

Impact of the Covid-19 Pandemic on the Level of Non-Performing Loans in the Banking Sector of Sri Lanka

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ABSTRACT

Introduction: The aim of this paper is to investigate the impact of the Covid-19 pandemic on the level of non-performing loans in the Banking sector of Sri Lanka. The choice of this study was driven by the importance of non-performing loans that proved to be a major problem of the financial system.

Design/Methodology/Approach: This study tried to find evidence as to whether the covid-19 pandemic is contributing to the increase in level of non-performing loans. For this analysis, over which a multiple regression analysis was performed. Secondary data from the banking sector were used in the analysis was performed.

Findings: Results of the regression analysis depicted a significant positive impact from the credit growth to the level of non-performing loans. Also results showed a significant impact from the Covid-19 on the level of non-performing loans in the banking sector.

Conclusion: With the spread of the covid-19 virus, banking sector has been severely impacted as a result of deteriorated purchasing power of the people leading to credit defaults.

Keywords: *Non-performing loans, Covid-19, Economic crisis, credit growth, profitability*