

IMPACT OF CREDIT RISK MANAGEMENT ON FINANCIAL PERFORMANCE OF LISTED BANKS AND DIVERSIFIED FINANCIAL COMPANIES IN SRI LANKA

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The study aimed to examine the impact of credit risk management on financial performance of listed banks and Diversified financials companies in Sri Lanka. The data collected from the period of 2016 – 2020 from annual reports of the listed companies under banking and financing sector. Capital adequacy ratio, liquidity ratio, cost income ratio and non-performing ratio are considered as independent variables of the study and return on assets, return on equity are used to measure the financial performance of the companies. Descriptive statistics, correlation analysis, regression analysis and multicollinearity analysis were carried out as research techniques in the study. Based on the multiple regression results, the impact of credit risk management on financial performance of the banks and diversified financials companies are derived and the results indicated that there is a significant impact of credit risk management on financial performance of listed bank financing and leasing companies in Sri Lanka. Further the study recommends to the banks, finance and leasing firms should close monitor to how Basel III requirements are met.

Keywords: *Capital Adequacy Ratios; Credit Risk Management; Financial Performance; Non-performing Loans; Return on Assets*
