21st December 2020

9th Students' Research Symposium 2020 (SRS)

ABSTRACTS

"Embracing Research Challenges and Opportunities in New Normal"

Organized by

DEPARTMENT OF FINANCE
FACULTY OF COMMERCE AND MANAGEMENT STUDIES
UNIVERSITY OF KELANIYA
SRI LANKA

9th Students' Research Symposium 2020

"Embracing Research Challenges and Opportunities in New Normal"

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Department of Finance

Faculty of Commerce and Management Studies

University of Kelaniya

Sri Lanka

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"Embracing Research Challenges and Opportunities in New Normal"

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

I pen down this congratulatory note with immense pleasure on the occasion of the "9th Students' Research Symposium 2020," organized by the Department of Finance, Faculty of Commerce and Management Studies, University of Kelaniya.

The Faculty of Commerce and Management Studies has been a pioneer Faculty at the University of Kelaniya which taken numerous efforts to improve the research culture of its academic members and undergraduates. This symposium provides an opportunity for final year undergraduates of Department of Finance to showcase their presentation and research skills at a common academic forum and disseminate new knowledge to the society at large. The findings of this symposium definitely support to uplift the level of our economy and the level of research skills of undergraduates.

I greatly appreciate the efforts taken by the Department of Finance to enhance the research culture among the undergraduates as well as to uplift the quality of the undergraduates' research by organizing such students' research symposiums. I congratulate all the undergraduates who will be presenting their research articles in the symposium and wish all the success to the 9th Students' Research Symposium 2020.

Dr Narada Fernando
Dean
Faculty of Commerce and Management Studies
University of Kelaniya

Message from the Head of the Department of Finance

It is with extraordinary joy I pass on this message on the ninth Students' Research Symposium (SRS) 2020, organized by the Department of Finance, Faculty of Commerce and Management Studies, University of Kelaniya.

Department of Finance (DFin) believes that the students need to develop research skills in order to excel in the job market, and hence the students have to undertake research in their final year under the supervision of an academic supervisor. SRS is an opportunity for students to present what they have learned through their research experiences to a larger audience consisting of peers and academics. SRS also provides a forum for students to discuss cutting edge research topics in Finance and to examine the connection between research and education. Further, SRS is one of the significant components of the department's promoting research culture.

SRS includes a keynote address and presentations by the students. This year's symposium will be hosted virtually.

As the department head, accept this open door to salute the DFin group who organized the conference and appreciate their commitment to making this momentous occasion a triumph.

Dr Ruwan Abeysekera
Head
Department of Finance
Faculty of Commerce and Management Studies
University of Kelaniya

Message from the Coordinator of the Dissertation and Symposium

It gives me immense pleasure to welcome you to the Students' Research Symposium 2020 (ICBI 2020) 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, continuing its tradition of transcending knowledge for the betterment of business and society, SRS is unfolding for the 9th consecutive year with the theme "Embracing Research Challenges and Opportunities in New Normal" on 21st December 2020 as a virtual symposium.

It creates a platform to 118 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 keynote speech of the SRS was delivered by Mr. Prabath S. Morawakage, PhD scholar at Griffith University, Australia aligning to the SRS theme.

The success of SRS 2020 depends on the contribution and the commitment of many parties including the organizing committee, university administration, speakers, scholars, researchers, presenters, and the session chairs. While extending a deep sense of gratitude to them, I wish a successful and enjoyable symposium and keep safe.

Mr Daminda Weerasinghe
Coordinator, Dissertation and Symposium
Department of Finance
Faculty of Commerce and Management Studies
University of Kelaniya

Keynote from the Keynote Speaker SRS 2020

"Embracing Research Challenges and Opportunities in New Normal"

The theme of the symposium (Embracing Research Challenges and Opportunities in New Normal) was very timely and exciting. Cotemporally, for some organizations, survival is the only objective for the next few years. Others are confronting massive uncertainty and thinking about how to return to normal. The question is, "What will the new normal look like?" While no one can say how long the crisis will last, what we find on the other side will not look like the normal of recent years. The new normal will be shaped by a convergence of powerful forces such as Environmental, Social, and Governance (ESG) factors.

My speech was outlined under the following headings. What is New Normal, Future Research, Finance research trends and opportunities, Research challenges, Global trends in higher education and research.

1. New Normal

Oxford dictionary defines "New Normal" as "A previously unfamiliar or a typical situation that has become standard, usual, or expected." This buzzword was highlighted after Global Financial Crisis (GFC). In simple, this is a transition period after a crisis. During the last two decades, we experienced four crises: the Dot-com bubble, GFC, European crisis, and COVID 19 Pandemic. Therefore, a crisis is not an alien thing to the world. However, the gravity[1] of the COVID19 is far ahead of the others, and hence, we must manage many uncertainties in the new normal. We are experiencing the worst economic crisis[2] since the Great Depression of the 1930s.

Economists interpret this as not merely another turn of the business cycle but the restructuring of the economic order. Understanding the impact and persistence of COVID-19 – both on individuals and businesses, as well as the responses to government restrictions and government support packages – is critical to understanding the evolution of the economy over the coming months. High-quality research on the impact of the COVID-19 pandemic across the whole population as well as with vulnerable groups is much needed to guide government responses. Various scholars already started examining different aspects of COVID-19 impacts. Collaborative and impact research are essential to strengthen the government policies and business strategies to manage the new normal environment.

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[1] https://www.marketwatch.com/story/this-chart-of-the-stock-markets-fear-index-in-2020-illustrates-how-unhinged-markets-have-been-over-coronavirus-compared-to-the-2008-crisis-2020-03-10

[2] https://www.washingtonpost.com/business/2020/05/08/april-2020-jobs-report/

2. Future of Research

The main purpose of research is to contribute to the existing knowledge. The contribution can be theoretical, applied, empirical, or methodological. Today, in the new normal, applied and empirical research are very important. Impact and policy implication are the critical success factors of modern research. We always expect research to provide a defined offering (e.g., a mobile app, a drug, a financial model, a program) to help a target audience solve a problem with a unique approach.

2.1. Finance Research Trends and opportunities

The research agendas in equity and bonds are overwhelmed, and hence the research gaps are very narrow in those areas. Alternative assets are the alternative. Alternative investments are stronger[3] despite the pandemic. There is a significant growth in the investments relating to Private Equity, Venture capital, Real estate, Hedge funds, and Commodities during the last five years. Pandemic slows deal-making and fundraising into those areas. Due diligence and ESG are essential factors to boost investments in the contemporary investment arena. Investigations into distressed funds and distress modelling and management are required.

2.2. Hypotheses to be tested in the new normal

Logical analysis based on previous crises like the dot-com crash in 2001 and Global Financial Crisis in 2008/2009 would suggest the following outcomes. Future research can test these hypotheses in the context of the Corona Pandemic.

- A significant short-term slowdown in all activities– fundraising, deals, and exits
- A medium-term resumption of the established growth trend: alternative assets have delivered good relative returns through previous market downturns and will do so again.
- Some of the very best investments will be those made during the depths of the downturn and the recovery from it. Testing for resilience is required.
- ESG investments do better in economic downturns.

3. Research Challenges in new normal

We can identify many research challenges during and after the pandemic. Funding is a major problem as governments, the primary source of research funding, face fiscal deficits. We need to seek private funding by encouraging the impact and industry collaborative research. Another problem is the remote access to data, journal, and Software access. It is time to move to open sources. Limited student-supervisor

[3] https://www.preqin.com/insights/research/blogs/alternatives-investors-are-sticking-with-the-program-amid-the-fallout-from-covid19

relationships would reduce the quality of the research. Therefore, we should encourage online meeting platforms to discuss the research issues.

4. Global trends in higher education and research

Impact and Industry collaborative research is a trending research agenda. In doing so, using big data and analytics (Artificial Intelligence, Machine Learning, Deep Learning) is becoming a passion. Typical regressions and software are outdated. Programming using Python and R is highly recommended. Time series or cross-sectional analysis alone is not sufficient to make specific decisions. Therefore, spatial analysis (Disaggregated analysis) and techniques are valuable. Blockchain and cryptocurrency are also other trending research areas. Sustainability and ESG concepts are important for any field of research under increasing global uncertainties.

Finally, I would like to recognize two positive consequences of the pandemic in this new normal. First, the long bull run, and high asset valuations needed a correction over the last five years. Now we experience a significant sentiment in the asset markets. Second, much needed collaborative research across multi-disciplines is encouraged currently. Some examples include Health economics (Health sciences and economics or econometrics), Personal finance and wellbeing (Finance, Psychology, and sociology), Deal-making, and due diligence (Finance, Risk Management, and Law).

Mr Prabath S. Morawakage
PhD Scholar, Griffith University, Australia
Keynote Speaker
Students' Research Symposium 2020

The Effect of Corporate Governance on Financial Leverage of Companies Listed at Colombo Stock Exchange

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ABSTRACT

Introduction: Good corporate governance enables the companies to reduce the risk and cost of capital, reduce the conflict and fraud, increase the overall company performance and improve the efficiency and effectiveness of financial markets. Hence, the purpose of this study was to examine the effect of corporate governance on financial leverage of companies listed at Colombo Stock Exchange.

Design/ Methodology/ Approach: The study is conducted based on quantitative approaches by using financial information of 77 listed companies in the Colombo Stock Exchange during the time period from 2013 to 2020. Stratified sampling method is used to select the 77 listed companies. Dynamic panel data: Generalized Method of Moments (GMM) regression is used to identify the relationship between the corporate governance and financial leverage. The dependent variable is Financial Leverage (FL) while independent variables are CEO Duality (CEOD), Board Size (BSIZE), Board Composition (BCOMP), Board Committees (BCOMM) and Managerial Ownership (MO).

Findings The finding reveal that the CEO duality and board size are significantly negatively related to the financial leverage, whereas board committees are found to be significantly positively correlated. Although there was no significant relationship between financial leverage, board composition and managerial ownership.

Conclusion: This study concluded that better corporate governance Mechanisms significantly affect the financial leverage of listed companies in the Colombo Stock Exchange in Sri Lanka except for board composition and managerial ownership. Hence, corporate governance mechanisms have an impact on financial leverage of companies listed on the Colombo Stock Exchange.

Keywords: *Financial leverage, Corporate Governance, CEO duality, Board size, Board composition*

What are the Factors Affecting the Loan Repayment of Microfinance Industry: A Case Study in Rathnapura District

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ABSTRACT

Introduction - Microfinance gives a solution for people who are excluded from a formal financial system. The typical idea of providing credit to lower-income people is to increase their income and enhance their necessity needs and thereby reduce poverty. Microfinance becomes a more productive tool for poverty alleviation. Microfinance Institutions (MFIs) provide microcredit (i.e. loans) to clients. Loan repayment is very important for the sustainability of MFIs. This research was used to study MFI and borrower factors that affect loan repayments.

Design/Methodology/Approach - The researcher has purposively selected four microfinance institution in Sri Lanka and Data were gathered using sixteen in-depth interviews through a semi-structured questionnaire. Those collected data were transcribed and analysed.

Findings - The study found income, expenses, family background, attitudes, information asymmetry, educational level, amount of loan borrowed, and economic instability affected the loan repayment from the borrower's side. Further, training programmes, grace period, lending policy, regulatory framework, interpersonal relationship and interest rate affected loan repayment from the MFI side. Further, the researcher has found barriers that affect both microfinance institution and borrowers in loan repayments, such as income, family support, group barriers, lack of collateral, financial instability and technology barriers, high competition and employee turnover.

Conclusion - The study will help the development of microfinance institutions and achieve microfinance loan holder's objectives.

Key words: *Microfinance, Microfinance institutions, poverty, In-depth interviews, Lower-income people*

Impact of Financial Literacy on Retirement Planning of the Private Sector Employees in Colombo District

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ABSTRACT

Introduction- Individuals set of knowledge and skill to take effective decisions to go through with their financial resources known as Financial Literacy. Individuals should have their own financial literacy knowledge when they are planning to retire. So, this research identifies the practice of financial literacy on retirement planning of the private sector employees in Colombo district.

Design/Methodology/Approach – The data collection was conducted through a standardized questionnaire distributed to private sector employees in the Colombo district. The study follows the stratified random sampling method to collect data, and 150 sample was collected. Descriptive Statistics, Cronbach's alpha, Regression analysis, and Pearson Correlation were used for data analysis.

Findings - It was found that there was a significant impact on financial instruments and computation capability on retirement planning although knowledge of financial concepts may not have impact on retirement planning. Therefore, following theories were approved, although one of the three hypotheses in the analysis was refused.

Conclusion - The study fulfills the existing research gap in the area of Financial Literacy levels of the private sector employees in Colombo district, Sri Lanka. These findings will help for future studies relating to Financial Literacy levels of other districts in Sri Lanka.

Keywords: *Financial Instruments, Financial Concepts, Computation Capability, Retirement Planning, Financial Literacy*

The Nexus Between Economic Growth, Foreign Direct Investment and Environmental Pollution in Sri Lanka

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ABSTRACT

Introduction - Globalization, liberalization and the exchange of capital flows are the most significant features in modern economics that have played a vital role in almost every economy. In the recent past, the world heavily moves onto several manufacturing industries with highly pollution intensive. Thus, the aim of the study is to examine the nexus between economic growth, foreign direct investments and environment pollution in Sri Lanka. Therefore, the study focuses on the bidirectional and multidirectional nexus between these three variables over a long-time horizon.

Design/ Methodology – The sample is based on Sri Lanka covering the period from year 1978 to 2019. Data was collected through secondary data sources, such as United Nations Conference on Trade and Development and the world development indicators. The data was tested using time series ARDL regression model.

Findings –Foreign Direct Investments and Gross Domestic Production has a significant impact towards each other's, while, Gross Domestic Production and Carbon Dioxide and Foreign Direct Investment does not have a significant impact. Form the Bound test it was proven that Gross Domestic Production and Carbon Dioxide does not have a long term relationship indicating that there is no cointegration.

Conclusion – The study revealed that in order to promote economic development, energy consumption should be carried out in a more thoughtful way. Environmental management is very important as a result of sustainable progress. The Sri Lankan authorities should take the requisite measures to resolve environmental problems and safeguard the environment, as environmental conservation does not in the long run, conflict with economic growth.

Keywords: *Economic Growth, Environment Pollution, Foreign Direct Investments*

Impact of Macro Economic Variables on Corporate Capital Structure: Evidence from Colombo Stock Exchange

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ABSTRACT

Introduction: Capital structure decisions are very important for a firm because it helps to determine the value of a firm. This study focusing on analysing capital structure, aiming to identify how listed entities of Colombo stock exchange behave in terms of sensitivity to different types of macroeconomic factors in Sri Lanka.

Design/ Methodology/ Approach: Probability sampling method of quota sampling technique is used in drawing 50 companies from 5 non-financial subsectors including Consumer Durable & Apparels, Consumer Services, Healthcare & Equipment, Food & Beverage and Tobacco, and Material. Cross sectional data series for the period from 2010 to 2019 and Generalized Method of Moment Estimate is used to analyse the data. Independent variables are GDP growth Rate, Government Debt, Money Supply, Exchange Rate and Price Index. Tangibility is used as a control Variable. Debt Ratio represents the capital structure which is dependent variable in this research.

Findings: GDP growth Rate, Government Debt and Price index have significant positive impact on Debt Ratio and Money Supply and Exchange Rate have significant Negative Impact on Debt Ratio, GDP growth Rate, Government Debt and Price index have significant positive impact on Debt Ratio and Money Supply and Exchange Rate have significant negative impact on Debt Ratio.

Conclusion: Outcome of this study suggest that there is a significant impact of macro-economic factors on corporate capital structure. The findings of the study will help corporate managers in making financing decisions while considering the potential impact that these macroeconomic variables can have on their financing decisions as well as economic policy makers to manage fiscal and monetary policy in line with long term objectives.

Keywords: *Capital Structure, Gross Domestic Production, Government Debt, Money Supply, Exchange Rate*

A Study on Buying Behaviour of Long-Term Care Assurance with Special References to Middle-Income Earners in Sri Lanka

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ABSTRACT

Introduction -This study identifies buying behaviour of Life Assurance with special references to middle-income earners in Sri Lanka. This study aimed to identify factors that affect clients not purchasing Life assurance, how these factors influence the decision-making process and consumer's buying behaviour relevant to the Life assurance.

Design/Methodology/Approach – This research was conducted using a qualitative research method by conducting semi-structured interviews. The sample was chosen using the purposive sampling method and it consists of seven participants who did not purchase life assurance, four life assurance policyholders and four Sales officers. Data were transcribed and analysed.

Findings -The findings indicate that consumer awareness, government involvement, Expertise and agency expertise and finance literacy directly influenced people not to purchase life assurance product. Service quality, Ease of assurance procedures and communication barriers changed the decision-making process of life assurance, and Attitudes of clients with inactive participation from clients, negative feelings, Social influences, customer satisfaction and technology development directly affected buying behaviour of life assurance.

Conclusion – The final results emphasize the need to change consumer attitudes, government involvement with compulsory rules, and improve service quality as recommendations.

Keywords: *Life Assurance, Decision-making process, Consumer buying behaviour, Consumer awareness, Service Quality, Government involvement*

Leverage and Firm Growth: With Special Reference to Companies in Food and Beverage Industry Listed in Colombo Stock Exchange

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ABSTRACT

Introduction: Optimum capital structure leads to growth of any organization. Review of literature suggest that the relationship between leverage and firm growth is inconclusive. Hence researcher intends to identify the relationship between leverage and firm growth in terms of Revenue growth and asset growth for the companies in food and beverage industry listed in Colombo Stock Exchange.

Design/ Methodology/ Approach: Probability Sampling method of systematic sampling technique were used to select 20 companies out of 47 companies that were listed under the food and beverage sector. Panel data for the period from 2011 to 2020 with 20 cross sections were tested using Ordinary least square estimates to analyze the data. The dependent variable is firm growth which were tested in two models in terms of revenue growth and Asset growth. The independent variable used was leverage which was calculated using debt to asset ratio. Further the control variables of firm size, ROA and investment opportunities were used to measure the impact from them on firm growth.

Findings: There is a significant positive relationship between leverage and revenue growth and an insignificant positive relationship between leverage and asset growth. Further the Firm size is negatively related to firm growth while the profitability is positively related to firm growth.

Conclusions: This study concludes how leverage effect to firm growth of food and beverage industry in Sri Lanka. This is important because companies use leverage for expansion and innovation which in term increases firm growth. Therefore, the Outcome of this study is very crucial to managers of a company to make better decisions regarding to financial resources of a company and to manage the company for high financial efficiency.

Keywords: *Asset growth, Revenue growth, Leverage, ROA, Firm size*

The Effect of Corporate Governance Elements on CSR Reporting; Empirical Evidence from Listed Companies of Sri Lanka

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ABSTRACT

Introduction- Corporate social responsibility (CSR) is a company's commitment to manage the social, economic and environmental effects of its operations responsibly and in line with public expectations. The purpose of this paper is to investigate the corporate social responsibility (CSR) reporting information of listed companies in Colombo Stock Exchange (CSE) and explores the potential effects of corporate governance (CG) elements on CSR reporting disclosures.

Design/Methodology/Approach - This study selected high market capitalized 30 listed companies in CSE for the analysis because of the availability of the annual reports of 2016, 2017 and 2018. The dependent variable is CSR reporting while independent variables are Board size, Independent Directors, Women Directors, Foreign Ownership, and CEO Duality and control variables are Company Size and Profitability.

Findings- The study results show that the composition of foreign directors in the board and company size are significantly correlated with Corporate Social Responsibility Disclosure Index (CSRDI), whereas board size, boards with female directors and CEO duality have a negative association with CSR reporting. Composition of independent directors and profitability have positive relationship with CSRDI but it is insignificant.

Conclusion- Findings suggested that there is no impact of board size, composition of independent directors, boards with female directors, CEO duality and profitability on the CSR reporting of the Sri Lankan context. This study provides empirical support for agency theory and legitimacy theory perspectives in developing economies and ratifies previous studies' findings from developing economies.

Keywords: *Corporate Social responsibility, corporate governance, disclosure, agency theory, fixed Effect Model*

Assessing Financial Literacy Among Undergraduates of University of Kelaniya

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ABSTRACT

Introduction - The purpose of this article is to analyse the level of financial literacy among university students at the University of Kelaniya. The study focuses on how demographic factors such as age, gender, faculty, year of study and income level affect undergraduates' financial literacy levels and whether there is a correlation between financial knowledge and demographic factors.

Design/Methodology/Approach - To achieve the research objectives, the researcher collected data from 400 university students representing all faculties and years. This research used a stratified random sampling technique. Questionnaires were used as the primary sources of data collection methodology in this study. Descriptive Statistics, independent sample T-Test, ANOVA test and Probit regression were used for data analysis, and SPSS software was used as statistical software to analyse the survey data.

Findings - The overall mean percentage of a correct score for the survey is 60.29%, indicating that the level of financial literacy of students at the University of Kelaniya is medium. The hypotheses test revealed that three factors, including gender, faculty, and income level, significantly affect the financial literacy level. According to the findings of the ANOVA test, there is a significant difference between financial literacy and age, gender, faculty and income level. Further, there is no significant difference between the financial literacy and the year of the respondent.

Conclusion - This study fills the current research gap in financial literacy. The findings demonstrate the need for financial literacy education. Mainly researcher has concluded the level of financial literacy of students at the University of Kelaniya is moderate. Finally, the researcher recommends some recommendation to increase the level of financial literacy of undergraduates and recommends future researchers to overcome existing limitations and expand these studies to a variety of areas.

Keywords: *Financial literacy, Undergraduate student, Gender, Faculty, Year of study, Age category, Income level*

A Study on Influencing Factors on Consumer Purchase Decision for a Leasing Product (With Special Reference to HNB Finance Ltd)

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ABSTRACT

Introduction - The leasing industry is growing so high with competitions and the market growth of the finance industry in dividing for lots of companies. The current study conducted to address the leasing product in HNB Finance Ltd., because it is the one of competitive industry which all the competitors are always create an individual succeeded and unsuckered. Due to the service failures occurred in leasing product in HNB finance, it faces issues in their business. The primary objective of this research is to find out the factors affecting to consumer purchase decision in Leasing product of HNB Finance Ltd.

Design/Methodology/Approach - Researcher developed a conceptual framework based on literature and identified Brand Awareness, Product Features, Service Quality, Customer Relationship Management, and Convenience as influencing factors. Researcher collected data through a questionnaire of selected 100 samples from Western Province and analyzed the data by using SPSS tool. Through SPSS researcher done Descriptive analysis, Regression Analysis, Correlation Analysis and ANOVA.

Findings – Based on the analysis, Product features, Customer relationship management and Convenience have a significant positive relationship with consumer purchase decision while brand awareness and service quality have negative impact on consumer purchase decision.

Conclusion - Finally, researcher given recommendations according to the conclusions gathered to make new strategies and overcome the current problem in the product. Based on findings recommendations have made in order to utilize resources on accepted variables to enhance effectiveness.

Keywords: *HNB Finance Ltd, Leasing Product, Consumer Purchase Decision, Product Features, Brand awareness*

Determinates of Sri Lankan Stock Market's Performance with Special Reference to Colombo Stock Exchange

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ABSTRACT

Introduction - Stock market actives mainly concern in distributing nation's wealth by enabling wide ownership of public company stocks. Investors can buy shares of publicly listed companies which enable them to be the owners of the business and earn share of profits according to their invested capital. Stock market performance depends on many factors. It is highly volatile to countries' economic and political conditions. There are many factors to determining stock market performance, Specifically, this examine the determinants (treasury bill rate, exchange rate, balance of payment and gross domestic production) of Sri Lankan stock market performance. The main objective of this research is to investigate the which determinates have influence on stock market performance over the period 2010 to 2019. Second objective is find out there is a what kind of relationship between short term interest rate and stock market performance and using newly data.

Design/Methodology/Approach - The sample in this study includes 40 observations which cover the quarterly time series data over the period 2010 to 2019. Secondary data obtained from Colombo stock exchange publications and central bank quarterly indicators. Data analysis includes Descriptive statistics, correlations, and multiple linear regression. The software used for the data analysis is E-Views 11.

Findings - The Correlation Analysis concludes that the short term Interest rates have a negative correlation with Stock market performance and other macrocosmic variables are positively correlated with ASPI. Regression analysis address that when macroeconomic variables individually changes which are TBR and EX influence to ASPI negatively and GDP and BOP influence positively.

Conclusion- By testing of Coefficient, four null Hypotheses were rejected, and one of the null hypotheses accepted that is there is no relationship between balance of payment and Sri Lankan Stock Market performance.

Keywords: *Colombo stock exchange, all share price index, treasury bill rate, exchange rate, gross domestic production and balance of payment.*

The Impact of Debt Financing on Firms' Financial Performance: Evidence from Listed Manufacturing Companies in Sri Lanka

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ABSTRACT

Introduction - Every company face a common issue whether to use equity financing, debt financing or some hybrid of these in deciding their capital structure. Because, it is a managerial decision that affect to the shareholders' risk and return. The purpose of this study is to examine the relationship between debt financing and financial performance of listed manufacturing companies in Sri Lanka.

Design/Methodology/Approach - This study uses Ordinary Least Square approach and random effect model to analyse panel data sample of 16 manufacturing companies listed under the Colombo Stock Exchange during the 2013-2019 period. This study follows the random sampling method to collect the data. Descriptive Analysis, Correlation Analysis, Multicollinearity, Normality Test, Regression Analysis and Hausman Test were used to analyse and interpret the results by using E-views as the statistical software.

Findings The results shows that there is a significant negative impact of debt financing on firms' financial performance because, long term debt financing and short-term debt financing have significant negative impact on financial performance of manufacturing companies in Sri Lanka. Furthermore, long term debt is the highly impacted debt financing method on financial performance. There is no any significant impact of firm size and firm age on financial performance of manufacturing companies in Sri Lanka.

Conclusion Final results of this study concludes that the overall model is statistically significant as well as fulfils the existing research gap. Researchers conclude that there is a relationship between debt financing and financial performance of manufacturing companies in Sri Lanka.

Keywords: *Debt Financing, Financial performance, Capital Structure*

Corporate Governance and Earnings Quality: Evidence from Listed Companies in CSE

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ABSTRACT

Introduction- Today, organizations tend to increase good governance with the objective of improving firms' performances, and its value together with earnings quality. Corporate governance and earnings quality are contemporary business issues and a debatable research area in the field of finance. Thus the main aim of this study is to investigate the effect of corporate governance on the earnings quality of listed companies in Colombo Stock Exchange.
Design/Methodology- This study employed Hirbar and Collin's Ratio, Dechow and Dichev's Ratio and Penman's Approaches to measure the earnings quality while Board Size, Board Independence, CEO Duality, External Audit, Audit Committee Independence, Audit Committee Quality and Gender Diversity have been used as the indicators of the corporate governance characteristics of listed companies. The research used secondary data based on the annual reports of the selected listed companies in the Colombo Stock Exchange over the period of 2015-2019 for the analysis.
Findings- Panel regression with random effect model used to analyse the data. The findings revealed that Board Independence, Audit Committee Independence and Gender Diversity are significant with firm's earning quality whereas Board Size, CEO Duality and Audit Committee Quality are insignificant in explaining the earnings quality of the companies.
Conclusion- The study found that in general the corporate governance effect on the earnings quality of listed companies in CSE. Thus, the companies should be given due attention on improving the quality of the governance practices in order to enhance the quality of company earnings and to reduce any managerial opportunistic behaviour.

Keywords *Corporate governance, Earnings quality, Listed companies, Dechow and Dichev's Ratio, Hirbar and Collin's Ratio*

The Impact of Intellectual Capital on Firms' Financial Performance: A Comparative Study of Manufacturing and Banking Sectors Listed in Colombo Stock Exchange

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ABSTRACT

Introduction: The importance of intangible assets rather to tangible assets has increased due to the changes in business environment over the past few decades. The purpose of this study is to examine the impact of intellectual capital (IC) on firms' financial performance in Sri Lanka, especially for the manufacturing and banking sectors.

Design/ Methodology/ Approach: Secondary data on 36 listed firms, comprising 24 manufacturing sector and 12 from the banking sector, are collected from Colombo Stock Exchange for 7 years from 2013- 2019. IC and its components are computed using Public's value added intellectual coefficient model and firms' performance is measured by return on asset (ROA). Ordinary Least Square approach and Random effect regression model is used to investigate the hypothetical relationship between IC and firms' performance.

Findings: The results show that there is a significant positive impact of IC on firms' financial performance of both manufacturing and banking sectors. Although there is a significant positive impact to both the sectors, the impact to the manufacturing sector is much higher than the banking sector. HCE, SCE and CEE positively associated with ROA for both the sectors, while CEE insignificant to the financial performance of manufacturing sector. CEE variable is doing more impact to the banking sector while HCE and SCE doing more impact to the performance of manufacturing sector.

Conclusion: Final results of this study concludes that the overall model is statistically significant as well as fulfil the existing research gap. Researcher conclude that there is a significant positive impact of intellectual capital on firms' financial performance for both manufacturing and banking sectors in Sri Lanka.

Keywords: *Intellectual capital, Human capital efficiency, Structural capital efficiency, Capital employed efficiency, Banking sector and Manufacturing sector*

Predictability of Stock Returns Using Financial Ratios: Empirical Evidence from Colombo Stock Exchange

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ABSTRACT

Introduction – The purpose of this study is to examine the predictability of stock return using financial ratios in Sri Lankan context including the macroeconomic variables using data collected from the listed Companies in Colombo Stock Exchange.

Design/methodology/approach – The investigation is performed using panel data procedures for a sample of 37 manufacturing firms listed on the Colombo Stock Exchange during 2014-2018. Descriptive statistics, correlation matrix and panel regression analysis are used to analyse the collected secondary data.

Findings –The results suggested that the study used the Earning per Share, Dividend Per Share, Earning Yield, Dividend Yield, Book Value to Market Value as Independent variables and Market Capitalization, Inflation, and Gross Domestic Production as the Control variables. Some of the Variables are statistically significant and better predictor of the stock return those are, EPS, DPS, DY and BV to MV. All of the control variables are statistically insignificant to predict the stock return using Financial Ratios.

Conclusion – The final results emphasize that the overall model is significant and the researcher conclude that the Financial ratios can be used to predict the stock returns. But all the control variables are statistically insignificant and cannot predict the stock return. This study has laid some groundwork to explore the predictability of stock returns using financial ratios of Sri Lankan listed companies upon which a more detailed evaluation could be based.

Keywords: *Financial Ratios, Stock Return Predictability, Market Capitalization, Listed Manufacturing Companies*

Impact of Financial Reporting Quality on Corporate Performance: Evidence from Companies Listed in Colombo Stock Exchange

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ABSTRACT

Introduction - Financial reporting is one of the most important products of accounting system that tries to provide necessary information for users to make decisions on the evaluation of an economic enterprise's profitability and performance. Financial reporting quality can be defined as the faithfulness of the information generated by the financial reporting process. Quality of financial reporting can affect companies' profitability, Liquidity, Efficiency, Stock prices and company performance.

Design/Methodology/Approach - This study aims to examine the impact of financial reporting quality on corporate performance, using Real Earnings method. We can divide Company performance in two main categories called financial performance and Market performance. Financial performance measured by using Return on Assets (ROA) and Return on Equity (ROE) and Market performance measured by using Market Value (MV) and Tobin's Q (TQ). Firm Size, Earnings per Share, Debt to Equity Ratio were used as control variables. For this research collect secondary data from the Annual reports (financial statements) of listed companies in the CSE for the period of 2012-2019.

Findings - The findings of the study were that all the control variables have significant impact on financial performance and market performance. The study concluded further that insignificant relation existed between FRQ and firm performance.

Conclusion - This study has concentrated on the importance of the quality of financial reporting on the performance of the organizations. The manufacturing industry needs to improve the quality of financial reporting. In order to make the investment opportunities attractive, the assurance of a trustworthy financial reporting can only be achieved if the internal control within the organizations is strong enough. Which will eventually avoid from any kind of misstatements and fraudulent financial reporting within an organization.

Key Words:: *Financial reporting quality, Return on Equity, Return on Assets, Market Value, Tobin's Q ratio, Firm Size, Earnings per Share, Debt to Equity Ratio*

The Impact of Cash Conversion Cycle on Firms' Profitability: A Comparative Study of Food, Beverage and Tobacco Companies and Consumer Services Companies Listed in CSE

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ABSTRACT

Introduction: Based on the working capital management principle, the concepts of the cash conversion cycle can be identified as a powerful performance measure for assisting how well a company is managing its working capital. The study attempts to examine the Impact of Cash Conversion Cycle on Firms' Profitability via two different industrial sectors.

Design/ Methodology/ Approach: The impact of the firm's cash conversion cycle on the profitability is examined using 35 Food, Beverage and Tobacco Companies and 25 Consumer Services Companies Listed in CSE for the period of 2015 to 2019. Descriptive Statistical Analysis, Correlation analysis and regression analysis are the data analytic tools used to analyse data in this study.

Findings: The study revealed a significant negative impact on the Profitability of the Food, Beverage and Tobacco Companies by the length of the Cash Conversion Cycle. However, the Cash Conversion Cycle of the Consumer Services Companies has no significant impact on the profitability.

Conclusion: The findings will help for future studies to generalization of the findings beyond the Food, Beverage & Tobacco Industry and the Consumer Services Industry by using different industries, institutes and countries with different institutional characteristics and financial systems.

Keywords: *Cash conversion cycle, Working capital management, Firm profitability*

The Impact of Corporate Governance Board Characteristics on Earnings Management: Evidence from Listed Manufacturing Firms in Sri Lanka

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ABSTRACT

Introduction - During the past two decades some companies have failed to manage their internal controls and corporate structure effectively. The purpose of this study is to tap the study attempts to examine the actual compliance with the corporate governance board practices by selected listed manufacturing firms in Sri Lanka and more important to examine the relationship between corporate governance board theories and their effect on earnings management.

Design/Methodology/Approach - This study incorporated with agency theory sustains a theoretical foundation for the need for corporate governance best practices in controlling earnings management whereas corporate governance variable comprises five types of board characteristics including board independence, CEO duality, board meetings, board size and board members with financial expertise, financial leverage and firm size considered as the control variables. Although there are number of studies done to identify the impact of corporate governance board characteristics on earnings management, there are contradictory results. The research has adopted a deductive research method and the study selected 24 listed manufacturing firms during the period of 2012 to 2019. Also panel least square regression method has initially used to analyse the collected data.

Findings - The study found that board independence, directors in the board having financial, accounting expertise has a negative significant impact on real earnings and board size and firm size has a positive significant impact on real earnings. CEO duality, board meetings and financial leverage are not individually significant to the model.

Conclusion - The study fulfils the existing local research gap in the area of board characteristics on earnings management in Sri Lanka. These findings will help for future studies relating to corporate governance board characteristics on earnings management.

Keywords: *Corporate Governance Board Characteristics, Board of Directors, Real Earnings, Manufacturing Sector, Panel Data.*

Impact of Economic and Social Infrastructure on Economic Growth: Evidence from South Asia

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ABSTRACT

Introduction - In an economy invests in variety of infrastructures like economic infrastructure, social infrastructure, etc. This study investigates the impact of economic and social infrastructure on economic growth in South Asia for the period of 1980 to 2018.

Design/Methodology/Approach - Data was gathered from World Bank indicators of South Asia over the 1980 to 2018. As independent variables to measure economic infrastructure proxies such as transport, energy and telecommunication are used and to measure social infrastructure proxies such as health and education are used. Gross domestic production is used as the dependent variable. Capital formation, labour productivity and trade openness are used as controlling variables. Descriptive, multiple regression and correlation analysis were used for analysing data. And also used panel least square regression to analyse the collected data.

Findings - The findings of this study revealed that economic and social infrastructure has positive and significant relationship between economic growth. Furthermore, the results revealed that in economic infrastructure, transport and energy variables are positive and have a significant relationship with economic growth. In social infrastructure, health and education variables are positive and have a significant impact to economic growth.

Conclusion - This study provides valuable information for the policy makers to develop sound decisions to increase the economic growth. This study will contribute to the development of economic growth in Asian Countries.

Keywords: *infrastructure, economic infrastructure, social infrastructure, economic growth*

Impact of Liquidity Management on Profitability: With Special Reference to Listed Material Sector Companies in Sri Lanka

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ABSTRACT

Introduction - The ultimate goal of the companies is to enhance the wealth of the shareholders. Specially the liquidity and its management are caused to a great extent of the growth and profitability of a firm. The insufficient liquidity may unfavourable to the smooth operation of the firm as well as the additional liquidity can be disturbed to profitability. This research sought to establish the relationship between liquidity and profitability of listed material sector companies in Colombo Stock Exchange of Sri Lanka.

Design/Methodology/Approach - This research is based on 16 material sector companies listed in Colombo Stock Exchange over the last eight years from 2013 to 2020. In this research, the liquidity ratios and Cash conversion cycle are identified as independent variables with of Firm Size and Debt Ratio as control variables and profitability as dependent variable. Regression Analysis, Correlation Analysis, and Descriptive Statistics used as the analytical tools of this study. The data analysed using Econometric views (E-views)

Findings - Based on the regression estimates, the study revealed that the cash and quick ratio, payable outstanding and firm size has a significant positive impact on profitability while debt ratio has a significant negative impact on profitability.

Conclusion - The final result concludes that the overall model is statistically significant, and there is a positive relationship between liquidity ratios and a firm's profitability while the cash conversion cycle hurts profitability. And also, the debt ratio has a negative impact on profitability while firm size has a positive impact.

Keywords: *Liquidity, Profitability, Cash Conversion Cycle, Quick Ratio, Firm Size*

The Impact of Financial Development on Economic Growth: Study on the South Asian Countries

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ABSTRACT

Introduction - In the literature of the development economy recognised different schools of thoughts ranging from bidirectional, uni-directional and no directional relationship between financial development and economic growth. Therefore, this study analyses the relationship between financial development and Economic growth of South Asian countries.

Data/ Design/ Methodology – This study uses a panel data set for South Asian region over the period 1989- 2019. Parameter estimation in the regression analysis with cross section data is done by estimating the least squares method called Ordinary Least Square (OLS) Normality, Heteroskedasticity, Serial Correlation and Cointegration have been tested for model fitness. The dependent variable Per Capita GDP while independent variables are Broad Money to GDP, Bank Deposits to GDP, Domestic credit to private sector, Total debt service (% of GNI), Net Interest Margin, Private credit by deposit money banks to GDP, and control variables of Real Interest Rate and Gross Capital Formation.

Findings - The results indicate that Broad Money to GDP, Bank Deposits to GDP, Net Interest Margin, Private credit by deposit money banks to GDP, and control variables of Real Interest Rate and Gross Capital Formation proved statistically significant for Asian Region Economic Growth. Interestingly Domestic credit to private sector, Total debt service (% of GNI), no considerable influence on fostering economic growth which is generally unexpected in South Asian region.

Conclusion - The study concludes that Broad money, Bank Deposits to GDP, Domestic credit to private sector, Total debt service (% of GNI), Net interest margin, Private credit by deposits money banks to GDP, and control variables Gross capital formation is yet to have an influential role in significantly promoting economic development and growth in the South Asian region.

Keywords - *Financial Development, Economic Growth, South Asian countries*

The Effect of Liquidity on Profitability Reference to The Listed Entities in the Colombo Stock Exchange

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ABSTRACT

Introduction - Liquidity & profitability plays a material role in success in business operations but two concepts are opposed to each other. Further, two concepts are salient in deciding the firm growth, survival, and future too. The main purpose of the study is to find out the effect of liquidity on profitability reference to the listed entities in the Colombo Stock Exchange (CSE).

Design/ Methodology/ Approach - The study is based on a quantitative approach. The data was collected from annual reports available in the CSE website relevant to 17 sectors excluding banks, insurance, and diversified financials over a 5-year period. Descriptive statistics, correlation analysis, regression analysis and hypothesis testing were used as tools and analysis.

Findings - The findings of the study are quick ratio and cash ratio shows a positive impact with Return on Equity (ROE) and Return on Assets (ROA). Whereas, the current ratio, shows a negative impact with ROE and the current ratio is insignificant in ROA. According to the sector analysis there is a negative impact between liquidity and profitability.

Conclusion - The current study examined that, there is a positive relationship between liquidity and profitability reference to the listed entities in the Colombo Stock Exchange. It means when liquidity increases the profitability increases. However, finding optimum level in liquidity in maximizing the profitability is suggested as further research area.

Keywords: *Liquidity, Profitability, Firm size, CSE, Sector Analysis*

Impact of Trade Openness to Economic Growth: Evidence from South Asian Economies

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ABSTRACT

Introduction - The general objective of this study is to examine the relationship between trade openness and economic growth in South Asian countries for period 1990-2019. This study attempts to find empirical evidences on the relationship between international trade and economic growth of South Asia. This research further examines whether South Asia has gained economic benefits from the trade Agreement like SAFTA (South Asian Free Trade Agreement).

Design/methodology/approach- Data of six South Asian Countries from for a period of 1990 to 2019 is analysed using Eviews. the conceptual framework of the study include independent variables are three proxies for Trade Openness (Export share, Import share, Trade share) and human capital, physical capital, Dummy variable. D1 was the dummy variable for Free Trade Agreement (D1=1 after 2006, and D1=0 before 2006) and this FTA dummy variable aimed to study whether South Asian Countries has gained economic benefits from the trade Agreements.

Findings – Analysing three models (export share, import share and trade share) In two models (export share and trade share) found that Trade Openness has positive and significant impact to Economic Growth in South Asian Countries. However, the study found that the trade agreement which is consider in this research the south Asian free trade agreement (SAFTA) had not considerable impact to increased economic growth South Asian Countries in the third model. Analysis of three models also found a Human capital has a negative and insignificant impact with GDP growth in South Asian Economies and Physical capital also have positive and significant relationship with economic Growth in South Asia.

Conclusion – There is positive and significant relationship between trade openness and Economic Growth in South Asian Countries. Then to increase Economic growth in South Asian Countries, their want to motivate the country's export sector. South Asian free trade agreement (SAFTA) do not has a considerable impact in increasing economic growth South Asian Countries.

Keywords: *GDP Growth, Export share, Import share, Trade share, Human Capital, Physical Capital*

Relationship Between Macro Economics Variables and Stock Market Performance: with Special Reference to Colombo Stock

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ABSTRACT

Introduction - There has been an extensive debate on the relationship between economic variables and stock market performance especially in the context of emerging markets. However, there is mix results obtained multiple times. The primary objective of this study is to examine the impact of macroeconomic variables on stock market performance with special reference to the Colombo Stock Exchange.

Design/Methodology/Approach - This research is based on secondary data. Exchange rate, Balance of Trade, Money Supply, and Inflation rate are categorized into macro-economic variables as independent variables and both ASPI and S&P SL20 index return are considered as dependent variables. Descriptive Statistics, Correlation Analysis, Multiple Linear Regression are the analysis tools used for data analysis.

Findings - All macroeconomic variables show a week negative correlation with both ASPI and S&P SL20 returns. During the sample period, all variables indicate low volatility relating to correlation of variation and all independent variables show insignificant relationships other than the balance of trade with ASPI. Only M2b shows the insignificant relationship with S&P SL20 whilst other independent variables were significant with S&P SL 20 based on the analysis.

Conclusion – It is understood that most of the macro economic variables affect the changes in the stock market's performance. At the same time, it is suggested to direction of the relationship between macroeconomic variables and stock market performance as the further research areas.

Keywords: *ASPI, S&P SL20, Macroeconomic variables, Stock market returns, multiple regression analysis*

The Impact of Intellectual Capital on Firm's Financial Performance: Special Reference to Listed Banks, Diversified Finance and Insurance Companies in CSE

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ABSTRACT

Introduction - This research study has been carried out to determine the impact of the Intellectual capital on the firm's financial performance in the listed banks, diversified finance and insurance companies of the Sri Lanka. This study aims to fill the gap of studying the above-mentioned sub sections listed in Colombo Stock Exchange.

Design/Methodology/Approach - This study used VAIC™ method to determine firms' intellectual capital, using Human Capital Efficiency (HCE), Structural Capital Efficiency (SCE) and Capital Employed Efficiency (CEE) as Independent Variables and Return on Equity (ROE) as Dependent variable. The research has adopted non-probability sampling method and selected 12 banks, 20 Diversified Finance Companies and 8 Insurance companies as the sample. Also, random effects regression method has initially used to analyse the collected data. Stata package version 16 was used to run the tests and the regression of the model.

Findings - Based on the analysed results, Banking Sector VAIC™ and ROE has a negative relationship and CEE has positive significant impact on ROE. Diversified Finance sector VAIC™ has a positive relationship with ROE and HCE, SCE, CEE has a positive impact on ROE. Insurance sector VAIC™ has a positive insignificant relationship.

Conclusion - The final result emphasizes that the overall models are statistically significant, and researcher conclude that there is a significant positive impact of CEE on Financial performance of Banking Sector and there is a significant positive relationship of VAIC™ components and financial performance of Diversified Finance sector.

Keywords: *Value Added Intellectual Capital, Human Capital Efficiency, Structural Capital Efficiency, Capital Employed Efficiency, Return on Equity*

The Impact of Accounting Variables on Stock Price: Evidence from the Colombo Stock Exchange

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ABSTRACT

Introduction - The measurement of financial statements using accounting variables to determine the share price movement has become one of the main concerns today. The primary objective of the study is to examine the impact of accounting variables on the stock price.

Design/ Methodology/ Approach - This research study analyses a 5-year period. The accounting variables identified in the study is EPS, DPS, ROE and PAT. The sample of the study is 150 firms representing 20 sectors using random stratified sampling techniques. The main analysis used in the study are descriptive analysis, correlation analysis, multiple regression analysis based on the hypotheses testing.

Findings – The findings of the study are that EPS and DPS has a significant positive relation with share price of CSE listed entities whilst the ROE and PAT has a significant negative relation with share price of CSE listed entities. Under sector analysis number of the sectors show a significant positive relation between accounting variable and share price.

Conclusion – It is concluded that share price is affected by accounting variables which represents the firm performance. Share price represents the wealth of the shareholders. Thus, to maximize the shareholders it is required to increase the firm performance.

Keywords: *Accounting variables, Share price, EPS, DPS, ROE, PAT and CSE.*

The Impact Between Business Firm Characteristics and Dividend Distribution: Evidence from Colombo Stock Exchange

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ABSTRACT

Introduction – In Sri Lankan context there are numerous studies conducted on this field of examining the impact between business firm characteristics and dividend distribution but results of those researchers have provided contradictory conclusions. Therefore, the main objective of the current study is to identify Sector wise "impact between business firm characteristics and dividend distribution decisions of firms in Sri Lanka".

Design/Methodology/Approach - This study incorporated dividend distribution decision generated through dividend payout ratio as dependent variables and as business firm characteristics such as, financial leverage, firm size, profitability, liquidity, and ownership of a firm as explanatory variables. E-Views package was used to process the secondary data collected from 2015-2020 related to 10 sectors classified under GICS based on data availability. Researcher used panel least square model as the main analysis of the study.

Findings - Test statistics indicate that, there is significant effect from business firm characteristics on dividend distribution decision in material sector, capital goods sector, healthcare sector, and utility sector, retailing sector and diversified finance sectors, consumer service and food and beverage sector respectively. Furthermore, result also indicate that there was not any effect to consumer durable sector and real estate sector from the selected study variables.

Conclusion – This study fulfils the existing research gap in business firm characteristics impact on dividend distribution in Sri Lanka. These finding will help for future studies related to the similar subject area

Keywords: *Business, Dividend distribution, Dividend payout ratio, Financial Leverage, Size, Profitability, Liquidity, Ownership of a firm, GICS, Panel least square.*

Impact of Commodity Prices and Macroeconomic Variables on Stock Market Performance - Evidence from Sri Lanka

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ABSTRACT

Introduction: In Sri Lanka, the stock market performance is impacted by numerous variables. Out of these variables, this research study has been carried out to determine the impact of commodity prices and macroeconomic variables on stock market performance in Sri Lanka.

Design/Methodology/Approach: This study incorporated two models by using stock prices generated through ASPI and S&P SL20 index as dependent variables. As the commodity variables, tea, coconut, rubber, gold, silver, aluminium and crude oil were used whilst as macroeconomic variables, real GDP, inflation rate and exchange rate were used. Aforesaid variables are used as independent variables. Vector Error Correction Model is used as the main analysis along with descriptive analysis, correlation analysis along with related tests.

Findings: The results emphasize that commodity prices of tea, rubber, coconut, gold, silver, aluminium and crude oil have insignificant long run relationship with ASPI and S&P SL 20 & Tea and Rubber prices have a short run impact towards ASPI while only rubber prices impacted to S&P SL20 in short run. Macroeconomic variables of real GDP, exchange rate and inflation rate have insignificant long run relationship with ASPI and S&P SL20 and Exchange rate has a short run impact to both ASPI and S&P SL20 index.

Conclusion: It is concluded that there is no relationship between the commodity prices and stock market performance except for tea and rubber prices. Meanwhile, real GDP, exchange rate and inflation rate have an impact on stock market performance.

Keywords: *ASPI, S&P SL20 Index, Commodity Prices, Macroeconomic Variables, VECM*

Stock Market Development and Economic Growth Evidence from SAARC Countries

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ABSTRACT

Introduction –This research study to determine the relationship between stock market development and economic growth in the SAARC countries. The study aims to investigate the impact of stock market development, market size and market liquidity on economic growth in the SAARC countries.

Design/methodology/approach –Two independent variables with three dimensions (market capitalization, turnover ratio, total value traded ratio), including control variables as (foreign direct investment, household consumption expenditure, inflation rate, real interest rate) have been used over one particular dependent variable (GDP annual growth). Also, pooled OLS regression method has initially used to analyse the collected.

Findings- It indicated that market size positively affects the GDP and market liquidity inconclusively impacts GDP. It has been proved that the stock market development directly impacts on the economic growth of the country.

Conclusion – Policy decisions of these countries should focus on Stock market development indicators in order to support their economic growth.

Keywords: *Economic growth, SAARC countries, Stock market development.*

Effect of Capital Structure Towards Profitability on Listed Manufacturing Firms in Colombo Stock Exchange

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ABSTRACT

Introduction - A firm's capital structure emphasizes how firm finances its assets through debt, equity, or a combination of these two ways. The capital structure instruments include the company's long-term debt, common equity & preferred shares.

Design/Methodology/Approach – Published annual reports of listed manufacturing companies used to collect data in the Colombo Stock Exchange (CSE). The study selected 37 manufacturing companies listed in CSE as of 31st December 2019 out of 289 listed companies. The study analysed data through descriptive statistics, regression analysis, the Hausman test and correlation to evaluate the relationship.

Findings – The study found a negative and significant relationship between DTE, LTDTE, SIZE and profitability; the DTA has a positive relationship with profitability. It is not substantial with both ROE and ROA, which revenues the capital structure significantly impacted the profitability of manufacturing firms due to three variables significant with ROE and ROA out of four variables. The study found that long-term debt is not significantly impacting because companies maintain their capital structure with short-term debt and less long-term debt.

Conclusion – The study concluded that a significant relationship between capital structure and profitability, and long-term debt is not a significant factor in the manufacturing sector. Further, it justified that optimum capital structure is a mixer of debt and equity because vital variables represent both equity and debt in the model.

Keywords: *Capital Structure, Financial Performance, Profitability, Equity, Manufacturing Companies.*

Predictability of Stock Return Using Financial Ratios; Evidence from CSE FMCG Sector

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ABSTRACT

Introduction – Fundamental analysis uses annual reports with macroeconomic data to predict stock returns and buy and sell under-priced and overpriced securities, respectively. The present study aims to predict the stock returns using financial ratios for the FMCG sector in Colombo Stock Exchange.

Design/Methodology/Approach – The sample data was collected for the six years from 2014 to 2019 for 30 listed FMCG companies listed in Colombo Stock Exchange. The study uses four financial ratios from multiple areas i.e., profitability, liquidity, solvency and market valuation. The analysis was conducted using a multiple regression model via statistical software to understand the predictability of the stock return.

Findings – The results indicate that profitability, liquidity and market valuation ratios can predict the stock return in the short term and the long term. The return on assets, current ratio and price-earnings ratio had significant predictability on stock returns, while debt to equity ratio did not show any significant results due to the reasons the companies are in the mature stage of their own product lifecycle.

Conclusion – The final results concluded that the model is statistically significant in predicting future stock returns**.** The selection of the ratios under profitability, liquidity and market valuation will enhance the predicting ability of the financial ratios on stock returns.

Keywords: *Fundamental analysis***,** *multiple regression model, FMCG, predictability, Statistically, significant*

Impact of Fiscal Policy on Economic and Social Factors in Sri Lanka

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ABSTRACT

Introduction: Fiscal policy is the use of government taxation and spending to direct the economy. Sri Lankan Government also use fiscal policy to influence the overall demand level of the economy to achieve economic objectives and social variables. The objective of this study was to assess the impact of fiscal policy changes on economic and social variables in Sri Lanka.

Design/Methodology/Approach: This is a quantitative study conducted using secondary data sources. This study was carried out by using secondary data sources of Annual Reports of Central Bank and World Bank data of Sri Lanka. Data for the time series from 1985 to 2019 was used to carry out this study. Data analysis was done by using both descriptive analysis and inferential statistics. The hypotheses were tested using linear regression analysis and it was concluded that there is no significant impact of government revenue on GDP Growth, Budget Deficit, General education and Public Health.

Findings: The hypotheses were tested using linear regression analysis and it was concluded that there is no significant impact of government revenue on all economic and social factors. Also there is a significant impact of government expenses on all economic and social factors. Further research reveal that budget deficit has a positive impact with government expenditure and negative impact with tax revenue. There is a negative impact with GDP growth and government expenditure, and there is a positive impact between GDP Growth and tax revenue. And so on General education has a positive impact with government expenditure, negative impact with government revenue. Public health has a negative impact with government expenditure, positive impact with government tax revenue.

Conclusion: According to depth statistical analysis of this study it can be concluded that government expenditure is significantly impact to achieve both economic and social factors than government revenue.

Keywords: *Government Expenses, Government revenue, GDP Growth, Budget Deficit, General Education, Public Health*

International Portfolio Diversification and Implications for Investors: Empirical Study of South Asian Emerging Markets and Developed Stock Markets

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ABSTRACT

Introduction: International investment is proliferating among private and institutional investors due to the benefits of global portfolio diversification, if an investor could diversify more optimally by investing in different countries' stock markets, then investors do have opportunities to reduce economy specific risk. This research will add extra value to different stakeholders to utilize their wealth across the world better.

Design/Methodology/Approach: This research study has been tested the linkages between stock exchanges of developed and emerging markets of Sri Lanka, India, Pakistan, Bangladesh, Nepal, France, Japan, UK and US. Monthly closing levels of the benchmark indices are taken for period February 2013 to January 2020. Data has been analysed through ARDL bound test, Vector Error Correction Model, Wald test, Granger Causality Test and Variance Decomposition Test. Breusch-Godfrey Serial Correlation LM Test, Breusch-Pagan-Godfrey Heteroscedasticity Test & Jarque-Bera Statistic have been used as the diagnostic checks in VECM.

Findings: ARDL Bound test indicated a long-run relationship between variables in south Asian Emerging Markets, developed, and both South Asian Emerging & Developed countries. The researcher identified short run relationship with some countries and Variance Decomposition Analysis to identify impact on CSE from South Asian Emerging Markets and Developed Markets.

Conclusion: Investors may have to re-think diversification benefits in the future as the study implies diminishing diversification benefits among international emerging and developed markets.

Keywords: *ARDL, Developed Markets, Granger Causality, South Asian Emerging, Stock Returns, VECM, Walt Test.*

Impact of Export Diversification / Specialization on Economic Growth: Evidence from Asian Countries

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ABSTRACT

Introduction: Export led growth strategy has become a major concern of economic policy makers of developing countries to achieve their economic growth objectives. In this respect the export diversification and specialization has become a major concern to achieve higher and sustainable economic growth. The study attempts to find the impact of export diversification and specialization on economic growth of developing countries. The main purpose of this study is to understand the impact of export diversification and specialization on the economic growth in developing countries of the Asian region and to identify the most suitable method to achieve higher economic growth

Design / Methodology / Approach: The export herfindahl concentration index is the main variable used in this study as a proxy to measure the effect of export Diversification and concentration on economic growth. The Study has employed GMM panel estimation method to analyse the data of 33 developing countries in Asian region for the period of 1995 to 2019 at an annual frequency.

Findings: The study has found a negative and significant impact between export herfindahl concentration index (H) and the GDPPC growth of the selected developing countries.

Conclusion: In light of the findings it can conclude that the export diversification may lead to higher and sustainable economic growth in developing countries.

Keywords: *Export diversification, Concentration, Economic growth, Export herfindahl concentration index (H), Developing countries*

The Impact of Government Debt on Economic Growth in Sri Lanka

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ABSTRACT

Introduction - This study is conducted to analyse the impact of government debt on economic growth and to determine the threshold level of government debt; in other words, a sustainable level of debt for Sri Lanka. Also to study the government debt behaviour over the past decade and to examine foreign financing disbursements and utilization.

Design/Methodology/Approach - Regression models used time series data covering the period from 1970 to 2019. This study applies ordinary least-squares regression to analyse the impact of government debt on economic growth in Sri Lanka. The discrete threshold regression model is used to determine the government debt threshold level for Sri Lanka.

Findings - According to the research findings, government debt has a negative and a significant impact on economic growth in Sri Lanka. The estimated optimal government debt threshold level is 71.82 percent of GDP. During the second term of Rajapaksa government, in nominal terms domestic debt was increased by 82 percent, whereas during Sirisena government the same was increased by 52 percent. Over the period from 2010 to 2017, foreign debt stock/GDP was lower than the domestic debt stock/GDP of the same period. However, in 2018 and 2019 foreign debt stock/GDP and domestic debt stock/GDP was evenly poised. During the period from 2013-2019 major portion of the disbursements was allocated to the transportation sector, water supply and sanitation, power and energy, education and training and health and social welfare.

Conclusion – This study confirms an existence of high government debt burden in Sri Lanka. Therefore, the Central Bank of Sri Lanka, Ministry of Finance, Foreign Ministry and other responsible government authorities should formulate effective debt management strategies that can be implemented to reduce the debt liability.

Keywords: *Government Debt, Economic Growth, Government Debt Threshold, Ordinary Least Squares Regression, Threshold Regression*

Perception of Online Banking Customers in Sri Lanka: With Special Reference to the Commercial Banks in Sri Lanka

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ABSTRACT

Introduction - In the past few decades, technology has shown rapid growth, and consequently, the internet has become a significant technology component. Most individuals and businesses are paying attention to the technology and internet to make competitive advantages. Banking can be considered as a significant sector that uses this ever-advancing technology for its operations. Banks use internet banking to provide different services to their customers. As a result, internet banking has become a major channel that banks use to serve the customers via websites of the banks. The study aims to explore the factors that affect the customers' perception on internet banking in Sri Lanka and to determine the magnitudes of those factors.

Design/Methodology/Approach - A well-structured questionnaire was used to collect the data which was considered as primary data. The researcher selected 212 customers with particular reference to the commercial banks in Sri Lanka using the convenience sampling method. To test the hypothetical relationships between dependent and independent variables, correlation and multiple regression were used using the SPSS software application.

Findings - According to the study, results provided sufficient pieces of evidence that there is a significant positive impact on the customer perception towards internet banking by the independent variables of Accessibility, Bank Functions, and Cost Ease and of Use, while Awareness depicts a negative impact on customer perception on internet banking in Sri Lanka. Compared to the globe, in Sri Lanka, internet banking is at the primary stage performing only main banking activities such as checking account balances and transferring funds between accounts. Thus, improving the Awareness of the customers can be considered as a main target to be achieved by banks. The results of the study will be influential for banks to design their strategic marketing and promotional plans in order to expand their internet banking customer base.

Conclusion - The study fulfils the existing research gap in the area of perception of internet banking customers in Sri Lanka. These findings will help for future studies relating to factors that affect customer perception towards internet banking in Sri Lanka

Keywords: *Customer perception, Internet banking, Partial least square, commercial banks in Sri Lanka.*

The Effect of Non-Performing Loans on Profitability of Commercial Banks in Sri Lanka

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ABSTRACT

Introduction - Sri Lanka commercial Banks have remained with persistent challenge of managing non-performing loans that are considered to have effects on its profitability. Together with the banking sector, the government has developed different ways of reducing non-performing loans. This study seeks to find out the effects of nonperforming loans on profitability of commercial banks in Sri Lanka.

Design/Methodology/Approach - The study used commercial banks registered and operational in Sri Lanka as at CBSL in 2018. Profitability calculated by return on assets and used as a dependent variable and non-performing loans ratio is used as independent variable. Capital adequacy, operational efficiency and liquidity are used as control variables to enhance the validity and accuracy of the tests. The research selected 11 commercial banks during the period of 2014 to 2018 and used the secondary data. Descriptive Statistics, Multiple Linear Regression and Pearson Correlation were used for data analysis and Stata has been used as statistical software to analyse the collected data.

Findings - The study indicates that there is negative effect of nonperforming loans ratio on return on assets, confirming that non-performing loans negatively affects profitability of commercial banks in Sri Lanka. There is a positive and significant relationship between Return on Assets and Capital Adequacy. When considering the relationship between Return on Assets and Liquidity there is a positive insignificant relationship and there is a negative relationship between Return on Assets and Operational Cost Efficiency.

Conclusion - Managers of Commercial banks in Sri Lanka have to work hard to enhance profitability of commercial banks and reduce occurrences of nonperforming loans. This paper therefore provides an insight to commercial banks, central bank and other stake holders on the effect of nonperforming loans on profitability of commercial banks in Sri Lanka and provides a basis for further research.

Keywords: *Non-Performing Loans, profitability, CAMEL factors, Commercial banks, Central Bank of Sri Lanka.*

Impact of Bank Digitalisation on Customer Satisfaction

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ABSTRACT

Introduction - Customer satisfaction is an important factor in competitive market. As the population increasing and people have increasing demand, customers as well as businesses looks forward to getting maximum benefits out of technology. Development of technology is a new trend, which caters to every single area today. Banking business is a mandatory requirement of all the people and people expect more and better easier ways to get the banking service. Automated Teller Machines, Transactions through internet, fund transfers are some popular areas people are interested. Due to the Covid-19 pandemic situation, digitalized banking system become more attractive. The purpose of this study is to measure the impact of Bank Digitalization of Customer Satisfaction.

Design/Methodology/Approach - This study selected efficiency, response, reliability, and user friendliness as independent variables and customer satisfaction as dependent variable. The quantitative data was collected through primary survey questionnaire that distributed among 100 participants and analyzed using descriptive analysis, correlation analysis, regression analysis and coefficient analysis. Convenient Sampling technique was used in selecting the respondents to the questionnaire.

Findings - All hypothesis built to test the impact between dependent and independent variables were ended up in proving there is a significant positive relationship between efficiency, reliability, response, user friendliness and customer satisfaction. Out of all four independent variables, reliability of digitalized banking system was the most significant.

Conclusion - It is concluded that if the banking organizations could increase the reliability, efficiency, response and user friendliness of the digital banking products, customer will be highly satisfied. The study fulfils the existing research gap by emphasizing there is an impact of bank digitalization on customer satisfaction with statistically proven data.

Keywords: *Customer satisfaction, efficiency, reliability, response, user friendliness*

Effect of Loan to Deposit Ratio on Bank Profitability: Evidence from Banking Industry in Sri Lanka

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ABSTRACT

Introduction- At present banking industry is very dynamic and very competitive and bankers have to take better decisions to survive in the banking industry in Sri Lanka. This paper aims to investigate the effect of loan to deposit ratio on bank profitability with special reference to banking industry in Sri Lanka.

Design/Methodology/Approach - The study used the secondary data collected from relevant banks' annual reports for a period of five years from 2015-2019 and sample consisted of ten licensed commercial banks registered in CSE in Sri Lanka. The sample was selected based on the total asset size. The Loan to Deposit ratio included in this study as the independent variable and the dependent variable is denoted as profitability which is measured by Return on Assets (ROA). The regression analysis, descriptive statistical analysis and correlation analysis were used to analyse the data by using SPSS software.

Findings - In this study, the loan to deposit ratio of LCBs were used to measure the bank profitability and this study found that, there was a significant negative difference of ROA. According to the regression results, there is a significant influence of loan to deposit ratio on bank profitability.

Conclusion - Results indicated that when increasing loans to deposit ratio, the bank profitability will decrease. Therefore, these findings suggest that the Sri Lankan banking industry should formulate more effective and strong bank policies and regulations to stability of banking sector.

Keywords: *Loans to Deposits Ratio (LDR), Non-Performing Loan (NPL), Business Size (BS), Profitability, Banking Industry*

Impact of Corporate Governance on the Financial Performance of Commercial Banks in Sri Lanka

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ABSTRACT

Introduction – Commercial banks in Sri Lanka are playing an important and specific role in the economy. With the significant impact of failures in banks on the Sri Lankan economy, it brings the importance to study this phenomenon of corporate governance due to the existence of little literature. In today's modern business world, corporate governance has been one of the most important topics and this has attracted the attention of many researchers. Hence, this study attempts to examine the impact of corporate governance on the financial performance of the commercial banks.

Design/Methodology/Approach - The study used commercial banks registered and operational in Sri Lanka. To measure the financial performance, return on assets and return on equity have been used as the dependent variable and as the independent variables, board independence, the board size, CEO duality, and audit committee have been used. Firm size and firm age were used as the control variables to enhance the validity and accuracy of the tests. The research has adopted a descriptive statistic and multiple regression analysis as the research method and the study selected 10 commercial banks from 2014 to 2018. The analysis was conducted using SPSS statistical software.

Findings -. As per the correlation analysis, there is a significant weak negative relationship between board independence and ROE while there is a weak positive relationship with the board size. Moreover, ROA and board size have an insignificant weak negative relationship and with the board independence there is an insignificant weak positive relationship.

Conclusion – This paper provides the level of the impact of corporate governance variables on the commercial banks' performance. The Sri Lankan economy has to strengthen the corporate governance practices to improve financial performance. Nevertheless, good corporate governance practices will help prevent financial collapses and fraudulent activities within the corporate world.

Keywords: *Corporate Governance Characteristics, Financial Performance, Commercial banks*

The Impact of Service Quality on Customer Loyalty in Sri Lankan Banking Sector with The Mediation Role of Customer Satisfaction

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ABSTRACT

Introduction - This study empirically examined the impact of service quality on customer loyalty in the Sri Lankan banking sector with the mediation role of customer satisfaction. At first, this research focuses on the relationship between service quality in terms of human aspects, tangible aspects and technical aspects between customer satisfaction. Then, it draws attention to the mediation effect of customer satisfaction between service quality and customer loyalty.

Design/Methodology/Approach - Positivism was used as the research philosophy, while the deductive method was the research logic and the quantitative method as the research approach. A cross-sectional survey of 112 banking customers was conducted in the Sri Lankan context in order to gather the data. The questionnaire has included Likert type structured questions. Sample customers were selected from nine major banks according to the stratified proportionate random sampling technique based on the market share of selected nine banks. Pearson correlation analysis and regression analysis have used for the analysis. Furthermore, the Hayes test was conducted to test the mediation effect of customer satisfaction.

Findings - The results indicate that the service quality dimensions have a positive direct effect on customer satisfaction, and the most influential factor is the human aspects of service quality. It was also found that customer satisfaction mediates the effect of service quality on customer loyalty.

Conclusion - The overall model is statistically significant. The final result emphasizes that there is a positive relationship between service quality, customer satisfaction and customer loyalty in the Sri Lankan banking sector, while customer satisfaction mediates the relationship between service quality and customer loyalty.

Contribution -The findings of the research give some important implications to bank managers and employees in making decisions, especially in creating the marketing mix, marketing strategies and the year plans.

Key words: *Banking Sector, Service quality, Customer satisfaction, Customer loyalty*

The Impact of Credit Risk on Bank Profitability: Evidence from Licensed Commercial Banks in Sri Lanka

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ABSTRACT

Introduction - Lending is one of the main incomes generating activity in commercial banks. Credit risk occurs in connection with lending. Among the different risks facing by banks risks, credit risk is considered as one of the major determinants of bank profitability because of the number and diversity of stakeholders affected.

Design/Methodology/Approach - The objective of the study is to assess the impact of credit risk on profitability of licensed commercial banks in Sri Lanka for the period 2015 to 2019. Thirteen commercial banks were selected for the study and data was collected through published annual reports and using Eviews Statistic Software was performed Descriptive analysis, Correlation and Regression analysis.

Findings - This study found that non-performing loan (NPL) ratio has a insignificant negative impact on Return on Assets (ROA) ratio, while total loan to total deposit (TLTD) ratio has significant negative impact on Return on Assets (ROA) ratio. Furthermore, non-performing loan (NPL) ratio has significant negative impact on Return on Equity (ROE) ratio, while total loan to total deposit (TLTD) ratio has insignificant negative impact on Return on Equity (ROE) ratio.

Conclusion -Findings of this study contribute to formulate efficient and effective credit risk management control policies for licensed commercial banks in Sri Lanka.

Keywords: *Credit Risk , Bank Profitability, Non-Performing Loan, Return on Assets, Return on Equity*

Impact of E-Banking on Financial Performance of Sri Lankan Domestic Commercial Banks

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ABSTRACT

Introduction - Electronic banking has initiated from electronic revolution in global banking sector. Due to the flexible nature of the electronic banking system's banks could be able to offer entirely innovative banking products and services to satisfy the customer's needs The study guided by four objectives, examining the effect of e-banking on financial performance as the main and finding the effect of e-banking on bank performance on the characteristics of bank size, ownership and number of years of operations in Sri Lanka.

Design/Methodology/Approach Sample of 13 domestic licensed commercial banks in Sri Lanka were selected for the study and secondary data was extracted from the published annual reports of the selected banks. Both descriptive and inferential statistics were used. Random-effect generalized least squared regression analysis was carried out to find the relationship among the dependent variable (financial performance) and independent variables (investment in information and communication technology, number of automated teller machines and fee and commission income) and controlled variables (bank size, ownership and number of years of operations).

Findings – Results revealed that the investment in information and communication technology and number of automated teller machines had a negative relationship but fee and commission income had a positive significant relationship with financial performance of licensed commercial banks in Sri Lanka. As a controlled variable bank size had a negative but significant relationship with financial performance. Ownership of the bank had no any significant relationship with financial performance.

Conclusion - The study established that electronic banking had an influence on financial performance of the domestic licensed commercial banks in Sri Lanka in terms of fee and commission income. As controlled variables bank size and number of years of operations had a significant influence on financial performance of the domestic licensed commercial banks in Sri Lanka.

Keywords: *Electronic banking, Financial performance, Licensed commercial banks, Size, Ownership, Number of years of operations.*

Electronic Banking and Banks' Performance a Study on Sri Lankan Commercial Banks

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ABSTRACT

Introduction - Numerous studies have investigated the impact of Electronic banking on the performance of banks in many countries over the world. Some studies have found the positive impact of E-banking on the bank performance while some studies have revealed the negative impact. So, the purpose of this study is fulfilling this empirical gap in the literatures.

Methodology - Automatic teller machine (ATM), internet and mobile banking and Credit & Debit cards are used as key independent variable as components of Electronic banking. Return on Assets (ROA) and Cost to Income Ratio are used as key dependent variables. Furthermore, bank size is used as the control variable. Ten commercial banks listed in Colombo Stock Exchange are used as sample of the study. Secondary data collected through the financial statement and the annual reports of the banks for ten years' period from 2010/11 to 2018/19. Ordinary least square regression model is used to analyse the data collected.

Findings -The current study found statistically significant impact of Electronic banking on banks' performance. According to that, there is a positive significance impact of ATM on Cost to income and negative significant impact on ROA and credit cards and credit cards has a negative significant impact on ROA and positive significant impact on Cost to income. Although, there is no impact of internet and mobile banking on bank performance based on ROA but there is a significant negative impact of internet and mobile banking on Cost to income.

Conclusion – The research study recommends to the management of commercial banks which are slow in electronic innovation adoption, to move in and adopt various innovations in their operation in order to shore up their performance. This study recommends to policy makers to develop appropriate strategies and policies to boost the performance in the Sri Lankan Banking System by considering electronic innovations.

Keywords: *Bank performance, Commercial banks, Electronic banking*

Impact of The Fintech on Profitability of Commercial Banks in Sri Lanka

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ABSTRACT

Introduction - In today's rapidly growing world, banks are having an increased rate of competition from other nonfinancial institutions that are providing e-commerce services and financial services to their customers. This research study tries to fill the gap of the limited previous studies that investigate according to existing research studies conducted by various researches related to impact of FinTech on the profitability of the banks.

Design/Methodology/Approach - This study incorporated with Bank profitability through the impact of Financial Technology (FinTech). Purposive Random sampling method was used in choosing the sample. The research has adopted a descriptive research method and the study selected 10 listed commercial banks during the period of 2010 to 2019. Also panel least square (PLS) regression method has initially used to analyse the collected data.

Findings - Based on the analysed results, every variable contains stationarity and analysis has followed a fixed effect model and it includes Investment in IT which is positively significant towards bank profitability whereas total assets is negatively significant. Use of a mobile app and Introduction of an online payment gateway shows positive and negative insignificant relationships respectively.

Conclusion - The final result emphasizes that the overall model is statistically significant, and researcher conclude uptake of Fintech and Profitability of Commercial Banks in Sri Lanka have a significant relationship with bank profitability.

Keywords: *Financial Technology, FinTech, Banking profitability, Online Banking, Investment in technology*

Factors Affecting Job Stress among Bank Employees: Evidence from People's Bank Corporate Banking Division

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ABSTRACT

Introduction – Job stress has vital importance and has become a key challenge for the organizations because of its strapping impact on the performance of an individual as well as of the organization. Job stress is considered as the harmful physical and emotional response that occurs when there is a poor match between job demands and capabilities, resources or needs of the employees. Therefore, there is a need to identify that to what extent the organizational role related factor are the causes of occupational stress among bank employees.

Design/Methodology/Approach - The study aimed to investigate the contributing factors of job stress among bank employees' Special referred to the People' bank corporate banking division, Colombo, Sri Lanka. For this purpose, people's banks were investigated, and it was carried out on a sample of 104 bank employees. Simple random sampling was applied to select a representative sample and standard questionnaire was used to collect data. Role conflict, role ambiguity, work overload and work family conflict were used as the independent variables and the job stress was used as the dependent variable. Correlation coefficient analysis was used to test the research hypothesis and regression analysis and descriptive analysis were used for the other analysis.

Findings - It was found that the measurement scales met the acceptable standard of reliability analysis. The research found that job stress has a significant positive relationship with the role conflict, role ambiguity, work overload and work family conflict. However, Role conflict and Role ambiguity have strong positive correlation and workload and family conflict have a moderate positive relationship.

Conclusion - Most of the employees feel that they feel stress at work and bank should apply proper methods to reduce the level of stress.

Keywords: *Job Stress, Role Ambiguity, Role Conflict, Work Family conflict, Work Overload*

Factors Affecting to Customer's Adoption of Mobile Banking in Sri Lanka: Special Reference to People's Bank

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ABSTRACT

Purpose: In the modern world, mobile banking concept is most important thing in the banking industry. But in Sri Lankan context, mobile banking usage is low. To avoid this situation bank must identify what are the factors affected to customers adapting to mobile banking and bank must address directly to these factors. This study examined the effect of perceived usefulness, perceived trust, social influence, convenience, awareness and perceived risk to customer adoption of mobile banking based on People's Bank.

Methodology: This study was conducted in customer perspective by using people's bank customers in Colombo and Gampaha district. The study observed perceived usefulness, perceived trust, social influence, convenience, awareness and perceived risk as independent variables and mobile banking adoption as the dependent variable. This is a quantitative research study where a structured questionnaire was disseminated among more than 300 banking customers' users under convenience sampling method and 249 respondents were responding correctly.

Findings: The results of the study show that there is no significant influence from social influence and perceived risk on mobile banking adoption in the Sri Lanka. But according to the findings, perceived usefulness, perceived trust, convenience and awareness have significant impact of mobile banking adoption in Sri Lanka

Conclusion: Perceived usefulness, perceived trust, convenience and awareness have significant impact of mobile banking adoption in Sri Lanka. Further, the study has revealed that there are some limitations in the study and provided suggestions to future researchers to make an effective and reliable result from the study.

Keywords: *TAM, Mobile Banking, Customers Adoption, Perceived Usefulness, Perceived Trust*

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

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ABSTRACT

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

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

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

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

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

Factors Influencing on Customer Adaption Towards Internet Banking of Commercial Banks in Sri Lanka

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ABSTRACT

Introduction - With the rapid technological advancement, it can be seen that internet banking plays a major role in banking field. Internet banking is a delivery channel that was introduced to customers to perform their transactions electronically via bank's web sites. As a result of interpreting the experience, customer adaption is formed. Exploring the factors influencing on customer adaption towards internet banking in Sri Lanka is the objective of this study.

Design/Methodology/Approach - A structured questionnaire was used for collecting primary data from internet banking users. Researcher selected 200 customers' responses of different commercial banks in Sri Lanka using purposive sampling method. Factor Analysis, Cronbach's alpha, Descriptive Statistics and Multiple Linear Regression were used as data analysis techniques.

Findings - The study conclude that perceived usefulness, perceived ease of use, perceived security, and social influence have significant positive effect on customer adaption towards the internet banking. However, perceived ease of use variable has higher significant effect on customer adaption towards internet banking.

Conclusion – The study emphasized the importance of developing internet banking activities by banks. Increasing the knowledge of customers, by conducting programs about the benefits they can obtain from internet banking services and providing more facilities regarding the internet banking could be recognized as improvement plans that could be used by banks. Results of this study will be instrumental for banks to design marketing and promotional strategies in order to develop their Internet Banking portfolio.

Keywords: *Internet Banking, TAM, Customer Adaption, Perceived Usefulness, Perceived Ease of Use*

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

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ABSTRACT

Introduction - The Banking sector being one of the major sectors in Sri Lanka, it plays a central role in the operation of the economy and the concept of profitability is more important for financial institutions and banks are the part of them. As efficient and vibrant commercial banking and financial system are essential ingredients for any market economy to become successful, it is expected to provide lifeblood to the efficient and effective functioning of an economy. Hence, this paper aims to examine the determinants of financial performance of the commercial banks in Sri Lanka.

Design/methodology/approach – the study analyses data for 10 license commercial banks from 2010 to 2019 using Eviews. Descriptive statistics and multiple regression models are used to analyse the data. The dependent variables of the study are return of assets, return of equity and stock return while the independent variables of the study are bank size, operating expenses, credit risk, deposits, capital adequacy, inflation, GDP and interest rate. The research follows a quantitative approach.

Findings – Bank specific factors of capital adequacy has contributed significantly and positively to the performance while operating expense, credit risk and liquidity significantly and negatively impact on performance of commercial banks. The specific variable of industry growth under industry specific variables, which was not considered in previous literatures has insignificant and negative impact on performance of the commercial banks. The results further show that macroeconomic determinants of economic growth rate have a significant and positive impact on performance while interest rate has insignificant and negative impact on performance of commercial banks.

Conclusion – By considering industry specific variable of industry growth, this study provides some interesting new insights for a better understanding of the mechanisms that determine the financial performance of commercial banks in Sri Lanka.

Keywords: *ROA, ROE, Industry Growth, Economic Growth, Commercial banks*

Impact of Loan Portfolio Diversification on Performance of Commercial Banks in Sri Lanka

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ABSTRACT

Introduction - Credit risk related to commercial bank loans can be considered as one of the main risks faced by commercial banks. Therefore, commercial banks diversify their loan portfolio to improve performance and mitigate credit risk. Loan portfolio diversification refers to lending to different sectors without concentrating on a particular sector. The purpose of this study is to examine the impact of loan portfolio diversification on the performance of commercial banks in Sri Lanka.

Design/Methodology/Approach - Hirschman Herfindahl Index was used to measure the loan portfolio diversification and performance measured based on CAMEL model. Interest Rate Spread and Bank size considered as the control variables. Data were collected from audited annual financial statements of commercial banks for a 5-year period. Data were analysed by using correlation and fixed effect panel regression model.

Findings - The results reveal that there is a significant positive impact of loan portfolio diversification on commercial bank performance. Further, control variables bank size positively not significant links with commercial bank performance while interest rate spread has a negatively not significant impact on bank performance.

Conclusion - It is confirmed that a diversified loan portfolio position leads to the healthy performance of commercial banks. The management should follow specific strategies about loan portfolio diversification and improve commercial bank performance while making high attention about the loan portfolio position of the bank.

Keywords: *Credit Risk, Loan Portfolio Diversification, Loan Portfolio Concentration, Hirschman Herfindahl Index, Interest Rate Spread*

The Impact of Financial Inclusion on Performance of Listed Commercial Banks in Sri Lanka

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ABSTRACT

Introduction – Financial inclusion is recognized as a vehicle to economic growth and reduce the poverty. The disparity in financial inclusion in different countries within Asia is highly significant. Financial inclusion is the usage and accessibility of the affordable financial services and products to the deprived, low income and disadvantage sector of the population. The primary objective of this study is to investigate the impact of financial inclusion on the performance of listed commercial banks in Sri Lanka.

Design/Methodology/Approach – the study used annual data of 10 commercial banks from year 2015 to year 2019. Performance of commercial banks measured by ROA and financial inclusion measured by number of ATMs, number of bank branches, loans to deposit ratio and credit cards. This study follows a quantitative analysis. With the use of STATA statistical software, the collected data will be analysed using regression analysis method.

Findings – The study found there is a significant impact of financial inclusion on financial performance of listed commercial banks in Sri Lanka. When considering the impact of financial inclusion indicators individually, it shows different results on financial performance of commercial banks. Bank embranchment, use of credit cards have significantly impacted the performance of the banks while impact of number of ATMs, loans to deposit ratios on financial performance were insignificant.

Conclusion - It is suggested to develop the infrastructure of financial services that allows individual and corporate bodies to take advantage of financial services, hence banks can improve their performance. Moreover, it is recommended banks to continue to embrace the use of mobile banking in their operations as the access to a mobile equipment of the people increases every day. The banks can give options for the people to get the access for the banks through the mobile and technical appliance rather than opening up a branch which would be cost worthy compared to the opening up a bank branch.

Keywords: *Financial inclusion, Financial performance, ATMs, Bank branches, Credit cards, Loans to deposit ratio.*

Macroeconomic Stress Testing and The Resilience Assessment of the Banking Sector in Sri Lanka

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ABSTRACT

Introduction - Financial stability and Macroeconomic stress testing of the banking system turned out to be an increasingly important objective in economic policymaking in the global context as well as in Sri Lanka. Although macroeconomic stress testing at the level of individual banks has been widely applied, macroeconomic stress testing at the level of entire financial systems is a more recent instrument. The study conducts a stress test to assess the banking sector vulnerabilities in Sri Lanka to the most extreme but plausible macroeconomic shocks.

Methodology - The model attempt to account for the dynamics between banks' asset quality and key macroeconomic variables through conditioning the stress test based on the historical correlation between the variables and allowing for feedback effects from credit risk to the macro economy. Further, it uses historical and hypothetical stress scenarios to capture the most extreme but plausible key macroeconomic impulses on financial soundness indicators to evaluate the banking sector vulnerabilities.

Findings - Results indicate a cointegration relationship between credit quality and key macroeconomic variables. The expansionary monetary policy positively and significantly affects credit quality and capital adequacy through economic growth.

Conclusion – Study concludes that the Sri Lankan banking sector is not substantially vulnerable to and hence not threatened by various significant adverse shocks considered in the

analysis domestically and externally via stressed GDP growth rate as per current BASEL norms. Even if the most extreme economic stress conditions witnessed over the past two decades were repeated, the Sri Lankan banking sector should remain robust in terms of tier 1 and tier 2 capital requirements.

Keywords: *Stress testing, Banking sector, Asset quality, Scenarios, capital adequacy*

Effect of Firm Size on Firm Financial Performance: with Special Reference to Licensed Commercial Banks in Sri Lanka

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ABSTRACT

Introduction - Higher performance of the banking industry is important for the development of the financial sector. This study investigates the effect of firm size on firm financial performance with special reference to licensed commercial banks in Sri Lanka.

Design/Methodology/Approach - This study is used the secondary data collected from relevant banks' annual reports. The time period of this study was 2014-2019. The sample of this study consisted of ten licensed commercial banks registered in CSE in Sri Lanka. The sample was selected based on the asset size respectively. The regression analysis, descriptive statistical analysis and correlation analysis are used to analyse the data by using SPSS software.

Findings - According to the regression results, there is a significant influence of firm size on firm financial performance under the regression models.

Conclusion - In this study, the total assets of LCBs were used to measure the firm size and this study found that, there was a significant negative difference of ROE. Not only that when firm size measured in terms of total deposits also, there was a significant positive change of ROE of LCBs in Sri Lanka.

Keywords: *Banking industry, Financial sector, Regression analysis, Descriptive statistical analysis, Correlation analysis.*

Determinants of Dividend Pay-Out Ratio of Listed Commercial Banks in Sri Lanka

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ABSTRACT

Introduction – This research study has been carried out to identify the determinants of dividend pay-out in listed commercial banks in Sri Lanka in order to fill the gap using information from listed commercial banks in Sri Lankan context.

Design/Methodology/Approach – This study was incorporated with the determinants of dividend pay-out as return on equity, return on assets, return on assets, earnings per share, firm growth and financial leverage, while the firm size is standing as a control variable. The research has adopted a quantitative research method and study selected 10 listed commercial banks during the period of 2015 to 2019. And also Panel Estimated Generalized Least Square (EGLS) (Cross-section random effects) regression method is used to analyse the collected secondary data.

Findings – Based on the key findings of the study, Earnings Per Share is negatively significant and financial leverage and firm size are positively insignificant towards dividend pay-out. And also it is proved that the preceding year dividend payment is also influenced the current year dividend pay-out.

Conclusion - The final result emphasizes that the overall model is statistically significant and the researcher is concluded that considered determinants are influencing the firms' dividend policy and also recommended that there is a need of dividend policy makers should be emphasized at large on profitability that influences the dividend policy out to listed commercial banks hence enhancing the shareholder value.

Keywords: *Dividend pay-out, Dividend Policy, Determinants, Profitability, Firm Size, Growth, Leverage*

Impact of Electronic Banking on Bank Financial Performance: Evidence from Commercial Banks in Sri Lanka

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ABSTRACT

Introduction - Electronic Banking offers many advantages to banks and customers making them comfortable with ease and faster services. With the advancement and rapid increase in the usage of Information and Communication Technology (ICT) in financial sector, Sri Lankan Banks also have adopted electronic banking to deliver their services which has an impact towards the performance of the banks. Nevertheless, little research paid attention on the impact of E-banking on the performance in Sri Lankan context and hence, this study aims to examine the impact of E-banking on bank financial performance.

Design/Methodology/Approach - This study adopted an explanatory research design. The researcher has selected the variables such as Electronic card banking, Accessibility of Mobile Banking, Net fee & Commission Income, Number of ATM and Bank size as independent variables and financial performance as the dependent variable. Data were collected via Annual reports & websites. The study used ten commercial banks from 2010 to 2019. The results were analysed using E-views.

Findings – As per the analysis, impact of Electronic Card Banking (ECB), Net Fee Commission Income (NFCI) and Electronic Banking on bank financial performance were significant. However, impact of Accessibility of Mobile Banking, Number of ATM and bank size on bank performance were insignificant,

Conclusion – It is concluded that there is an impact of Electronic Banking on Bank Financial Performance. to move in and adopt various innovations in their operation to shore up their performance. Thus, it is recommended to policymakers to develop appropriate strategies and policies to boost the performance in the Sri Lankan Banking System by considering electronic innovations.

Keywords: *Electronic Banking, Financial Performance, Electronic card Banking, Mobile Banking, Net fee and commission income, ATM, Bank Size*

Determinants of Non-Performing Loans in Licensed Commercial Banks in Sri Lanka

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ABSTRACT

Introduction - The purpose of this paper is to examine the determinants of non-performing loans in licensed commercial banks in Sri Lanka. In recent years, non-performing loans have been a huge issue for the financial industry. Non-performing loans in the Sri Lankan banking system have grown exponentially over the last few years.

Design/methodology/approach - The research sample consists of 10 domestic licensed commercial banks, based on annual data representing the period 2010-2019, including 100 observations, which shall be taken into consideration.

Findings - Average Prime Lending Rate, GDP Growth rate, Lone to Deposit ratio and Bank size have a positive relationship with NPL and Inflation rate, Loan Growth for the bank, ROA and Loan Loss Provision have a negative relationship with NPL.

Conclusion – Regression findings showed that Six independent variables are statistically significant among both bank-specific and macro-economic variables. Throughout the considered period, public commercial banks maintained better credit quality than private commercial banks that operate in the country. To preserve the banking sector's stability, commercial banks need to continue strengthening their credit risk mitigation measures.

Keywords: *Bank specific determinants; Macroeconomic determinants; Non-performing loans*

Impact of Financial Risks on Financial Performance of the Commercial Banks in Sri Lanka

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ABSTRACT

Introduction - Stability of the commercial banks is very important to the whole financial system in the world. Therefore, financial performance is a critical factor of the commercial banks. Commercial banks face various type of risks such as credit risk, market risk, operational risk, liquidity risk and legal risk which is vulnerable to the sustainable performance of the bank. Hence, the researcher aims to investigate the impact of financial risks on financial performance of the commercial banks in Sri Lanka.

Design/methodology/approach -This study adopted a quantitative research approach using a sample of 10 licensed commercial banks in Sri Lanka for the 12 years' period. Secondary data was collected using published annual reports. Hypotheses were tested using panel data regression model employing STATA statistical software.

Findings– Capital adequacy ratio has negative insignificant relationship with Return on Equity (ROE) and positive significant relationship with Return on Assets (ROA), whereas Non-performing loan ratio (NPLR) has negative significant relationship with ROE and ROA. Cost to income ratio (CIR) shows an insignificant negative relationship with ROA and ROE. Liquid assets to total liability ratio (LATLR) shows the positive significant relationship both ROA and ROE. When considering Net loans to total assets ratio (NLTAR), has shown the positive relationship in both ROE and ROA. However, it is significant only with ROA. Also Net loans to deposit ratio (NLDR) has negative relationship with ROA and ROE and it is significant only with ROE. Degree of financial leverage (DFL) has negative significant relationship with both ROA and ROE. Interest rate of risk (IRR) shows a positive insignificant relationship between ROA and ROE.

Conclusion-The final result emphasizes that the overall model is statistically significant, and researcher conclude that financial risk affect the financial performance of the commercial banks in Sri Lanka.

Keywords: *Credit Risk, Market Risk, Operational Risk, Liquidity Risk, Financial performance*

Impact of Loan Portfolio Diversification on Performance of Licensed Commercial Banks in Sri Lanka

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ABSTRACT

Introduction: The empirical studies provide mixed evidence on the relationship between loan portfolio diversification and loan portfolio concentration with the bank performance. This research study is one of the research that has been carried out for the Sri Lankan context with the main objective of, determine the impact of loan portfolio diversification on performance of licensed commercial banks in Sri Lanka.

Design/ Methodology/ Approach: Non probability sampling technique is used to select 10 banks out of 26 licensed commercial bank in Sri Lanka for the period of 2010 to 2019. Data were analysed by using correlation and fixed effect panel regression model. The independent variables of product wise diversification and sector wise diversification calculated from the measurement of Hirschman Herfindahl Index. Return on asset has taken to measure the bank performance and Interest Rate Spread, Capital Adequacy, Liquidity and Bank Size are used as control variables for identifying the model.

Findings: There is a significant negative impact on product wise loan diversification on bank performance and significant positive impact on sector wise loan diversification on bank performance. Further, control variables of interest rate spread and bank size have a significant negative relationship with bank performance while Capital Adequacy has a significant positive relationship with bank performances.

Conclusion: According to the product wise loan diversification bank can earn more profit from concentration strategy while under the sector wise loan diversification bank performance can be improved by following diversify strategy.

Keywords: *Loan Portfolio Diversification, Loan Portfolio Concentration, Bank Performance and Hirschman Herfindahl Index.*

Impact of Loan Growth and Business Model on Bank Risk Taking: Evidence from Sri Lanka

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ABSTRACT

Introduction- Electronic banking has initiated from electronic revolution in global banking sector. Due to the flexible nature of the electronic banking system's banks could be able to offer entirely innovative banking products and services to satisfy customer needs. Thus, the main aim of this study is to investigate the impact of loan growth and business model on bank risk taking in Sri Lanka.

Design/methodology- This study employed Abnormal Loan Growth rate to measure the Loan growth, Non-Interest Income to total income and Loan to deposit ratio as the proxies for business model. The research has used secondary data for the purpose of analysis. The annual reports of selected banks listed in Colombo Stock Exchange were used to collect the data over period of 2011-2019.

Findings- Random effect model was used to analyse the data. The findings revealed that Abnormal Loan growth ratio, Loan to deposit ratio have significant positive impact with the bank risk where as Non-interest income to total income ratio have insignificant impact with Bank risk.

Conclusion- This study suggests that there is an impact of loan growth and business model on bank risk taking in Sri Lanka. Thus, managers should carefully monitor loan growth on the individual level, since high rates of loan growth are associated with of bank risk-taking.

Keywords: *Abnormal Loan Growth rate, Business Model, Risk Taking.*

Impact of Electronic Banking on Operational Performance of Commercial Banks in Sri Lanka

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ABSTRACT

Introduction- Information and Communication Technology (ICT) is essential for financial markets for faced and sustain the competition. However, a limited number of studies have been conducted in Sri Lanka to determine the impact of e-banking on banks' profitability in Sri Lanka. This study critically investigated the effect of e-banking on operational performance in Sri Lanka.

Design/Methodology/Approach- The secondary data gathered during the year 2014 to 2019 concerning fee and commission income on internet banking, number of branches, number of ATMs, from the published annual reports of ten selected banks systematically. Regression analysis processed to determine the effects of electronic banking on profitability. The descriptive statistics, Pearson correlation were used for the data analysis through E-Views 11 statistical software.

Findings – Based on the results, the fixed-effect model found a significant positive relationship among IB (Internet Banking) on ROA, negative significant with ROA and BN (Branch Netwok), ATMs. Also, the insignificant relationship between ROE and IB. CIT (Cost to Income ration) and IB have negative significant, and other variables are a significant relationship with CIT.

Conclusion: Results proved that; e-banking has significantly contributed to the banks' operational performance in Sri Lanka.

Keyword: *E-baking, branch network, operational performance, profitability, Efficiency*

The Determinants of Net Interest Margin of Licensed Commercial Banks of Sri Lanka

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ABSTRACT

Introduction – Banking sector plays an essential role in the economy provide smooth infrastructure to financial sector, while transferring the risk characteristics of assets and channelling of funds from surplus parties to deficit parties, that allows entrepreneurs to make their investment without financial difficulties. Therefore, with the higher efficiency, banks would able to maintain the Net Interest Margin (NIM) at a lower level. The banks need to maintain a balance between the profitability and the liquidity. Therefore, to achieve higher profitability banks should maintain higher interest rate margins. To maintain the balance between high and lower NIM the banks should be well aware of the main factors that affect the NIM. Purpose of this paper is to investigate the impact of Bank Specific Factors (BSF) on NIM of LCB's in Sri Lanka over the period of 2009-2018.

Design/Methodology/Approach – The sample in this study includes top 10 license commercial banks which cover the period of 2009-2018. Secondly data obtained from financial statements of individual license commercial banks, central bank annual report and other journals.

Findings – This research provide results found that there is a Liquid position in the bank also positive correlation with Leverage level they are maintaining, furthermore non-interest bearing reserves showing negative relationship with management quality relating to bank. Implicit payments relating to bank also shows positive relationship with management quality. On the other hand, non-performing loans and the interest rate risk in the banking sector negative correlated with liquidity requirement in the banking sector. Furthermore, implicit payments negatively correlated with leverage.

Conclusion - The results derived from this study may serve to policymakers for orienting towards issues that are more related to NIM determinants. Greater attention must be paid to capital adequacy, implicit interest payments and management quality.

Keywords - *Net Interest Margin, Credit Risk, Interest Rate Risk, Liquidity Risk, Implicit Interest Payment, Non-Interest-Bearing Reserves, Non-Interest-Bearing Reserves, Management Quality*

Determinants of Non-Performing Loans in Sri Lankan Commercial Banks

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ABSTRACT

Introduction- Non-performing loans (NPLs) is considered major issue of the banking sector in any economy. Sri Lankan context non- performing loan is also a major risk of the financial sector. This study aims to examine the effect of bank specific determinants, corporate governance determinants and bank specific determinants on the non- performing loans of listed bank in Sri Lanka for the period of 2010 to 2019.

Design/ Methodology/ Approach- This study is used ten listed licensed commercial banks in Sri Lanka as a sample. This study mainly has used secondary data collection methods. The study has considered bank size, loan growth rate, loan loss provision to gross loan, operating expenses to income ratio, gross domestic product growth, lending rate, inflation rate, gender diversity, board independence. The panel data regression method has been used to estimate the impact.

Findings- The study finds that independent variable which are used in this research namely, loan growth rate, loan loss provision to gross loan, operating expenses to income ratio, lending ratio and gender diversity has significant influence on non-performing loans in Sri Lankan banking sector. Also finds that bank size, GDP growth rate, inflation rate and board independence has no significant influence on the non-performing loan level.

Conclusion- The study Fulfils the existing research gap in the area of determinants of NPLs in Sri Lankan Banking Industry. These findings will help for future studies relating to Determinants of NPLs on NPL level.

Keywords: *Non-performing loan, bank specific factors, corporate governance factors, macro-economic factors, commercial banks*

Impact of Board Structure on Financial Performance: With Special Reference to Sri Lankan Banking Sector

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ABSTRACT

Introduction: Among the factors that influence bank performance, board structure plays a significant role in the Sri Lankan banking system. The study aims to seek the impact of the structure of the Board of Directors on the performance of banking institutions.

Design/Methodology/Approach: Board size, gender diversity and Board Independency in banks have been used as independent variables to capture the characteristics of the Board and Return on Assets and Return on Equity have been used as dependent variables. The impact of board structure on financial performance has been tested using balanced panel data for 18 banks for 2015 to 2019.

Findings: As per the study's finding, board independence and Return on Assets have a significant positive relationship, whereas other variables do not significantly impact the study. Furthermore, no relationship was depicted between independent variables and Return on Equity.

Conclusion: Board independence can be considered as a key influencing factor to the financial performance of banking organizations.

Keywords: *Return on Assets, Return on Equity, Board Size, Board Independence*

Digital Banking Adaptation of Customers

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ABSTRACT

Introduction - This research study is carried out to determine the factors affecting Digital Banking adaptation towards the customers in the Sri Lankan context and in order to examine the gap of the expectation of the banks' accepted level of digital banking adaptation and the actual digital banking adaptation.

Design/Methodology/Approach - This study has developed a conceptual framework based on the Technology Acceptance Model (TAM) which illustrates the relationship between selected factors affecting Digital Banking adaptation of customers. Perceived usefulness, perceived ease of use, perceived security were the independent variables whilst the Digital Banking Adaptation was the dependent variable. 196 digital banking users are used to collect data through a structured questionnaire. A multiple regression analysis was used to analyse the collected data.

Findings - The study found a positive relationship of Perceived Usefulness, Perceived Ease of Use and Perceived Security towards Digital Banking Adaptation. Females more tend to use digital banking platforms than men. Level of education and digital banking usage has a positive relationship whilst profession and monthly income does not state a clear relationship. Digital banking was more popular in younger generation than the older.

Conclusion - The final result emphasizes even though the digital banking is popular among the younger generation and mostly in female party still there is a vacuum in banking industry in using digital products due to various reasons. As the further research areas, the reasons for less adaptation for digital banking products could be suggested.

Keywords: *Digital Banking, Perceived Usefulness, Perceived Ease of Use, Perceived Security*

Factors Affecting Internet Banking on Customer Satisfaction: A Case Study Based on a Commercial Bank, Sri Lanka

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ABSTRACT

Introduction - Internet banking is a major role in banking industry and the regulatory body. The purpose of this study is to determine the factors affecting internet banking on customer satisfaction by considering customer awareness, security and privacy, and service quality.

Design/Methodology/Approach - A survey was conducted for data collection through a pre-tested questionnaire distributed a one of Commercial Bank, Head office branch, Sri Lanka. The study follows the Simple random sampling method to collect data, the researcher has distributed 300 questionnaires and 284 responses have been received. Descriptive Statistics, Cronbach's alpha, Test of homogeneity of variance and Multiple Regression were used for data analysis and SPSS has been used as statistical software to analyse the survey data.

Findings – According to the research findings majority of internet banking users belongs to the age group of 18-25 years. And also findings revealed that, customer awareness, security and privacy, and service quality affect internet banking customer satisfaction positively and significantly.

Conclusion - The study fulfils the existing research gap in the area of service quality and other factors which are affecting to the internet banking. This research can help internet banking providers to know internet banking users' opinion and also find the solutions through customers' perspective. These findings will help for future studies relating to internet banking and customer satisfaction.

Keywords: *Internet Banking, Customer Satisfaction, Customer Awareness, Security and Privacy, Service Quality*

Factors Influence in Low Income Level Farmers' perception Towards Micro-Insurance in Sri Lanka; Study Based on North-Western Province

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ABSTRACT

Introduction – The study contributed towards the factors influence on low-income level farmers on micro-insurance in Sri Lanka. Micro Insurance is the provision of insurance to poor and low-income people. Micro Insurance covers numerous risks such as illness, accidental injuries, credits, death, natural disasters (earthquake, drought) and property loss (theft, fire).

Design/Methodology - The study based on a survey model approach; data gathered on primary mode. The information collected through printed questionnaires distribution. The total numbers of farmers in the paddy sector in Galgamuwa area considered as the population, where 250 farmers selected for the sample study with the convenience sampling technique.

Findings - The three variables (accessibility, knowledge and Behaviour of agent) have a positive relationship with farmers' perception toward micro insurance concept in Sri Lanka where agent's ability does not have a positive relationship. Further, there is a positive relationship between the ability to pay and the farmers perception, but there is no significant relationship between them.

Conclusion – The micro insurance concept is an essential significant contribution element in developing countries. That is most successful in several countries, but that is not a positive symptom condition in Sri Lanka. The findings can conclude as the reason for that is the poor knowledge and wrong opinions in the society. According to the presented data sample, the majority is low educated people.

Keywords: *Ability to pay, Accessibility, Behavior, Knowledge, Micro insurance, Perception*

Board of Directors and Insurers Profitability: Evidence from Life Insurance Industry in Sri Lanka

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ABSTRACT

Introduction – This study investigates the relationship of board of directors' indicators and life insurers profitability in Sri Lanka for the period of 2015 to 2018.

Design/ Methodology - The study is based on secondary quantitative data and descriptive statistics, correlation, regression analyse to analysed the data. All life insurance companies (13) in Sri Lanka was the population and sample compromising in 10 companies.

Findings – The board of directors' indicators such as board size, board meeting and board independence has a relationship with ROE and board size and board independence has relationship with ROA and no relationship with board meeting and ROA.

Conclusions – Based on findings of this study board size, board meeting and board independence has a significant relationship with return on equity and board size, board meeting and board independence do not have a significant relationship with return on assets in life insurance companies in Sri Lanka.

Keywords: *board of directors, life insurers, Sri Lanka, ROA, ROE, board size, board meeting, board independence.*

Firm Specific Factors Impact on Company Financial Performance of Life Insurance Companies in Sri Lanka

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ABSTRACT

Introduction - Insurance can be a critical environment in all markets and a key component of the economic system that tackles both individual and structural risks. Insurance companies serve as the bedrock of each country's risk management, guarantee financial stability, act as a vital part of the financial intermediation chain, and offer an outlet for long-term accumulation of resources. The insurance industry also plays a vital role in helping to address risk, helping to get jobs, and providing a market for insurers and financial investment services such as bonds and shares as a source of government tax revenue. Not only does the success of every company play a task in increasing the stock value of that individual company, but it also contributes to the expansion of the whole industry, which eventually results in the economy's overall prosperity.

Design/Methodology/Approach - The impact of business-level characteristics (firm age, leverage ratio, current ratio, ratio (risk)) on insurance performance was discussed during this analysis. A primary measure of the success of the insurance company is employed as a variable in Growth in Written Premium (GWP), whereas age, current ratio, leverage ratio, and loss ratio are independent variables. Over the 2014 to 2019 period, the sample contains 14 life assurance companies.

Findings - Multivariate analysis findings show that the firm age, current ratio, leverage ratio, and the loss ratio of insurers are statistically important and negatively associated with Growth in Written Premium.

Conclusion - The final results of the multivariate analysis indicate that the firm age, current ratio, leverage ratio, and loss ratio of insurers are statistically relevant and negatively linked to Written Premium development.

Keywords: *Financial leverage, Loss ratio, Firm age, Current ratio, Growth in Written Premium*

Impact of Internal Factors Toward the Performance of Motor Insurance Business in Sri Lanka

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ABSTRACT

Introduction - Insurance services is vital and considered as integrated modules in the financial industry. The insurance sector plays an essential role in the service-based economy of Sri Lanka. This paper aims to examine the impact of internal factors on the performance of the Motor Insurance Business in Sri Lanka.

Design/methodology/approach - Financial performance measured through Return on Assets and three independent variables such as Company Size, Solvency Ratio, Company Investment Income. Four Non - life insurance companies from 2011 to 2018 selected and analysed using Eviews. The data gathered from secondary data sources; annual reports of each company.

Findings - Internal factors of Company Size and Company Solvency Ratio have a statistically significant impact on Motor Insurance performance. Company size has not considerable effect on motor insurance performance.

Conclusion - This study investigated the influence of the impact of the determinants of an internal factor on motor insurance business performance in Sri Lanka. These findings will help for future studies relating to Motor Insurance performance in Non - life insurance company.

Keywords: *ROA, Internal factors, Motor Insurance Companies, Motor Insurance Performance, Investment Income, Underwriting Losses*

Determinants of Demand for Life Insurance: Evidence from Colombo District

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ABSTRACT

Introduction – This study investigates the impact of determinants of demand and Demographic Factors On Customer demand on Life Insurance Policies in Colombo District.

Design/Methodology - The study based on a quantitative approach used primary data for the multiple regression model. Entire life insurance policy holders are considered for the population, where 102 of policy holders are used as sample for the study.

Findings - The determinants of demand variables such as Level of education, Income Level, Health factors and demographic factors have positive impact. Urbanization and Dependency ratio has not impact to the customer demand of life insurance.

Conclusion – Based on the finding of this study life insurance companies in Sri Lankan Insurance industry should focus on the Health factors, middle level and high level of income people, high educated peoples to attract the life insurance policy. These three factors have significant relationship with demand on life insurance cover in Colombo district and also demographic factors have relationship with demand on life insurance policies in Colombo district.

Keywords: *Determinants, demographic factors, demand behaviour, life insurance policy, Colombo District.*

Factors Influencing Insurance Awareness on Life Insurance Products Among the Young Undergraduates in Sri Lanka

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ABSTRACT

Introduction – Life Insurance occupies an essential place in the modern world since life risk, which can be assured, has increased in every walk of life. The main challenge that has to overcome in Life Insurance Industry in Sri Lanka is the lack of awareness among the people. Many people buy a Life Insurance policy and let it lapse and point out most of such cases are derived from people not understanding the value of Life insurance policy. Though the customer has the expansive range of Life insurance products to choose from, wise choices are possible only with requisite awareness within the easy reach in the market. This study aims to identify the factors influencing insurance awareness on Life Insurance products among the young undergraduates in Sri Lanka with particular reference to the undergraduates of University of Kelaniya Sri Lanka.

Design / Methodology – A well-structured questionnaire was used to obtain data to the study. One hundred and sixty (160) respondents were selected through stratified random sampling method from University of Kelaniya. The dependent variable is Life Insurance Awareness while the independent variables are Study Stream (SS), Distribution Channels (DC) and Social Class (SC).

Findings – The findings are revealed that the influence of Study Stream (SS), Distribution Channels (DC), Social Class (SC) to the Life Insurance Awareness proved statistically significant.

Conclusions – Many countries are struggling to improve the insurance system's functioning to enable the financial system. The creation of awareness generation at the university level will benefit the financial system of the country.

Keywords: *Life Insurance Awareness, Study Stream, Distribution Channels, Social Class*

Impact of Promotion Mix and Demographic Factors on Customer Buying Behaviour on Life Insurance Policies in Galle District

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ABSTRACT

Introduction – This study investigates the impact of Promotion Mix and Demographic Factors On Customer Buying Behavior On Life Insurance Policies in Galle District.

Design/Methodology - The study based on a quantitative approach used primary data for the simple linear regression model. Entire life insurance policy holders are considered for the population, where 100 of policy holders are used as sample for the study.

Findings - The promotion mix variables such as advertising, personal selling, sales promotion, direct selling has positive impact and demographic factors such as gender, age, level of education and monthly income has not impact to the customer buying behavior.

Conclusion – Based on the finding of this study promotion mix, life insurance companies in Sri Lankan Insurance industry should focus on the sales promotion, advertising, personal selling and direct selling of promotion mix. These four factors have significant relationship with customer purchase intention on life insurance services in Galle district and also demographic factors has not any relationship with customer purchase intention on life insurance services in Galle district.

Keywords: *Promotion mix, demographic factors, buying behaviour, life insurance policy, Galle District.*

The Determinants of Performance of the Listed Insurance Companies in Sri Lanka

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ABSTRACT

Introduction - Insurance services is an integrated with the financial industry and services. The insurance sector plays a vital role in the service-based economy of Sri Lanka. This paper aims to examine the determinants of the performance of the listed insurance companies in Sri Lanka.

Design/methodology/approach - Financial performance measured through Return on Assets and six independent variables such as Capital Adequacy, Size, Leverage, Liquidity, Economic Growth and Inflation used for this study. Ten listed insurance companies in Colombo Stock Exchange (CSE) from 2010 to 2019 selected for the study and analysed using Eviews. Annual reports of each company provided secondary data for the study.

Findings – Internal factors of size, liquidity and leverage have a statistically significant impact on insurance company performance. Among them, size and leverage are negatively affect for ROA, while liquidity has a positive effect on ROA. Capital adequacy is negative and insignificant concerning performance under ROA. Further, the macroeconomic variable of inflation is significantly and positively impact performance ROA. The coefficient of the economic growth rate is positive but insignificant, with ROA as a proxy for the performance of insurance companies.

Conclusion – The firm-specific variables and macroeconomics variables provides a better understanding of the implication and mechanisms that determine the performance of insurance companies in Sri Lanka.

Keywords: *ROA, Internal variables, Macroeconomics, Insurance Companies, CSE*

The Impact of Internal Factors on Financial Performance: An Empirical Study in Life Insurance Industry in Sri Lanka

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ABSTRACT

Introduction - Insurance services are now being integrated into wider financial industry and the insurance sector plays an important role in service-based economy of Sri Lanka. The purpose of this paper is to examine The impact of internal factors on financial performance an empirical study in life insurance industry in Sri Lanka. The business world without insurance is unsustainable since risky business may not have the capacity to retain all kinds of risks in this ever-changing and uncertain global economy.

Design/methodology/approach - Financial performance is measured through Return on Assets and four independent variables such as Age, Size, Leverage and Liquidity used for this study. Data for 10 life insurance companies 2015 to 2018 is analysed using Eviews. Required secondary data gathered though the Annual reports of each company.

Findings - Internal factors of Age, Size, Leverage and Liquidity have a statistically significant impact on company performance. Among them, Age and liquidity have positive effect on ROA, while Firm size and Leverage have negative effect on ROA.

Conclusion- By considering firm specific variables, this study provides some interesting new insights for a better understanding of the mechanisms that the impact of internal factors on financial performance an empirical study in life insurance industry in Sri Lanka. These findings will help for future studies relating to financial performance in life insurance company.

Keywords: *ROA, Internal factors, Insurance Companies, Financial Performance*

Factors Influencing Life Insurance Consumption in Western Province, Sri Lanka

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ABSTRACT

Introduction – Insurance service play a major role in the business society. Whilst life insurance companies play a major role in the insurance market in Sri Lanka. Therefore, it is important to determine the factors influencing life insurance consumption in Sri Lanka. The main objective of this research is to study, determine the factors that influence life insurance consumption in Western province, Sri Lanka. Sub objectives are the find out the relationship between income, level of education, age, gender & no of dependent with life insurance consumption.

Design/Methodology/Approach - A Survey was conducted for data collection through a structured questionnaire distributed to 203 life insurance policy holders from the western province Sri Lanka. The study follows the convenient sampling method to collect data. The analysis used in the study are descriptive analysis, correlation analysis, multiple regression analysis based on the hypotheses testing.

Findings - The study found strong positive relationship of No of dependence with life insurance consumption.

Conclusion - The study found strong positive relationship of No of dependence with life insurance consumption

Keywords: *questionnaire, life insurance consumption, No of dependence*

Factors Affecting on Selecting a Life Insurance Policy (Special Reference to Gampaha District)

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ABSTRACT

Introduction - Life insurance is a very important function to protect a family member as well as to provide financial security for individuals. In Sri Lanka it shows a lower level of life insurance penetration rate when compare with other developing countries although there is small increment. So, it is very important to identify exactly influencing factors towards selection of life insurance policy to encourage this lower level of life insurance penetration rate.

Design/Methodology/Approach - A multiple regression analysis was applied to find out impact of each variable on selection of life insurance. Results indicate that the income level, knowledge, risk attitudes, income protection and social influence effect on selection of life insurance policy.

Findings - The researcher identified that insurance policy creation without having clear view about factors that affect for customers' decision on selecting life insurance policy are the major reason for that. By reviewing the literature, the researcher identified that income level, knowledge, risk attitudes, income protection and social influence are some of the most important factors which impacts on selection of life insurance policy. This study aims to find out whether each variables of income level, knowledge, risk attitudes, income protection and social influence effect on selection of life insurance policy. Population of the study was life insurance policy holders in Gampaha District. Data were collected through survey method and personally distributed questionnaires among 14 life insurance companies' policy holders.

Conclusion - This study is providing practical recommendations to insurer on understand customer decision when designing their insurance policy strategies regarding life insurance.

Keywords: *Income Level, Income Protection, Knowledge, Risk Attitudes, Selection of life insurance, Social*

Impact of Job Attitudes on Turnover Intention in XYZ Insurance Company

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ABSTRACT

Introduction - In present competitive world, organizational Turnover has become a great challenge to any organization and in literature has been also illustrated this issue as well as employee Turnover has been developed as a painful challenge in any industry. Especially the insurance industry due to the rapid competition, organizations try to minimize the Turnover to save the cost. Job-related attitudes are one of the most important factors that determine employee Turnover Intention. Based on that, this study investigates the Impact of Job Satisfaction, Organizational Commitment, and Job Involvement on employee Turnover Intention in the XYZ insurance company.

Design/methodology/approach – As a quantitative research approach, the data was collected via a structured questionnaire survey from XYZ insurance company. The sample was selected using the random sampling technique and it consisted of low and middle-level 156 employees. The study used multiple linear regression method to test the hypothesized relationships between the constructs.

Findings – Through the findings of the study, it is indicated that Job Satisfaction, Organizational Commitment and Job Involvement has a significant negative effect on Turnover Intention.

Conclusion – Organizations can acquire advantages of dropping Turnover Intention and absenteeism by developing a dedicated workforce using findings of this study. Finally, suggestions are given to enhance the current positive job-related attitudes and increase employee retention in the Organizations.

Keywords: *Job Satisfaction, Organizational Commitment, Job Involvement, and Turnover Intention.*

Factors Influence on Low Life Insurance Policy Demand in Sri Lanka

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ABSTRACT

Introduction – Life insurance contributes to the country by ensuring the economic and financial protection of people. Even though those crucial things have life insurance, Sri Lankan people tend to have a life insurance policy. The purpose of this study is to determine the factors that influence this low life insurance policy demand in Sri Lanka.

Design/Methodology/Approach - A survey conducted for collection of data through a questionnaire distributed to people who lived in Moneragala District. The study follows the convenient sampling method to collect data; the researcher has distributed 260 questionnaires and 250 responses get back. Cronbach's alpha, Multiple Linear Regression and Pearson Correlation used for data analysis, and SPSS used as statistical software to analyse the survey data.

Findings – Survey result shows that the life insurance literacy, trust on life insurance companies, life insurance agent's Behaviour, monthly income levels have a significantly impact life insurance demand. Trust in life insurance companies and life insurance agents' Behaviour shows a negative relationship with life insurance demand and life insurance literacy. Monthly income levels show a positive relationship with life insurance demand.

Conclusion – The study fulfils the research gap of the limited number of studies regarding this research topic. In addition to that study suggest to life insurance companies offer how to overcome this low life insurance policy demand.

Keywords: *Life insurance literacy, life insurance companies, Life insurance agent's behaviour, Moneragala District, Low life insurance*

The Impact of Internal Factors on Financial Performance of Life Insurance Companies in Sri Lanka

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ABSTRACT

Introduction- The performance of the company plays a leading role towards the growth of the industry which ultimately leads to the overall success of the economy. Therefore, Organizational performance has attracted scholarly attention in corporate finance literature over the several decades. Nevertheless, a little attention has been paid for such when it comes to the insurance sector. Thus, the present study attempts to identify the factors determining the profitability of insurance companies operating in Sri Lanka by taking return on asset as dependent variable.

Design/methodology/approach -The sample for this study includes the 10 Life insurance companies in Sri Lanka and it used the data pertaining to five financial years from year 2015. For the purpose of analysing the data, descriptive analysis, correlation analysis and regression analysis were conducted with the aim of testing hypotheses formulated for this research. Therefore, internal factors such as Age of the firm, Size, Liquidity, and leverage were regressed against Return on Assets.

Findings-This study led to the conclusion that profitability of insurance companies in Sri Lanka is positively and significantly influenced by liquidity and Leverage while age and Size of the firm have an insignificant effect on the performance of Life insurers in Sri Lanka.

Conclusion- Finally, the research recommends life insurance companies in Sri Lanka to perform better in terms of their return on assets where, they need to improve the leverages and liquidity to a certain level based on the results of the study.

Keywords: *Life Insurance Companies, Age, size, liquidity, Leverage, Financial Performance*

The Impact of the Performance of Life Insurance Companies on the Growth of Sri Lankan Economy

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ABSTRACT

Introduction - Insurance service and sector is playing a major and important role in an economy and provide significant contribution to the economy through encouraging long term investments, reinvestments of additional funds in public and private sector securities such as corporate and government bonds and debt securities

Design/Methodology - The population of the research comprises of all the life insurance companies in Sri Lanka. The collected data has analysed using panel data analysis model combined of cross-sectional data and time series data.

Findings - The results of the study have revealed that among three factors that was studied, Penetration rate of insurance industry influences greatly on the economic growth of Sri Lanka while Gross Written Premium and Total Assets of insurance companies are not significantly influence on economic growth.

Conclusion - There are more factors effect on life insurance companies; political factors; insurance advisor's behaviour that may differ in diverse extents. Hence, future researchers can be used more factors and identify relationship among those factors and economic growth of Sri Lanka

Keywords: *Gross Written Premium, Total Assets, Penetration Rate, Gross Domestic Product*

Critical Illnesses Coverage Pricing in Health Insurance Products

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ABSTRACT

Introduction - Health insurance is a one of the major solution for the financial issues due to medical needs of peoples in various types. The health issues of the people are very deferent. Because some people have high risky health issues. The study focuses on type of critical illnesses affect in to the people and how to design a customer oriented coverage. Using these critical illnesses, the insurance companies are offer a coverage of "critical illness benefit coverage". This study focus to describe how to pricing critical illness coverage premium. In that coverage usually include 40 types of critical illnesses in most of the insurance companies. It mainly depends on mortality risk and risk behaviour of the various type of critical illnesses in Sri Lanka.

Design/methodology/approach - Mortality data collected by IMMR report (2004-2018) of health ministry of Sri Lanka. All the data adjust from the population of Sri Lanka. After that made calculations and found the relationship among the variables. Insurance companies are usually providing critical illness coverage for all 40 illnesses.

Findings – The study focus and practically implement to how to pricing customer oriented critical illness health coverage for the customer preference and opinion. As per the customer point of view, company had an opportunity to minimize to the customer extra payment for their non-essential coverage and they had an opportunity to design their needed coverage. Otherwise organization point of view, they had an opportunity to their product development for the need of customer.

Conclusion - According to the finding and discussion finally researcher practically implement the objective of the study for the appropriate manner.

Keywords: *Health Insurance, Critical Illness, Mortality Risk*

Determinants of Profitability of Insurance Companies in Sri Lanka

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ABSTRACT

Introduction - Insurance sector in Sri Lanka is now being integrated into wider financial industry. Profitability of the aforesaid industry is key in maximizing its owner`s wealth. A key indicator of insurance companies' profitability is return on assets. The main objective of this study is to identify and compare the determinants of profitability of Insurance Companies in Sri Lanka.

Design/Methodology/Approach - The sample of this study includes top 10 insurance companies including both general and life insurance companies. The sample data covers a period of 5 years. Secondary data obtained from financial statements of individual insurance companies, IRCSL publications and related other journals. Descriptive Statistics, Correlation Analysis, Multiple Linear Regression and panel data analysis are the analysis tools used for data analysis.

Findings - This research provide results found that there is a positive relationship between profitability and the firm's age, volume of capital, loss ratio, economic growth as well as inflation rate. On the other hand, the rest of the explanatory variables shows that there is a negative relationship between profitability.

Conclusion – It is concluded that when the maturity of an insurance company increases in terms of age and volume of capital the profitability of the insurance company increases. Further, when economic growth increases insurance products become more popular among policy holder and it increases the profitability.

Keywords: *profitability, explanatory variables, panel analysis, Life Insurance firms, General Insurance Firms.*

Factors Influence in Low Income Level Farmers' Perception Towards Micro-Insurance in Sri Lanka; With Special Reference to North Western Province

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ABSTRACT

Introduction-The micro insurance concept is an important element in developing countries. Even if this phenomenon is most successful in several countries, micro insurance has less popularity in Sri Lanka due to the poor knowledge and wrong opinions in the society. Low accessibility to credit facilities has been devastating the lower-income level farming business in Sri Lanka. Therefore, the lower-income level farmers in Sri Lanka encounter difficulties as these farmers cannot directly access credit facilities to boom and develop their farm business activities, which has led to agricultural business setbacks in the country. This paper investigated how micro-insurance policy has influenced peace of mind among lower-income farmers in Sri Lanka.

Design/Methodology/Approach - The study used a survey research methodology, with the sample of low income level farmers in North Western province of Sri Lanka as the scope of the study. The data for this study was extracted from the primary sources through good designed, structured questionnaires, using correlation regression analysis to analyse the extracted data. Moreover, this aims to determine the present and future relationship between the variables; Accessibility, Knowledge, Ability to pay, behaviour of agents. and the perception of low income level farmers to micro insurance.

Findings-The findings revealed that using micro insurance as a health risks management tool among lower-income farmers in rural areas.

Conclusion - the study concludes that Micro-insurance can mitigate the vulnerability among the lower-income level farmers in the country.

Keywords: *Ability to pay, Accessibility, behaviour, Knowledge, Micro insurance, Perception*

Market Share and Company Performance: Special Reference to Listed Insurance Companies in Sri Lanka

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ABSTRACT

Introduction - Insurance services are now being integrated into wider financial industry and the insurance sector plays an important role in service-based economy of Sri Lanka. The impact of market - share on profitability subjects for many studies and found that different impacts between these two variables. No significant studies have been conducted in Sri Lanka regarding this topic and relating to the insurance industry. Analyzing the impact of market share on profitability of insurance industry in Sri Lanka is the main objective of this study.

Design/methodology/approach - Two profitability ratios are used to measure the profitability namely Return on Assets (ROA) and Net Profit Margin (NPM). Secondary data is used for studying the impact of market share on profitability. Data is collected from published annual reports of insurance companies during the five year (2013- 2018) period of time. There are 28 listed insurance companies in Sri Lanka and among these companies 17 companies are selected as the sample. Descriptive statistics, correlation analysis and Regression analysis techniques are applied for data analysis.

Findings - The findings of this study indicated that the higher level of market share associates for higher level of performance and lower level of market share associates for the lower level of profitability. Overall result of this study indicated that there is a significant and positive relationship between market share and performance.

Conclusion - This study indicated that the higher level of market share associates for higher level of performance and lower level of market share associates for the lower level of profitability. Overall result of this study indicated that there is a significant and positive relationship between market share and performance.

Keywords: *Market Share, Company Size, Investment, Gross Written premium, Net Profit*

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