

## **Impact of Global Financial Crisis on Banking Sector Performance in Sri Lanka**

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Financial crisis is a situation in which the supply of money is outpaced by the demand for money. This means liquidity is quickly evaporated because available money is withdrawn from banks. The purpose of this study is to investigate impacts of global financial crisis on banking sector performance in Sri Lanka. It is based on the two objectives which were to assess relationship between financial crisis and bank performance and to examine impacts of Capital Adequacy, Assets Quality, Management Quality, Earnings and Liquidity on bank performance. Data was collected through the annual reports of selected commercial banks from 2007 to 2015. A descriptive statistics, correlation analysis and multiple regression analysis were used to investigate relationship between Capital Adequacy Ratio, Gross Non Performing Advances Ratio, Interest Coverage Ratio, Return on Equity and Liquid Assets Ratio with the Bank performance. The findings indicate that Capital Adequacy Ratio, Gross Non Performing Advances Ratio, Interest Coverage Ratio, Return on Equity had a significant relationship with bank performance. But Liquid Assets Ratio had a no significant relationship with bank performance. Thus the study concludes that global financial crisis significantly influenced on the bank performance. Final outcome of this research is adding knowledge to bank entities to get an idea about how they can preserve their performance within crisis period.

**Keywords:** Financial crisis, Asset quality, Capital adequacy, Liquidity, Bank performance