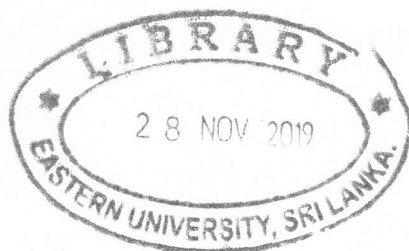


EFFECT OF CAMEL VARIABLES ON BANK'S EFFICIENCY
IN SRI LANKA



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REG NO: EU/IS/2013/COM/96

INDEX NO: COM 1746



A project report submitted to the Faculty of Commerce and Management, Eastern University, Sri Lanka, as a partial fulfillment of the requirement for the Degree of Bachelor of Commerce Honours (BCom Hons)

DEPARTMENT OF COMMERCE
FACULTY OF COMMERCE AND MANAGEMENT
EASTERN UNIVERSITY, SRI LANKA

2019

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Abstract

The main purpose of this study is to identify effect of CAMEL variable on bank's efficiency in Sri Lanka. Hence, this study examines the influence of five dimensions of bank's efficiency, namely capital adequacy, asset quality, management soundness, earning, liquidity on bank's efficiency. Population of the research includes all the banks in the Sri Lanka. Sample includes ten banks based on the data availability. The study is mainly considering the secondary data, the secondary data collected through ten years of annual report from selected ten banks such as Peoples bank, Bank of Ceylon, Commercial Bank and Sampath Bank, National development Bank, Hatton National Bank, Development Finance Corporation of Ceylon, Pan Asia Banking Corporation, Housing Development Finance Corporation bank of Sri Lanka and used univariate, bivariate and multivariate analysis techniques in order to analyze data and find the results of study objectives. Based on the GLS random effect findings of this study revealed that, asset quality and earnings have negative and management soundness, capital adequacy and liquidity have positive impact on bank's efficiency. Further, the earning is highly contributed to determine the bank's efficiency in Sri Lanka.

Keywords: Bank's efficiency, Capital adequacy, Asset quality, Management soundness, Earnings, Liquidity.

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LIST OF ABBREVIATION

- CAMEL – Capital adequacy, Asset quality, Management soundness, Earning, and Liquidity.
- CA – Capital adequacy
- AQ – Asset quality
- MS – Management soundness
- ER – Earning
- LR – Liquidity
- EFF – Efficiency