



# The Impact of Digitalization on the Financial Performance of Banking Sector in Srilanka

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**Abstract:** This study aims to identify the impact of digitalization on the financial performance of the banking sector in Sri Lanka. The target population of this study was 4127 bank employees. The 365 respondents were selected from bank employees who are working as managers, Assistant managers and staff officers. The survey method was used as a research strategy and the questionnaires were used in data collection. The statements of the questionnaire were measured using a five-point Likert scale. Data were collected from five selected commercial Banks namely Bank of Ceylon, Hatton National Bank, People's Bank, Sampath Bank and Commercial Bank. The collected data were analyzed by using descriptive statistics, correlation analysis and regression analysis. The findings show that high level of digitalization and financial performance. There is a significant positive relationship between digitalization and financial performance. There is a significant impact of digitalization on financial performance.

**Keywords:** Financial Performance, Digitalization, Revenue Generation, Profitability, Market Valuation.

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## I. Introduction

During the last decades, with the growth of digitalization, technology adoption by organizations has made major impacts by speeding up processes. Aiming to keep up with the evaluation of technologies and respond to market changes, organizations are adopting to become more productive and cost-efficient (Dixit, 2017). "Digitalization" refers to "a process of moving into digital business" ("Digitalization", 2020). An organization may change its strategy, structure, and behaviour, and eventually. Its performance by making the different elements of the organization work more effectively under the new digital circumstances (Csedo et al., 2017). Among different industries, organizations have recognized the massive challenges that digitalization raises, especially in their business models (Schmidt et al., 2017).

For the banking industry, digital technologies imply meliorating their services to obtain business superiority and to gain competitive advantage (Noess-Schmidt et al., 2019). Digitalization has come into play in the service sector, becoming one of the influential factors affecting the workforce (Poruban, 2018). Digital innovation and advancements in the banking industry have reduced the cost of financial intermediation and paved the way for a digital ecosystem for bank employees to render better service and attract new customers (Forcadell et al., 2020).

In the digitalized era, new forms of management, leadership, strategies, service designs, and working processes are emerging (Udovitu, 2020). While the digitalization process has been going on for some years, the challenges of what sometimes is called the "4th revolution" have not been sufficiently discussed in the literature regarding the workforce (Umans et al., 2018). When rapid changes like digitalization occur the level of uncertainty, either negative or positive rises. Therefore, significant effects are seen on the employee's productivity, commitment, and loyalty (Umans et al., 2018). On one hand, digitalization has proved to contribute to making employee performances more efficient in terms of faster decision-making and lower risk (Umans et al., 2018).

Financial technologies have beyond reasonable doubt affected the financial performance of banks. Banks have been forced to use financial technologies to increase their efficiency and effectiveness. This is done through mobile money transfers and lending, the internet of Things and agency banking. Banks have been able to process customer requests, and information leading to a reduction of queues in the bank, reduction of staff costs and idle time. Mobile banking applications and Internet banking platforms, have been enabled by financial technologies and have encouraged the efficiency of banking transactions across the globe (Coad & Rao, 2018). This means the customer can transact remotely without necessarily visiting the bank. There has since been a financial technology revolution in the banking sector which has affected performance in a great way. Among

the major objectives of the banks, is to make a profit. Financial performance is key in banks as it shows a bank's ability to generate income through its fixed assets. This then shows the efficiency of the bank in using assets to generate income. Return on asset ratio also shows how the bank management can generate income by utilizing available assets (Khravish, 2011).

The digital revolution promises extraordinary gains in the productivity of the banking industry; dramatic improvements in the quality of customer experience; and a fundamental shift in the nature and intensity of competition. Both public and private sector banks have been investing heavily in the technology of the future to stay relevant in a digitally connected world. In Sri Lanka digitalization of financial transactions originated in the 1980s as banks started introducing computerized methods for their day-to-day operations. Then a transformation of banking activities from manual processing to digitalization took place. This digitalization process has been extended to offer better quality service for customers with increased convenience by utilizing easy-to-use mechanisms as a result in Sri Lanka, today we are using credit cards debit cards, internet banking, mobile banking and mobile phone-based-money systems for our transactions.

### **Digitalization of Banking System**

Banks are not simply a section of our lives; however, have a major role in our daily lives. For many, the day won't finish while not a minimum of one money dealings. Therefore, banks perpetually try and adopt the latest technologies to reinforce client expertise. Digitalization is not an associated choice for the banking system, rather it's inevitable as a result of each business being digitalized and the banking sector is not an exception. Mobile banking is increasing at a quick pace over online banking. The technological advances and digitalization, the collaboration between banks and customers has likewise been improved and this has made better approaches to transactions. This quick change can be found in the banking sector, where digitalization has given banks more innovative ways for reaching out to potential clients and in the meantime, this has helped them to enhance their services. Digitalization in the banking sector has brought about internet banking and mobile banking which has turned into the single greatest channel right now for reaching customers and for customers to be able to deal with their banking errands themselves (Deutsche Bank, 2016).

The digitalization change has been around for a considerable length of time, but in recent times, its effect and the speed of change appear to be exceptional. Digitalization has changed the financial sector and it is working conditions. Although it is important to say that financial services have been automated for quite a long time, a more extreme change could be said to be delayed as a result of most financial organizations trying to maintain their traditional financial mode of services IFC (2016). Every manager who plays a role in reaching, selecting or implementing enterprise technology needs to have a firm grasp on the basics of emerging technologies, as well as how they serve a larger business purpose to ensure that technology is being used to the company's best strategic advantage. Enhancement of performance can be viewed and measured from the point of view of the employees and the point of view of organizational productivity.

### **Financial Performance**

Any given firm has four measures of performance, these include customer-originated performance, organizational effectiveness, human resource performance and financial performance. Financial performance is defined as one of the mechanical measures to determine if a firm is making a profit (Farlex Financial Dictionary, 2012). It is also defined as a measurement of how well an organization is generating value for its stakeholders. This is through analysis of the combination of financial ratios of the banks in the banking industry (Ahmad & Hasan, 2007). Financial performance is the process of evaluating the operating and financial characteristics of an organization from its financial statements to determine the performance and efficiency of the organization's management regarding its financial reports and records Amalend (2012).

Financial performance is measured through analysis of financial ratios. These ratios include profit after tax, turn on equity, turn on asset, earning per share as well as any other market valuation used. Profit after tax has in the past been widely used to measure the financial performance of the banking industry. Other ratios that have been used are financial interrelation ratio, total loans to total deposits, bank portfolio competition, per capita Gross Domestic Product, customer satisfaction and market size (Athanasoglou et al 2008). The financial performance of banks is usually expressed in terms of external determinants which include the legal and economic environment in which the banks operate and internal factors which are derived from the statement of financial position and statement of comprehensive income.

### **Problem Statement**

In Sri Lanka Digitalization of financial transactions originated in the 1980s as banks started introducing computerized methods for their day-to-day operations. Then a transformation of banking activities from manual processing to digitalization took place. The Central Banks have taken several meaningful steps to promote digital transactions. The central bank has already picked 2020 as the year of digital transactions to promote the

use of digital platforms for payments and settlements. Though there are 23 million debit cards issued only around 15% of them are been used to make payments. According to Ruchin “people across functions coming together to proactively adopt and implement digital solutions “. If done judiciously digitalization could accrue several benefits to banks ranging from superior customer experience and increased profitability to growing market size. In an attempt to automate and digitalize the banking industry. The Sri Lankan Central Bank formed Lankapay which has introduced several digital interventions including justpay, an online payment platform. Since then, banks have started launching their apps focused on payments and wallets to provide seamless customer experience such as the HNB SOLO app. Digitalization offers multiple benefits. It can help grow the lending book and have a positive impact on deposits, digitalization brings efficiency in operations and improves employee throughput, thereby reducing costs by as much as 20-40%. However, through digitalization, banks will be able to diversify their earnings by increasing emphasis on free income and transaction banking products. This will lead to higher customer satisfaction, business growth and improved profitability. Within the bank context, digitalization is contributing to more efficient and fast processes.

The cost of financial services has been lowered; with customer mobility growing the accessibility to information has also grown; as the banks open up, customers have easier access to services on the same platform. At the same time, by moving from the traditional banking scenario and offering third-party services such as online payments, the competition between banks has intensified (Naess-Schmidt et al, 2019). The digital era has stimulated a complete transformation of the financial sector (Forcadell et al., 2020). The relationship between digitalization and banks is mostly complementary, with banks investing heavily in financial technology infrastructure. The digitalization of banking services is likely to lead to an increase in non-physical distribution channels of banking services (Global Financial Report, 2017/2018).

There are most of the studies have been carried out on the “Impact of digitalization on the bank performance “In the Sri Lanka context there is a lack of research on the “Impact of digitalization on the financial performance of the banking sector. Therefore, to address this knowledge gap currently focus on the impact of digitalization of the banking sector on financial performance. In this context, the research problem of this study is identified as “How Does digitalization of the banking sector impact financial performance in Sri Lanka”?

## II. Methodology

It maps out the actions required in the course of the study given her previous knowledge of other researchers’ points of view and his observations on the subject of the research. In other words, the conceptual framework is the researcher’s understanding of how the particular variables in his study interact with each other. Thus, it identifies the variables required in the research investigation. It is the researcher’s map in pursuing the investigation (Regoniell, 2015).

Based on the literature review the following conceptual framework was developed. Figure 1 shows the conceptualization framework to determine the relationship between digitalization and performance.

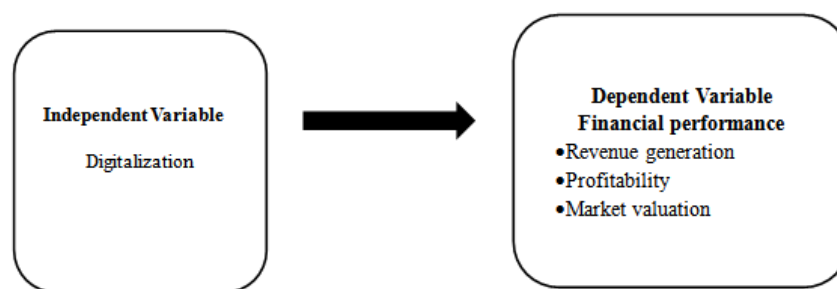


Figure 1 Conceptual Framework

### Financial Performance

Another key factor which this study highlights is the “Financial performance” of banks. (Ongore, 2013) stated that the financial performance of commercial banks will generate critical implications on the economic growth of a country and shareholders will be rewarded by better financial performance for their investment and further encourage additional investments on the other hand research indicated that poor financial performance will always direct towards a failure of the banking system which could lead to a crisis to harm economic growth.

### Profitability

Profit is the ultimate goal of commercial banks. All the strategies designed and activities performed thereof are meant to realize this grant objective. However, this does not mean that commercial banks have no other goals. However, the intention of this study is related to the first objective, profitability. To measure the

profitability of commercial banks there are a variety of ratios used of which Return on Assets, Return on Equity and Net interest margin are the major ones (Alexandru et al.,2008).

### Market Valuation

Market capitalization represents the market value of the firm. Different studies have been conducted to explore the impact of profitability on the market capitalization of the firm and found a significant positive impact (Kimani, 2009). It's calculated through the market value of the outstanding shares and the data is collected through the data stream database.

### Revenue Generation

The main operations and sources of revenue for banks are their loan and deposit operations. Customers deposit money at the bank for which they receive a relatively small amount of interest. The bank then lends funds out at a much higher rate, profiting from the difference in interest rates. Revenue is the gross inflow of cash, receivable or other considerations arising in the course of the ordinary activities of a firm.

### Digitalization

Digitalization (i.e., the process of converting analogue data into digital data sets) is the framework for digitalization, which is defined as the exploitation of digital opportunities. Digitalization employing combining different technologies (e.g., cloud technologies, sensors, big data, 3D printing) opens unforeseen possibilities and offers the potential to create radically new products, services and IBM.

### Population and Sample

The population of this study is 4127 bank employees of five banks (HNB Bank -700, BOC Bank -950, People's Bank -927, Sambath Bank -650, and Commercial Bank -900) in Sri Lanka. The sample has been taken from Bank employees (there are 5 Banks) based on the total number of populations. A sample size calculating equation (95% confidence interval) is used in this study. sample size 365 has been obtained for this study.

## III. Data Analysis

### Analysis of Reliability and Validity

The result of Cronbach's alpha test is shown in Table 1 which suggests that the internal reliability of each instrument was satisfactory. All the Cronbach  $\alpha$  values above 0.7 indicate an acceptable internal consistency of the scale (Sekaran and Bougie, 2016).

**Table 1: Reliability Analysis for Overall Variables**

Variable	Cronbach's Alpha Value	No. of Items
Digitalization	0.933	09
Financial Performance	0.804	06

(Source: Survey Data)

### Univariate Analysis

In this study, the mean was used to measure the central tendency while dispersion was described by using standard deviation. This study used univariate analysis to evaluate the collected data to find out the results regarding the objectives mentioned.

**Table 2: Level of Digitalization**

Indicators	Mean	Standard Deviation	Decision
Digital Technologies	3.66	.844	High
Digital Channels	3.87	.914	High
Customer service	3.94	.985	High
Operational process	3.88	.855	High
Core Process	3.90	.903	High
Customer Information	3.93	.904	High
Operational Decision	3.87	.910	High
Added -Value	3.89	.917	High
New Business Model	3.72	.779	High
Digitalization	3.852	.720	High

(Source: Survey Data)

According to Table 2, the mean value for digitalization is 3.8529, which states that digitalization has a high level on their financial performance.

**Table 3: Level of Financial Performance**

Indicators	Mean	Standard Deviation	Decision
Revenue Per Employee	3.70	.842	High
Fixed Assets Turnover	3.66	.823	High
Return on Sales	3.74	.841	High
Return on Investment	3.68	.902	High
General Profitability	3.77	.895	High
Market Capitalization	3.88	.788	High
Financial Performance	3.739	.604	High

(Source: Survey Data)

According to Table 3, the mean value for financial performance is 3.739, it states that financial performance for banking sectors has a high level on their financial performance. The table shows only more than the moderate level.

### Bivariate Analysis

#### Pearson's Correlation Analysis

Table 4, specifies the results of Pearson correlation between digitalization and financial performance. The significance at 0.01 levels is 0.000, and the Pearson Correlation is 0.808. There is found as a strong positive linear relationship between digitalization and financial performance. Based on the evidence it is concluded that digitalization is positively affected on financial performance.

When the results derived for the overall correlation, the results indicate that strength of the association between digitalization and financial performance, there is a strong positive relationship between digitalization and financial performance that is provided by ( $r=0.808$ ), and this relationship is statistically significant because ( $p < 0.05$ ). Therefore, digitalization has positive effects on financial performance.

**Table 4: The Correlation Coefficient between Independent Variable and Dependent Variable**

Correlations			
		Digitalization	Fin_Performance
Digitalization	Pearson Correlation	1	.808**
	Sig. (2-tailed)		.000
	N	333	333
Fin_Performance	Pearson Correlation	.808**	1
	Sig. (2-tailed)	.000	
	N	333	333

(Source: Survey Data)

#### Relationship between Digitalization and Revenue Generation

Table 5, specifies the results of Pearson's correlation between digitalization and revenue generation. The significance is at 0.01 levels (2-tailed) is 0.000, and Pearson Correlation ( $r$ ) is 0.510. There is found as a moderate positive linear relationship between digitalization and revenue generation. Based on the evidence it is concluded that digitalization is positively affected by revenue generation.

**Table 5: The Correlation Coefficient between Digitalization and Revenue Generation**

Correlations			
		Digitalization	Revenue_Gen
Digitalization	Pearson Correlation	1	.510**
	Sig. (2-tailed)		.000
	N	333	333
Revenue_Gen	Pearson Correlation	.510**	1
	Sig. (2-tailed)	.000	
	N	333	333

(Source: Survey Data)

### Relationship between Digitalization and Profitability

Table 6, specifies the results of Pearson's correlation between digitalization and profitability. The significance is at 0.01 levels (2-tailed) is 0.000, and Pearson Correlation (r) is 0.776. There is found as a strong positive linear relationship between digitalization and profitability. Based on the evidence it is concluded that digitalization is positively affected by profitability.

**Table 6: The Correlation Coefficient between Digitalization and Profitability**

Correlations		Digitalization	Profitability
Digitalization	Pearson Correlation	1	.776**
	Sig. (2-tailed)		.000
	N	333	333
Profitability	Pearson Correlation	.776**	1
	Sig. (2-tailed)	.000	
	N	333	333

(Source: Survey Data)

### Relationship between Digitalization and Market Valuation

Table 7, specifies the results of Pearson's correlation between digitalization and market valuation. The significance at 0.01 levels is 0.000, and the Pearson Correlation is 0.672. It is found as a moderate positive linear relationship between digitalization and market valuation. Based on the evidence it is concluded that digitalization is positively affected by market valuation.

**Table 7: The Correlation Coefficient between Digitalization and Market Valuation**

Correlations		Digitalization	Market_Valuation
Digitalization	Pearson Correlation	1	.672**
	Sig. (2-tailed)		.000
	N	333	333
Market_Valuation	Pearson Correlation	.672**	1
	Sig. (2-tailed)	.000	
	N	333	333

(Source: Survey Data)

### Simple Linear Regression Analysis

This analysis method is used to assess the degree of impact of digitalization on the financial performance of the banking sector in Sri Lanka.

**Table 8: Model Summary Table of Simple liner Regression analysis for Financial Performance**

Model Summary				
Model	R*	R Square	Adjusted Square	Std. Error of the Estimate
1	.808a	.652	.651	.35647

a. Predictors: (Constant), Digitalization1

(Source: Survey Data)

According to Table 8, the score of  $R^2$  indicates that digitalization explains approximately 65.2% of the variance in financial performance. The "R Square" statistic indicates that 65.2% is explained by digitalization. The "adjusted R Square" 65.1% indicates that it is an adjustment of the R-squared that penalizes the addition of extraneous predictors to the model.

**Table 9: Coefficient of Simple Linear Regression of Digitalization Based on Critical Factors**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients	Standardized Coefficients		t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.131	.107		10.614	.000
	Digitalization	.677	.027	.808	24.915	.000

a. Dependent Variable: Fin\_Per

(Source: Survey data)

According to Table 9, the unstandardized constant statistic of 1.131 units shows that the model would predict if all of the independent variables were zero. The significant value of digitalization is 0.000 which is less than 0.05 and the value of digitalization is 0.000 which means digitalization has a positive and significant impact on financial performance.

The following regression equation proves this aspect,

$$Y = \beta_0 + \beta_1 X_1 + e$$

Y = Financial Performance

X<sub>1</sub> = Digitalization

e = Error

Therefore,

$$\text{Financial Performance} = 1.131 + 0.677 \text{digitalization} + e$$

#### Impact of Digitalization on Revenue Generation

**Table 10: Model Summary Table of Simple linear Regression analysis for Revenue Generation**

Model Summary				
Model	R <sup>*</sup>	R Square	Adjusted Square	Std. Error of the Estimate
1	.510a	.260	.258	.52485

a. Predictors: (Constant), Digitalization1

(Source: Survey data)

According to Table 10, the score of R<sup>2</sup> indicates that digitalization explains approximately 26% of the variance in Revenue Generation. The “R Square” statistic indicates that 26% of the variation in revenue generation is explained by digitalization. The “adjusted R Square” 25.8% indicates that it is an adjustment of the R-squared that penalizes the addition of extraneous predictors to the model.

**Table 11: Coefficient of Simple Linear Regression of Digitalization Based on Critical Factors**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.018	.157		12.869	.000
	Digitalization	.432	.040	.510	10.791	.000

a. Dependent Variable: Revenue\_Gen

(Source: Survey data)

According to Table 11, the unstandardized constant statistic of 2.018 units shows that the model would predict if all of the independent variables were zero. The significant value of digitalization is 0.000 which is less than 0.05 and the value of digitalization is 0.000 which means digitalization has a positive and significant impact on financial performance.

The following regression equation proves this aspect,

$$Y = \beta_0 + \beta_1 X_1 + e$$

Y = Revenue Generation

X<sub>1</sub> = Digitalization

e = Error

Therefore,

$$\text{Revenue Generation} = 2.018 + 0.432 \text{digitalization} + e$$

#### Impact of Digitalization on Profitability

**Table 12: Model Summary Table of Simple liner Regression analysis for Revenue Generation**

Model Summary				
Model	R*	R Square	Adjusted Square	Std. Error of the Estimate
1	.776a	.603	.602	.48057
a. Predictors: (Constant), Digitalization1				

(Source: Survey data)

According to Table 12, the score of R<sup>2</sup> indicates that digitalization explains approximately 60.3% of the variance in Revenue Generation. The “R Square” statistic indicates that 60.3% of the variation in profitability is explained by digitalization. The “adjusted R Square” 60.2% indicates that it is an adjustment of the R-squared that penalizes the addition of extraneous predictors to the model.

**Table 13: Coefficient of Simple Linear Regression of Digitalization Based on Critical Factors**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.568	.144		3.954	.000
	Digitalization	.821	.037	.776	22.415	.000
a. Dependent Variable: Profitability						

(Source: Survey data)

According to Table13, the unstandardized constant statistic of 0.568 units shows that the model would predict if all of the independent variables were zero. The significant value of digitalization is 0.000 which is less than 0.05 and be value of digitalization is 0.000 which means digitalization has a positive and significant impact on financial performance.

The following regression equation proves this aspect,

$$Y = \beta_0 + \beta_1 X_1 + e$$

Y = Profitability

X<sub>1</sub> = Digitalization

e = Error

Therefore,

$$\text{Profitability} = 0.568 + 0.821 \text{digitalization} + e$$

#### Impact of Digitalization on Market Valuation

**Table 14: Model Summary Table of Simple liner Regression analysis for Market Valuation**

Model Summary				
Model	R*	R Square	Adjusted Square	Std. Error of the Estimate
1	.672a	.452	.450	.58407
a. Predictors: (Constant), Digitalization1				

(Source: Survey data)



According to Table 14, the score of  $R^2$  indicates that digitalization explains approximately 45.2% of the variance in Revenue Generation. The “R Square” statistic indicates that 45.2% of the variation in profitability is explained by digitalization. The “adjusted R Square” 45% indicates that it is an adjustment of the R-squared that penalizes the addition of extraneous predictors to the model.

**Table 15: Coefficient of Simple Linear Regression of Digitalization Based on Critical Factors**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.044	.175		5.981	.000
	Digitalization	.735	.045	.672	16.514	.000

a. Dependent Variable: Market\_Valuation

(Source: Survey data)

According to Table 15, the unstandardized constant statistic of 1.044 units shows that the model would predict if all of the independent variables were zero. The significant value of digitalization is 0.000 which is less than 0.05 and the value of digitalization is 0.000 which means digitalization has a positive and significant impact on financial performance.

The following regression equation proves this aspect,

$$Y = \beta_0 + \beta_1 X_1 + e$$

Y = Market Valuation

X<sub>1</sub> = Digitalization

e = Error

Therefore,

$$\text{Market Valuation} = 1.044 + 0.735 \text{digitalization} + e$$

### Testing Hypotheses

The hypothesis testing can be tested from simple linear regression. As per that, there are three types of hypotheses evaluated and tested. The output of each hypothesis test has a Sig. value which measures the probability of such results occurring by random chance. When the p-value is large (i.e., greater than 5%), we consider the result something that can easily happen by chance, while a small p-value (i.e., less than 5%) gives us reason to doubt our hypothesis. The overall hypothesis of this study is as follows,

H<sub>0</sub>: Digitalization is not significantly impact on Financial Performance.

H<sub>1</sub>: Digitalization is significantly impact on Financial Performance.

The results of simple linear regression analysis, according to Table 9, the sig value of digitalization is expressed as 0.000, and it is less than 0.05 ( $p < 0.05$ ). There is enough evidence to reject null hypotheses (H<sub>0</sub>). Therefore, it can be concluded that there is a significant impact of digitalization on financial performance.

### Hypothesis one

H<sub>0</sub>: Digitalization is not significantly impact on revenue generation

H<sub>1</sub>: Digitalization significantly impact on revenue generation

The results of simple linear regression analysis, according to Table 11, sig value of digitalization expressed as 0.000, and it is less than 0.05 ( $p < 0.05$ ). There is enough evidence to reject null hypotheses (H<sub>0</sub>). Therefore, it can be concluded that there is a significant impact of digitalization on revenue generation.

### Hypothesis two

H<sub>0</sub>: Digitalization is not significantly impact on profitability

H<sub>1</sub>: Digitalization is significantly impact on profitability.

The results of simple linear regression analysis, according to Table 13, the sig value of digitalization expressed as 0.000, and it is less than 0.05 ( $p < 0.05$ ). There is enough evidence to reject null hypotheses (H<sub>0</sub>). Therefore, it can be concluded that there is a significant impact of digitalization on profitability

### Hypothesis three

H<sub>0</sub>: Digitalization is significantly impact on market valuation.

H<sub>1</sub>: Digitalization is significantly impact on market valuation

The results of simple linear regression analysis, according to Table 15, the sig value of digitalization is expressed as 0.000, and it is less than 0.05 ( $p < 0.05$ ). There is enough evidence to reject null hypotheses ( $H_0$ ). Therefore, it can be concluded that there is a significant impact of digitalization on market valuation.

#### **IV. Recommendations**

The findings of this study recommend that banks should invest in digitalization. The banks should outline a strategy on how they can channel funds toward technological advancements as this will increase their operational efficiencies.

Commercial banks can improve their financial performance by improving their digital technology. This is because the study found that digitalization positively correlated with financial performance. The effect of digitalization was also significant meaning that improving digitalization leads to an increase in financial performance.

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