: *Value Added Intellectual Capital, Human Capital Efficiency, Capital Employed Efficiency, Structural Capital Efficiency, Market to Book Value, Return on Assets*

The Impact of Board Composition and Ownership Structure on Dividend Policy: Evidence from Sri Lanka

Pramodya, L.A.D.K.¹ and Chathurika, H.L.D.J.²
Department of Finance, University of Kelaniya, Sri Lanka^{1,2}
pramodya_bm17328@stu.kln.ac.lk¹, jayanic@kln.ac.lk²

ABSTRACT

Purpose: The Impact of Board composition and Ownership structure on Dividend policy is one of the major concerns in Sri Lanka. The main objective of the study is to examine the impact of Board composition and ownership structure on firm's Dividend policy of 41 listed companies on the Colombo Stock Exchange of Sri Lanka, over the period from 2016 to 2021.

Design/Methodology/Approach: This study is used three indicators under the Board composition such as Board size, Board meetings and Board independence and used three indicators under the Ownership structure such as Managerial ownership, Institutional ownership, and foreign ownership. Furthermore, this study considers three control variables such as Firm size, Firm leverage, and Firm profitability. This study employed the Descriptive statistics analysis, Ordinal Logistic regression method and Multinomial Logistic regression method to estimate the regression models.

Findings: The major contribution of this study is exploring the impact of Board composition and Ownership structure on the main three dividend policies such as Zero dividend policy, Irregular Dividend policy and Stable Dividend policy. Considering the overall model, the results revealed that Board size, Board meetings and Managerial ownership have a significant impact on the Firm's Dividend policy. Then the parameter Estimates results are relative to the reference category of the Multinomial logistic regression. Under that Board Size, Managerial ownership and foreign ownership indicated a positive impact and Board meetings, Board independence and Institutional ownership indicated a negative impact on the Irregular dividend policy relative to the Zero dividend policy. On the other hand, Board size, Board Independence, Managerial ownership, and Institutional ownership indicated a positive impact and Board meetings, and foreign ownership indicated a negative impact on the Stable dividend policy relative to the Zero dividend policy.

Originality: From the results of this study, practitioners can enhance their ability to make dividend decisions under the main three dividend policies.

Keywords: *Board Composition, Ownership Structure, Dividend Policy, Logistic Regression, Colombo Stock Exchange*

**Impact of Sustainability Reporting Practices on Firm Performance:
with Special Reference to Banks in Sri Lanka**

Ranathunga, Y.W.H.C.K.¹, Premarathna, W.G.I.D.² and Tennekoon, S.T.M.S.³

Department of Finance, University of Kelaniya, Sri Lanka^{1,2,3}

heshaniranathunga2@gmail.com¹, imeshadevindi888@gmail.com², stmst201@kln.ac.lk³

ABSTRACT

Purpose: The objective of this study is to examine the impact of sustainability reporting practices on firm performance in banks in Sri Lanka.

Design/Methodology/Approach: The research is quantitative and used deductive research logic, based on secondary data from 20 licensed commercial banks and 04 licensed specialized banks that are registered with the Central Bank of Sri Lanka for seven years from 2015 to 2021. Return on Assets and Tobin's Q are the dependent variables whereas Sustainability Reporting Score consisting of economic disclosure, environmental disclosure, social disclosure are the independent variables of this study. STATA version 13 Statistical package was used to analyze data using panel regression.

Findings: According to the study's findings, environmental disclosure and social disclosure have significant impact on the return on assets, whereas economic disclosures have no significant impact on the return on assets. Further, social disclosures have a significant impact on Tobin's Q. However, economic disclosures and environmental disclosures have no significant impact on Tobin's Q. Moreover, the most influencing factor for sustainability reporting practices on firm performance was environmental disclosures.

Originality: This study contributes to the existing literature by identifying the current state of sustainability reporting in licensed commercial banks and licensed specialized banks in Sri Lanka and the trend of sustainability reporting in Sri Lanka over the past seven years.

Keywords: *Firm Performance, Sustainability Reporting, Economic Disclosure, Environmental Disclosure, Social Disclosure.*

Determinants of Commercial Banks' Lending Behavior in Sri Lanka

Gimhana, K.P.S.¹ Weerasinghe, W.D.J.D.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

ksasindu1@gmail.com¹, damindaj@kln.ac.lk²

ABSTRACT

Purpose: This study aims to examine the determinants of lending behavior of commercial banks in the Sri Lanka. Commercial banks are critical to the growth and prosperity of the economy. There are 24 commercial banks in Sri Lanka, both locally and internationally owned.

Design/Methodology/Approach: The two theories, Portfolio theory and Bank Lending & Loanable Fund theory have been revisited through this study. Further, two parameters are used to calculate the sample size. They are long-term banking activities, as well as the availability of each bank's data during the time-period under consideration. This study relied on secondary data, and it spanned eleven-year period from 2010 to 2020. The key sources of secondary data for this study are annual reports from local commercial banks and annual reports. Altogether, 23 commercial banks in Sri Lanka sampled for the study. The descriptive statistics, correlation, and multiple regression analysis were used to analyze the collected data.

Findings: The finding implies that commercial banks' lending is dependent on depositor's money. It means that as the ability of the bank to mobilize more deposits, the amount of loan granted to the customer will improve.

Originality: It is investigated that to attain profitability and liquidity, Sri Lankan commercial banks should improve their methods for mobilizing public deposits and build a robust liquidity management mechanism, according to the report.

Keywords: *Loans and Advances, Liquidity, Volume of Deposits, Capital Adequacy, Interest Rate, Asset Quality*

Determinants of Non-Performing Loans in Licensed Commercial Banks and Impact of Covid 19 on Nonperforming Loans: Evidence from Sri Lanka

Weerakoon, K.W.H.M.Y.R.¹ and Weerasinghe, W.D.J.D.²
Department of Finance, University of Kelaniya, Sri Lanka^{1,2}
wyoshani98@gmail.com¹, damindaj@kln.ac.lk²

ABSTRACT

Purpose: The purpose of this study is to ascertain the determinants of the non-performing loans and identify the impact of COVID19 on non-performing loans in licensed commercial banks in Sri Lanka.

Design/Methodology/Approach: The study employed panel data methodology to investigate the effect of bank specific and macroeconomic factors on non-performing loans. This study takes secondary/ quantitative data. Panel unit root test has been undertaken in order to test the stationary of the variables. Hausman test and Breusch-Pagan Lagrange multiplier test were used to select the appropriate model out of pooled, random and fixed effect. The research conducted for pre-pandemic period (2012-2019) and period with the pandemic (2012-2021) to identify the impact of COVID19 on non-performing loans using selected 20 licensed commercial banks.

Findings: Findings revealed that return on assets and loan loss provision has a significant positive influence, while loan to assets ratio positively associated with non-performing loan and no significant impact in both periods. Bank size has a significant negative influence. Real GDP growth rate, unemployment rate and lending interest rate were highly significant in both periods. Contrary to literature, inflation rate has a positive insignificant relationship with nonperforming loans.

Originality: The findings of the study which details the determinants of non-performing loans of licensed commercial banks in Sri Lanka is beneficial for different stakeholders. The findings of the study might be used as a directive input in developing regulatory standards regarding lending policies in banking sector in Sri Lanka.

Keywords: *Non-Performing Loans, Licensed Commercial Banks, Bank-Specific Determinants, Macroeconomic Determinants, COVID19*

A Study of Purchasing Power Parity in South Asian Countries

Karunawardhana, S.S.¹ and Weerasinghe, W.D.J.D.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

shamikasanduni98@gmail.com¹, damindaj@kln.ac.lk²

ABSTRACT

Purpose: This primary objective of this study is to investigate the existence of the Purchasing Power Parity (PPP) condition in South Asian countries.

Design/Methodology/Approach: This research explores the validity of the purchasing power parity (PPP) hypothesis utilizing monthly data of South Asian countries throughout the period of 2015 to 2022. This research study is conducted based on secondary quantitative data. Out of the 8 South Asian countries 5 countries were selected as the sample (i.e., Bangladesh, Bhutan, India, Maldives, and Sri Lanka) based on the data availability. In the study, data analysis for short run purchasing power parity is done using the Vector Error Correction Method (VECM). Data analysis for long-run purchasing power parity is done using the co-integration method.

Findings: PPP appears to be supported in a panel of South Asian regions, according to panel results. This study also discovered that there is a long-term relationship between price and exchange rate, even while VECM analysis reveals a short-term correlation between exchange rate and price differential as well as a bidirectional causal relationship between price and exchange rate.

Originality: Investigations of the validity of purchasing power parity in the South Asian context are relatively limited. Therefore, this study contributed to the dearth of study by adding new knowledge to existing knowledge and filling the empirical gap in the South Asian context.

Keywords: *Purchasing Power Parity, Absolute PPP, Relative PPP, Price Differential, Exchange Rate Differential*

Impact of Financial Literacy on Financial Risk Tolerance in the Context of Investment Decision-Making: Empirical Evidence from Individuals in Gampaha District

Siriwardena, H.D.H.K.¹ and Weerasinghe, W.D.J.D.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

himanshihdk@gmail.com¹, damindaj@kln.ac.lk²

ABSTRACT

Purpose: This study aims to examine the impact of financial literacy and demographic characteristics on the financial risk tolerance of the individuals in the Gampaha District, Sri Lanka.

Design/Methodology/Approach: The study used deductive approach. The population of this study is comprised of 380 individuals in Gampaha District. The study used primary sources of data and data was collected using a close-ended questionnaire. Altogether 320 responses were collected while having an 84 percent of respondent rate. The descriptive statistics, correlation analysis and multiple regression model were used to analyze the data.

Findings: The findings of the empirical analysis revealed that financial literacy and demographic characteristics such as age, gender, marital status, highest educational level, income and wealth are significant in determining the financial risk tolerance. It was evident that majority of respondents in Gampaha district make investment decisions by their own. Another important finding is that average financial literacy of a person in Gampaha district is 56.88%. Further, it was revealed that there was a strong positive relationship between financial literacy and financial risk tolerance level. The results prove that increasing people's financial literacy through various educational programmes is likely to increase demand for financial products with varying risk profiles.

Originality: The study recommends that there should be a greater emphasis on financial education programme for enhancing the financial awareness among individuals in Gampaha district that positively impacts the risk tolerance level.

Keywords: *Financial Literacy, Financial Risk Tolerance, Financial Risk, Demographic Characteristics, Financial Awareness*

The Impact of Covid-19 Pandemic on Financial Performance of the Insurance Companies in Sri Lanka

Shamali, K.D.¹ and Weerasinghe, W. D. J. D.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

dineshashamali8@gmail.com¹, damindaj@kln.ac.lk²

ABSTRACT

Purpose: The primary objective of this study is to determine the impact of Covid-19 pandemic on the financial performance of the insurance companies listed on the Colombo Stock Exchange (CSE).

Design/Methodology/Approach: This research study is quantitative research, and it follows the deductive approach. There are 27 companies in the Insurance sector however, there are 8 companies listed on the CSE. This study relating data were collected using the published annual reports for the period from 2015 to 2021. The secondary data were analyzed using descriptive statistics, the normality test, and the Wilcoxon signed rank test. Before and during the COVID-19 pandemic, the liquidity ratio (LR), leverage ratio (LVR), Earning per Share (EPS), return on equity (ROE) and return on assets (ROA) were all measured individually in order to arrive at distinct results for those parameters.

Findings: The findings indicated that the Covid-19 pandemic had a major negative impact on the Return on Assets and Return on Equity of the insurance companies. However, there had no meaningful impact on the leverage ratio and liquidity ratio during COVID-19 pandemic.

Originality: Investors or potential investors should use the study's findings as a source of useful information when making investment decisions and managers can use this research to change or create long time decisions.

Keywords: *Liquidity Ratio, Leverage Ratio, Earning Per Share, Firm Performance, Insurance Industry*

The Impact of Exchange Rate Volatility on Profitability of the Insurance Industry in Sri Lanka

Weerasinghe, W.M.Y.P.¹ and Weerasinghe, W.D.J.D.²
Department of Finance, University of Kelaniya, Sri Lanka^{1,2}
ypweerasingha650@gmail.com¹, damindaj@kln.ac.lk²

ABSTRACT

Purpose: The Objective of this study is to identify the impact of Exchange Rate Volatility on firm performance in Insurance companies in Sri Lanka.

Design/Methodology/Approach: The study is a quantitative study taking 10 insurance companies operating in Sri Lanka as the sample. The companies were selected based on the data availability during the time period from 2012 to 2021. Following data are collected from secondary sources, Return on Assets (ROA), Exchange rates, Inflation rate, Annual GDP growth rate, Population growth rate, and Interest rate for this study. Exchange Rate Volatility used as independent variable and Inflation Rate, GDP Annual Growth Rate, Population Growth Rate, and Interest Rate use as the Control Variables. Return on assets used as dependent variables to measure the firm performance. The descriptive statistic, correlation analysis and regression equation are used for the purpose of analysing data.

Findings: According to the findings of this study, overall, a negative impact of exchange rate volatility on ROA is shown. Further, the annual population growth rate, interest rate, GDP growth rate and inflation rate have a significant negative impact on ROA.

Originality: The findings of this study can help the decision makers to be aware of the importance of Exchange rate volatility on improving the insurance firm's performance to improve their competitive edge.

Keywords: *Exchange Rate Volatility, Return on Assets, GDP Annual Growth Rate, Inflation Rate, Interest Rate*

Board characteristics and firm performance: Evidence from the Life Insurance Companies in Sri Lanka

Jayasundara, J.M.D.N.¹ and Buddhika, H.J.R.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

jayasund_bm17183@stu.kln.ac.lk1, buddhikar@kln.ac.lk2

ABSTRACT

Purpose: The purpose of this study is to test the hypothesis about the impact of board characteristics on the life insurance firms' performance in Sri Lanka. The data used for the study is derived from eight consecutive years from 2014-2021 annual reports of 13 life insurance firms operating in Sri Lanka.

Design/Methodology/Approach: This study employed publicly available data from financial databases and annual reports of 13 sample life insurance companies in Sri Lanka which are registered with the Insurance Regulatory Commission of Sri Lanka (IRCSL), for the past eight years from 2014-2021. The annual reports published by the respective companies and the statistical reviews of the Insurance Regulatory Commission of Sri Lanka are used to collect data about the life insurance companies. The Return on Asset (ROA) and Return on Equity (ROE), this study measures the performance of life insurance companies in Sri Lanka. Multivariate regression analysis on panel data is used to find the impact of the board characteristics, such as CEO duality, the Board size, Board independence, Audit committee size Audit committee independence and the performance of the life insurance companies.

Findings: The results show audit committee size and audit committee independence have positively impacted the life insurance firms' performance in Sri Lanka while CEO duality, board size and board independence show a negative impact. The outcome emphasizes the importance of good board characteristics in Sri Lankan life insurance companies needed to perform well in the insurance industry.

Originality: This finding guided life insurance firms how to manage their board composition to lead to better performances of the organization.

Keywords: *Board Characteristics, Insurance, Financial Performance, Sri Lanka*

Determinants of Tax Compliance among Small and Medium-Sized Enterprise Owners in Kandy District

Gunarathna, W.M.N.R.¹ and Sudasinghe, S.L.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

rangananadun98@gmail.com¹, sandalis@kln.ac.lk²

ABSTRACT

Purpose: The main objective of the study was to identify the factors that influence tax compliance among small and medium-sized enterprise owners in Kandy District

Design/Methodology/Approach: The current study has gathered the primary data from 100 SME owners in the Kandy district by using a questionnaire. The study used descriptive statistics, Pearson correlation, and regression analysis for each of the specific objectives, and data were analyzed by IBM SPSS.

Findings: The findings of the research indicated that automation of tax filing, fairness of the tax system, tax awareness, and education had a strong positive correlation to tax compliance. Hence according to regression analysis, those three variables had a great positive impact on tax compliance. Further, the analysis indicates that the operational years, educational level, and income level had a significant effect on tax compliance however, gender did not significantly affect the tax compliance level of SMEs.

Originality: While tax evasion leads to budget deficits for the government, tax compliance generates significant cash for the government to fund its projects. In this case, the SMEs, businesses, and individuals will adapt to the constantly evolving tax systems and will get a better understanding of the variables and their interactions with one another in the context of tax compliance.

Keywords: *Tax Compliance, Small and Medium Sized Enterprise, Income Level, Tax System, Tax Awareness*

Cashflow Indicators as a Predictive Tool for Financial Distress

Gamage, A.D.W.¹ and Sudasinghe, S.L.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

avanthad98@gmail.com¹, sandalis@kln.ac.lk²

ABSTRACT

Purpose: The main objective of the study was to identify the usefulness of cash flow indicators in predicting financial distress in manufacturing firms listed on the Colombo Stock Exchange (CSE)

Design/Methodology/Approach: The study utilizes multiple regression analysis to explore the relationship between cash flow indicators and financial distress with the use of 65 companies over four years, from 2019 to 2022. In addition, control variables such as company size and return on assets (ROA) were also considered for the study.

Findings: The results implied that the solvency indicator is a strong predictor of financial distress when combined with two control variables. The study suggests that cash flow indicators are not a useful method for determining financial distress in the Sri Lankan context on their own but can be valuable when combined with financial indicators such as company size and ROA.

Originality: The findings of the study provide useful insights for stakeholders in understanding the relationship between cash flow indicators and financial distress and to mitigate the risk of failure. The study recommends techniques such as effective cash flow and interest management, prospective business expansion, and increasing income-generating assets to avoid bankruptcy.

Keywords: *Financial Distress, Cash Flow Indicators, Financial Indicators, Altman's Z-score model, Bankruptcy, Return on Equity*

**The Relationship between Market Risk and Financial Performance:
Evidence from Sri Lankan Public Listed Companies**

Lakma, M.A.K.T.¹ and Sudasinghe, S.L.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

kasunikawee@gmail.com¹, sandalis@kln.ac.lk²

ABSTRACT

Purpose: The main objective of the study was to identify how market risk affects the financial performance of Sri Lankan publicly listed companies.

Design/Methodology/Approach: The researcher chose a random sample of five sectors from the Colombo stock exchange. A maximum of fifteen companies were selected from the banking, food & beverage, material, capital goods, and diversified financial sectors based on the highest market capitalization. This study is based on the new sector classification (GICS) introduced by the Colombo Stock Exchange, effective January 1, 2020. The dependent variables are Return on Asset (ROA), Return on Equity (ROE), and Market Return while the Degree of Financial Leverage (DFL) has also been used as the control variable. The descriptive analysis, correlation, and regression analysis were carried out using the E-Views 08 software.

Findings: The findings of the research indicated that market risk significantly improves financial performance. Even though a few sectors have insignificant negative impacts and insignificant positive impacts, many of the companies exhibited that the market risk significantly positively impacts market return.

Originality: The research is beneficial to the investors to make investment decisions based on the sectors.

Keywords: *Market Risk, Beta Value, Return on Asset, Return on Equity, Market return, Degree of Financial Leverage*

**The Impact of Internal Control System on Banks' Performance:
with Special Reference to Kandy District, Sri Lanka**

Manangala, T.M.¹ and Sudasinghe, S.L.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

tharukamanangala12@gmail.com¹, sandalis@kln.ac.lk²

ABSTRACT

Introduction: The main objective of the study was to identify how the internal control systems impact the performances of the banks in the Kandy district, Sri Lanka

Design/Methodology/Approach: The sample size comprises 122 respondents from licensed commercial banks (People's Bank, Bank of Ceylon) and 92 respondents from licensed specialized banks (National Savings Bank, Regional Development Bank) representing executive-level employees in the Kandy district. The researcher has used the control environment, control activities, risk assessment, information and communication, and monitoring as independent variables whereas the bank's performance was the dependent variable. Data were analyzed using correlation analysis and multiple regression analysis.

Findings: The findings indicated that the variables of the control environment, risk assessment, information and communication, and monitoring have a significant impact on banks' performance while control activity has an insignificant impact on banks' performance of banks.

Originality: The management of the organization establish and uphold the highest standards of ethical behavior in the organization and implement awareness programs for staff members, including management, to inform policies and procedures. Also, the managers should design a pertinent organizational structure that includes essential areas of power and responsibility and send a clear message to employees about the significance of controls.

Keywords: *Internal Control Systems, Bank Performance, Control Environment, Control Activities, Risk Assessment*

The Factors Affecting Foreign Reserves in Sri Lanka: Does the Covid-19 Pandemic Matter?

Amarasiri, W.T.H.I.¹ and Piyananda, S.D.P.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

hisuri1234@gamil.com¹, ghanushkap@kln.ac.lk²

ABSTRACT

Purpose: The purpose of the study was to determine the factors affecting Foreign Reserves in Sri Lanka and whether the Covid-19 pandemic has impacted foreign reserves in Sri Lanka.

Design/ Methodology/ Approach: To identify the factors that affect foreign reserves the data has been collected from the year 2015 to Month September 2022. To examine the factors affecting foreign reserves, the dependent variables of Export, Import, Exchange rate, Inflation rate, and Covid-19 have been taken as the dummy variable. This study focuses on the factors affecting foreign reserves and whether Covid-19 has a significant impact on foreign reserves special reference to Sri Lanka. The study employed an econometric model to analyze the time series data which are obtained from the Central Bank of Sri Lanka's Monthly Economic Indicators Reports from 2015 to month of September of 2022 and the sample has been captured as the monthly data. This study uses the Johansen Co- Integration method and Vector Error Correlation term (VECM) to identify the long-run relationship between the foreign reserves and the mentioned macroeconomic factors.

Findings: The results indicate that the Export, Import, Exchange rate and Covid-19 situation have a significant impact on foreign reserves in long run. In the short run, the significant variable is only the Export. The unexpected disease of COVID-19, the situation has had a significant impact on the current financial crisis in Sri Lanka. However, the deep financial crisis caused changes in some macroeconomic variables, and in the short run, there may be another factor affecting the changes in foreign reserves.

Originality: The study implies the reasons and the finding about that factors in detail and the study found that some dependent variables have a significant impact on foreign Reserves in Sri Lanka.

Keywords: *Co-integration, Foreign Reserves, Vector Error Correction (VECM), ADF Test, Covid-19*

Impact of Board Structure on Financial Performance: Evidence from Licensed Commercial Banks in Sri Lanka

Dinelka, W.P.S.¹ and Piyananda, S.D.P.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

dinelkawijesekara@gmail.com¹, ghanushkap@kln.ac.lk²

ABSTRACT

Purpose: This research studies the impact of board structure on financial performance evidence from Licensed Commercial Banks in Sri Lanka

Design/Methodology/Approach: The sample of the study consists of the highest market capitalization ten banks listed in the Colombo Stock Exchange and the data was collected over the period of 2012 to 2021 to determine the impact of board structure on financial performance evidence from Licensed Commercial Banks in Sri Lanka. Return on Asset (ROA), Return on Equity (ROE), and Return on Capital Employed (ROCE) represent the Dependent Variables of the study and Board Size, Board Composition, CEO Duality, and Women Participation in Board (FMB) represent the independent variables of the study. Panel data regression model is used as cross-sectional and time series nature of data.

Findings: Based on the results, Findings also revealed that Board Size, Board Composition, and Women's Participation on Board significantly impact ROE and ROCE Board Composition negatively affected ROA and it derives Board Structure Characteristics have a significant impact on the Firm's Financial Performance in Licensed Commercial Banks in Sri Lanka.

Originality: The results of the three models are derived from Board Structure Characteristics has a significant impact on firm Financial Performance in Licensed Commercial Banks in Sri Lanka. The Board Size, Board Composition, and Firm Size have a significant impact on Firm Financial Performance, but Women's Participation in Board (FMB) has an insignificant impact on Firm Financial Performance in Licensed Commercial Banks in Sri Lanka. The findings of the study will guide decision-makers of the banks, potential investors, academics, and other stakeholders in making their strategic planning, profit allocation, and making decisions on the managerial implication of the banking sector.

Keywords: *Board Structure, Board Size, Board Composition, CEO Duality, Women Participation in Board (FMB), Financial Performance, Panel Data*

Impact of Forensic Audit on Fraud Detection and Prevention of Sri Lankan State Banking Industry: A Qualitative Study

Kaushalya, P.M.I.N.¹ and Piyananda, S.D.P.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

nethmikaushalya98@gmail.com¹, ghanushkap@kln.ac.lk²

ABSTRACT

Purpose: Forensic audits are the audits that examine and evaluate a firm's or individual's financial records to derive evidence used in a court of law or legal proceeding. This study set out to investigate the effect of forensic audit services on fraud detection in state banks in Sri Lanka.

Design/Methodology/Approach: The study was conducted using the Qualitative method and thematic analysis method. The primary data was collected from over 05 interviews with two major state banks.

Findings: This research has implications for theory as well as empirical application in business and policy-making areas. It can help the Sri Lankan banking industry upgrade its approaches, identify weaknesses, and compare its detection mechanisms with international firms.

Originality: This research will be very useful to those who are seeking information about forensic auditing which is used in the Sri Lankan state banking industry and identifying methods for the banking industry could improve its fraud handling

Keywords: *Forensic Auditing, Fraud Detection, State Bank, Banking Sector, Fraud Handling, Audit System*

The Impact of Service Quality on Customer Satisfaction of State Commercial Banks in Sri Lanka: with Special Reference to Kandy District

Madhusanchi, T.G.R.¹ and Piyananda, S.D.P.²

Department of Finance, University of Kelaniya, Sri Lanka ^{1,2}

madhu980306@gmail.com¹, dhanushkap@kln.ac.lk²

ABSTRACT

Purpose: To analyze the impact of service quality on customer satisfaction and investigate the relationship between service quality and customer satisfaction of state commercial banks in Kandy District.

Design/Methodology/ Approach: The research study is based on primary data. The structured questionnaire was used as the method of data collection and the sample of this study was selected as 220 customers in state commercial banks in Kandy District. The convenience sampling method was used to make the sampling and quantitative research approach used for this study. Data were analyzed using SPSS software. Mainly, the researcher used frequency distribution, descriptive statistics, correlation analysis, Multicollinearity, and multiple regression analysis was used to measure the research information. Cronbach's alpha was used to examine the reliability of the data and KMO & Bartlett's test was used to examine the validity of the data.

Findings: The study demonstrates a positive relationship between all service quality dimensions (tangibles, reliability, convenience, responsiveness, and security) and customer satisfaction. It implied that increasing the dimensions of service quality will result in increased customer satisfaction. According to the inter-correlation matrix results, independent variables are not correlated with each other variables. The finding indicates that these five dimensions of service quality (tangibles, reliability, convenience, responsiveness, and security) have a significant impact on customer satisfaction of state commercial banks in Kandy District.

Originality: This research is important as it clearly demonstrates that the service quality is influenced by customer satisfaction of state commercial banks in Kandy District.

Keywords: *Service Quality, Tangibles, Reliability, Convenience, Responsiveness, Security*

Foreign Direct Investment as a Determinant of the Performance of Share Market in Sri Lanka

Sewwandi, N.B.A.A.¹ and Piyananda, S.D.P.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

akshalanaamarathna@gmail.com¹, ghanushkap@kln.ac.lk²

ABSTRACT

Purpose: The purpose of this study is to examine the factors that affect foreign direct investment and stock market performance.

Design/methodology/approach: The quantitative method was applied in this research. This study covers the years 2012 to 2021 and collects monthly data. Focus on the discovery of a long-term relationship between FDI and stock market development in Sri Lanka. And discover that a shock to FDI considerably affects the performance of the stock market in Sri Lanka. The data was collected using the secondary data collecting method, and the Autoregressive Distributed Lag (ARDL) approach was applied to analyze the data in this study.

Findings: According to the study's findings, there is a Positive relationship between Sri Lanka's stock market performance and net foreign direct investment. The performance of Sri Lanka's stock market will improve with an increase in foreign direct investment.

Originality: Foreign direct investment has a direct and indirect impact on the performance of the stock market, as it can invest directly in shares and open new businesses with the board of investment's approval.

Keywords: *Economic Growth, Foreign Activity, Foreign Direct Investment, Market Capitalization, Stock Market Performance*

Impact of Liquidity Risk on the Performance of Licensed Commercial Banks in Sri Lanka

Walpita, W.D.N.P.¹ and Piyananda, S.D.P.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

nelunika.pubuduni97@gmail.com¹, ghanushkap@kln.ac.lk²

ABSTRACT

Purpose: The objective of this study is to identify the significant liquidity risk factors and the impact of them on both top line and bottom-line performance indicators of commercial banks. Therefore, a bank should endeavor to achieve both sides' goals, which are respectively profitability and liquidity. This study identifies the relationship between several liquidity measurements and their impact on bank performance.

Design/Methodology/Approach: The dependent variable, the Return on Total Assets and the Return on Total Equity are used as measures of profitability and to measure the relation between liquidity risk management. The independent variable, which is the liquidity level is measured by using the Liquidity Coverage Ratio, Loans to Deposit, Financial Gap to Total Asset, Cash Reserves, and NPL Ratio. The sample selected by the author is 12 listed commercial banks that are Systematically important banks in Sri Lanka used in data analysis for the period of 2012–2021.

Findings: The present study expects to fill the gap in the existing literature of banks on the impact of liquidity risk and macroeconomic determinants on Sri Lankan commercial banks' profitability by providing new empirical evidence. The results of the present study have significant contributions to the existing stock of literature by comprehensively clarifying and analyzing the current state of Sri Lankan commercial banks' profitability.

Originality: When it comes to making good decisions, the causes of information overload can become a burden, according to this study. The results of this study will therefore aid in managing both financial and non-financial information and assist future researchers in identifying research needs.

Keywords: *Liquidity Risk, Bank Performance, Return on Total Assets, Return on Total Equity, Non-Performing Loans*

Effects of the Exchange Rate Volatility on Financial Performance of Licensed Commercial Banks in Sri Lanka

Wasana, W.E.¹ and Piyananda, S.D.P.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

ewasana20@gmail.com¹, dhanushkap@kln.ac.lk²

ABSTRACT

Purpose: The question of whether there exists a relationship between the volatility of exchange rates and the financial performance of licensed commercial banks in Sri Lanka was the subject of this research.

Design / Methodology/ Approach: The study used three types of variables as dependent variable, independent variables, and control variables. Dependent variable was financial performance. The independent variable was exchange rate volatility while control variables were inflation, interest rate, and bank size. Secondary data was collected from the banks' consolidated financial statements as well as the Central Bank of Sri Lanka. The study used the quantitative approach. The study also used panel data analysis using STATA Software Version 13.0 to aid in data analysis.

Findings: The study established the existence of a negative association between exchange rate volatility and banks' performance as measured by the returns on assets ratio. Negatively association between interest rate and ROA. There is a negative relationship between inflation change and ROA also. The bank size had a positive relationship with financial performance.

Originality: Exchange rate volatility had an influence on commercial banks' financial performance in Sri Lanka during the study period. The co-relation findings portrayed a weak negative connection between the FX volatility and the profits of banks over the study period. The correlation findings a medium negative connection between the interest rate, inflation change, and the profits of banks over the study period. The bank's total assets increased over the research period. Bank size significantly influenced financial performance at a 95% confidence level. The exchange rate also significantly influences financial performance at a 90% confidence level at a 0.1 significant level.

Keywords: *Exchange Rate Volatility, Financial Performance, Inflation, Interest Rate, Licensed Commercial Banks, Bank Size, Return on Assets*

Impact of Macroeconomic Variables on the Performance of the Licensed Finance Companies in Sri Lanka

Zoysa, A.I.G.U.¹ and Piyananda, S.D.P.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}
udayamalizoysa@gmail.com¹, dhanushkap@kln.ac.lk²

ABSTRACT

Purpose: This research was undertaken to determine the effect of macroeconomic variables on financial performance of licensed finance companies in Sri Lanka.

Design/methodology/approach: This study adopted a quantitative research approach using a sample of 12 licensed finance companies in Sri Lanka for the 10 years' period. Secondary data on finance performance was obtained from the annual financial reports and Central bank reports. Hypotheses were tested using panel data regression model employing STATA.

Findings: The regression results show that foreign reserves and GDP have a positive but not significant impact on the ROA and ROE of licensed finance companies in Sri Lanka. Results indicated that inflation is positively related to the financial performance of licensed finance companies in terms of ROA and ROE. The regression results show that increasing the exchange rate would lead to an increase in the financial performance of licensed finance companies in terms of ROA and ROE. Results indicated that the interest rate has a negative on the ROA and ROE of licensed finance companies in Sri Lanka.

Originality: The Sri Lanka Government through the Central bank should come up with policies that create a conducive environment for finance companies to operate in since it will translate to the economic growth of the country. Mainly this study helps industry participants, investors, and regulators. Also, policymakers can use the findings of this study to establish policies that are related to the finance industry.

Keywords: *Inflation, Exchange Rate, Interest Rate, Foreign Reserves, Gross Domestic Product*



ISSN: 2279-3097

Tel: +94 011 2903 554

Web: <http://fcms.kln.ac.lk/dep/dfin/index.php>

Email: dfin@kln.ac.lk

