

## **The Impact of Risk Management on the Profitability of Commercial Banks in Sri Lanka**

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### **Abstract**

In today's complicated and dynamic financial environment, risk management is essential for banks. It is essential for maintaining banks' financial stability, preserving their good name, and building shareholder and consumer confidence. Banks may overcome various obstacles and continue to be viable over the long run by implementing effective risk management procedures. Therefore, this study shows a willingness to analyze the impact of risk management on the profitability of commercial banks in Sri Lanka based on empirical data and knowledge gaps in this field. A conceptual framework was created to assess the extent to which the impact of risk management on the profitability of commercial banks was investigated based on a literature review. The data was collected from published annual reports for the period of 2013 to 2022 of commercial banks in Sri Lanka. Therefore, this study is quantitative. The data analysis included descriptive analysis, correlation analysis, and regression analysis and was analyzed by using E-views Software. These research findings revealed that as a result, the findings' generalizability is limited. The study established a significant impact of independent variables of credit risk, operational risk, and interest rate risk on the dependent variable of profitability of commercial banks in Sri Lanka.

**Keywords:** Risk Management, Profitability, Credit Risk, Operational Risk, Market Risk