

## Impact of Liquidity Risk Management on Financial Performance of Listed Commercial Banks in Sri Lanka

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### Abstract

**Introduction:** Commercial banks make a major and active contribution to a country's economic prosperity. The licensed commercial banks (LCBs), licensed specialized banks (LSBs), contractual savings institutions, and other financial institutions make up Sri Lanka's financial system.

**Methodology:** This study illustrates the impact of liquidity risk on the financial performance of listed commercial banks in Sri Lanka that are registered in the Colombo Stock Exchange by analyzing secondary panel data of ten systemically essential banks in the Sri Lankan financial system, considering the sample period from 2013 to 2022. This study examines 10 domestic commercial banks in Sri Lanka. The liquidity risk is the independent variable, whereas the financial performance is the dependent variable. The Cash-deposit ratio, loan-to-deposit ratio, and equity-to-assets ratio measured liquidity risk, and the return on assets ratio measured financial performance. Secondary data was used for this study, and the data was analyzed using the STATA statistical software.

**Findings:** The findings revealed that there is a negative relationship between the cash-to-deposit ratio and the financial performance of listed commercial banks. Further, the study depicts a positive relationship between the loan-to-deposit and equity-to-assets ratios and financial performance.

**Conclusion:** The study findings are vital for the banking authorities in their decision-making.

**Keywords-:** Liquidity, Financial performance, Listed commercial Banks.