

## **The Impact of IFRS 9 on SME Credit Facilitation of Banking Sector in Sri Lanka**

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The purpose of study is to explore the impact from the latest impairment model developed under the new financial reporting standard and to develop a researchable model to study the impacts of same on the performance of the Sri Lankan Banking Sector (SLBS) under SME credit facilitation. The research focuses on secondary data collected from sources such as annual reports of Central Bank of Sri Lanka (CBSL), Banks' annual reports, financial sector stability report of CBSL, etc. The research conducts in a deductive approach in which arguments and explanations are mainly associated by theoretical contents which are supported by empirical evidences. Asset quality of the banking sector especially in the domain of SME has deteriorated drastically in the recent past with increasing Non-performing Loans (NPLs) and provisioning. Also, researcher reveals that the performance of the banking sector in Sri Lanka deteriorated during this study period. Apart from the above the impairment provisioning methods and revenue recognition as per new reporting standard has further deteriorated the profitability of the banking sector of the country. This area is relatively new since the implementation of IFRS 9 was initiated only in January 2018. However, the issue is widely debated among the financial sector of Sri Lanka due to dramatic changes it made on the financial reporting standards of Sri Lankan banking and finance sector.

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