

# **Bank Specific Factors and Profitability: The Case of Sri Lanka**

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## **Abstract**

The objective of this research paper is to investigate the impact of bank-specific factors on bank's profitability in the Sri Lankan banking sector for the period 2008-2015. In order to achieve this purpose, quarterly data for fifteen licensed commercial banks is used to estimate three independent variables model both by the multiple regression technique. The results indicate that liquidity risk ratio, credit risk ratio and operating cost ratio explain about 88% of the variation in the profitability of Licensed Commercial Banks of Sri Lanka. Further, the results indicate that liquidity risk ratio, credit risk ratio and operating cost ratio are statistically significant and have negative impact on profitability of Licensed Commercial Banks of Sri Lanka. Accordingly, the results stress the profitability of Licensed Commercial Banks of Sri Lanka depend on liquidity risk ratio, credit risk ratio and operating cost.

**Keywords:** Bank Specific Factors, Liquidity Risk, Credit Risk, Operating Cost, Profitability.