

The Impact of Credit Risk Management on Performance of Commercial Banks

Navoda, G.N.¹ and Karunarathne, W.V.A.D.²
nimmi.navoda@gmail.com¹, anurawvadk@kln.ac.lk²

Banking industry is one of the largest sector in current world, with branches and subsidiaries throughout everyone's life. However, commercial banks are facing risks when they are operating. Credit risk is the one of the significant risk that banks face, considering that granting is one of the main source of income in commercial banks in Sri Lanka. There for the management of the risk related to that credit affect the Performance of the banks. The main purpose of the research is to investigate if there is a relationship between credit risk management and Performance of commercial banks in Sri Lanka. Research model, ROE and ROA are measurement tools of Performance and CAR, NPLR, LR and CIR are defined as tools of credit risk management. The population of this study is 24 commercial banks in Sri Lanka, and 11 commercial banks will be identified as the sample. The analyze has been made the credit risk management and its impact on profitability capacity during 2006 to 2015 (10 years) financial year of commercial banks in Sri Lanka. The research data will be collect from annual reports of sample banks. Correlation and multiple regression analysis are used for analysis. The findings reveal that positive relationship between credit risk management and performance. And also credit risk management is significant impact on performance of commercial banks in Sri Lanka.

Keywords: Credit Risk Management, performance, commercial Banks, Capital Adequacy Ratio (CAR), Non-performing Loan ratio (NPLR), Liquidity Ratio (LR), Cost to Income (CIR), Return on assets (ROA), Return on Equity (ROE)