



FIRM SIZE ON PROFITABILITY: A COMPARATIVE STUDY OF STATE AND PRIVATE COMMERCIAL BANKS IN SRI LANKA

Vijithan Sripathmanathan¹, Priya Muraleetharan²

¹Department of Accounting, University of Jaffna, Sri Lanka

vijithan09@hotmail.com

The banking organizations are moving towards the goal of integrated financial solution in terms of the strong competition and rapid changes on technology in providing services. In developing countries like Sri Lanka, The banking Institutions are the main source of funding for financial needs of the organizations as well as the individuals. The financial sector in Sri Lanka stated their contribution towards the post war development to push Sri Lankans towards Asia's fastest growing economy as a part of their overall economic plans and growth. This Comparative study is evaluating The impact of the firm size on profitability of State and Private Commercial banks in Sri Lanka.

This Comparative study is evaluating the impact of the firm size on profitability of State and Private Commercial banks in Sri Lanka. In this research, researcher taken Bank of Ceylon (BOC) and People's Bank as the State banks and for the Private banks Commercial Bank of Ceylon PLC (CBC) and Hatton National Bank (HNB) with 10 years accounting period: 2004-2013. In this study, Firm Size is represented by three indicators: Natural Logarithm of Gross Income (LLGI), Natural Logarithm of total Assets (LGA) and Natural logarithm of Advances (LGAD). The profitability examined by Operating Profit Ratio (OPR), Net Profit Ratio (NPR), Return on Equity (ROE) and Return on Assets (ROA).

According to the findings there is a significant impact of Firm Size on Profitability of State and Private Banks in Sri Lanka. There is a positive relationship between Firm Size and profitability in the both State and Private Commercial Banks in Sri Lanka

Most of the studies on Firm Size on profitability are with reference to developed economy but fewer are with reference to developing economies like Sri Lanka. In this study researcher used Firm Size, profitability and contribute to the literature by analyzing the impact of Firm Size on Profitability and validating the findings of previous studies.

Keywords: Firm Size, Profitability, Natural logarithm