

**THE ASSOCIATION BETWEEN OWNERSHIP STRUTURE AND
FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN
SRI LANKA**



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ABSTRACT



This study investigates the association between ownership structure and financial performance of commercial banks in Sri Lanka for the period 2011-2015. Yearly performance data were extracted from seventeen systematically important banks representing state, domestic private and foreign banking sectors for the study. The focus sample is covered by 70 percent of licensed commercial banks in Sri Lanka. This study follows the framework developed by Central bank of Sri Lanka to set the measure of Ownership Structure.

Descriptive Statistics and One Way ANOVA Test were applied to analyze pooled data in relation to earning ability, asset quality, liquidity and capital adequacy. CAMEL approach is used to analyze the Financial Performance of commercial banks of Sri Lanka according to ownership structures. Dependent variables are highly affected due to the enhancement of independent variable.

Descriptive statistics and ANOVA test indicate that performance of foreign banks are well above other two sectors with respect to all performance aspects whilst domestic private banks' performance is reasonably better than state banks providing strong evidence that ownership has significant influence on bank performance. The empirical results indicate a strong significant relationship among ownership and performance.

These results are of value for policy makers and regulators as these could be used for expansion planning of banking operations and issuing licenses to new banks. Not only that, could be used to assess bank performance and to improve existing conditions further. This study is the only one research in Sri Lanka that used Licensed Commercial Banks as a research population. Therefore, findings of this study can be used for qualitative discussion and requirements of future researchers and academic students.

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