

# **Impact of Firm Characteristics and Macroeconomic Variables on Liquidity Risk of Listed Commercial Banks in Sri Lanka**

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## **ABSTRACT**

**Introduction:** In this study, researcher make an effort to identify the nature of the impact of firm characteristics and macroeconomic variables on liquidity risk of banking sector in Sri Lanka by using 9 listed commercial banks.

**Design/Methodology/Approach:** The study is a basic research and it aims to conduct a quantitative research by using deductive approach and designed on casual research by empirically testing the impact of 9 independent variables on liquidity risk of listed commercial banks in Sri Lanka and used Random-Effect Panel data Regression method to analyze the data.

**Findings:** Leverage, Net Interest Margin, Bank Size, Interest Rate and Exchange Rate show a significant impact on Liquidity Risk of Listed commercial banks in Sri Lankan context and at the same time; Capital Adequacy Ratio, Non-Performing Loans, Return on Assets, and Inflation show an insignificant impact.

**Conclusion:** Findings of this paper will help banks' managers to reduce liquidity risk and keep their banks at a better liquidity position.

**Keywords:** *Liquidity Risk, Firm characteristics, Macroeconomic Factors*