

Assessing Profitability of Sri Lankan Commercial Banks Amidst Crisis

Gunasekara, H. M. A. L.¹, Ranasinghe, R. A. P. M.² and Jayasinghe, G. D. C. T.³

This study aims to examine whether the Covid 19 pandemic and the post pandemic economic crisis have damaged the primary profitability of commercial banks. This study uses annual data from 2011 to 2023 for ten leading public and private domestic commercial banks in Sri Lanka. The results have been obtained using panel regression models and mean comparison tests. This study identified that the primary profitability measured by ROA is lower during health crisis and economic crisis periods and it achieves statistical support under comparison tests. The negative impact on ROA is dominant in the first Covid 19 year (2020) and the first economic crisis year (2022) than other periods. Further, comparison tests show that the impacts of any crisis are not superior to one another. However, when controlled for the bank-specific and macroeconomic factors, the negative differential effect of both crises fails to achieve statistical significance, indicating that Covid 19 and post-pandemic economic crisis have impacted domestic commercial banks weakly. This is the first kind of study to uncover that the domestic commercial banks have managed to maintain their primary profitability without a large injury to ROA during the health crisis and economic crisis years, helping them remain resilient during the crisis period.

Keywords: *Commercial Banks, Covid-19, Economic Crisis, Post Pandemic, ROA*

¹ Department of Finance, University of Kelaniya, Sri Lanka (gunasekaral@kln.ac.lk)

² Department of Finance, University of Kelaniya, Sri Lanka (rapmr241@kln.ac.lk)

³ Department of Finance, University of Kelaniya, Sri Lanka (thisaranijayasinghe97@gmail.com)