



DETERMINANTS OF PROFITABILITY;
SPECIAL REFERENCE TO COMMERCIAL BANKS IN SRI LANKA

***This dissertation is submitted as a partial fulfillment of the degree of Bachelor of Business
Management in Entrepreneurship and Management***

Index Number: UWU/EX/12/0237

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Year 2016

ABSTRACT

This study investigates the factors influencing to the bank profitability in Sri Lanka. The period from January 2011 to December 2015 by covers up a period of 20 Quarters. Over the past few decades, there were declining trend of bank profitability. Even though there were some research on determinant of profitability those research identify contradict findings relevant to this topic. Since, there are less number of researchers had been addressed such issues in Sri Lankan context, this study is conducted to fill that research gap. Aim of this study is identify the significant factors which affect to the bank profitability in Sri Lanka. Multiple regression models were run using four profitability determinant variables namely Capital Adequacy, Asset Quality, Operation Efficiency, Size for each quarter of 10 licensed commercial banks in Sri Lanka. Three variables were used to measure the profitability which was ROA, ROE and NIM. According to the three dependent variables researcher run three regression models to find out the significant factors affecting to the profitability. Research findings were emphasized that the Capital adequacy, Asset Quality and Operation Efficiency have significant impact on bank profitability and all four independent variables were significant with the ROE.

Key words: *bank profitability, capital adequacy, Asset Quality, Operation Efficiency, ROE*