

Impact of E-Banking on Financial Performance: A Pre-and Post-Adoption Analysis

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Abstract

The rapid growth of information and communication technologies has transformed global banking, with Electronic Banking (E-Banking) emerging as a critical driver of efficiency, competitiveness, and customer inclusion. In Sri Lanka, commercial banks have adopted online platforms, mobile applications, and Automated Teller Machines (ATMs), yet limited research has quantified their financial impact using a before-and-after perspective. This study aims to evaluate the effect of E-Banking adoption on financial performance indicators – Return on Assets (ROA) and Return on Equity (ROE). Panel data from 12 commercial banks listed on the Colombo Stock Exchange were analysed over a ten-year period (2012–2021), five years before and after E-Banking adoption, using fixed-effects panel regression. Results indicate a statistically significant positive impact (at the 1% level), with online banking users exerting the strongest influence on both ROA and ROE, ATMs showing modest effects, and total assets consistently enhancing profitability. These findings confirm e-banking as a strategic enabler of financial performance, supporting long-term competitiveness and financial inclusion in Sri Lanka. This research extends global evidence to an emerging market context and offers valuable insights for bank managers, policymakers, and researchers engaged in digital transformation.

Keywords: automated teller machines, electronic banking, financial performance, return on assets, return on equity