Selected Case Studies on Resilience and Reinvention for Sustainable Development in the VUCA World
20th International Conference on Business Management
Faculty of Management Studies and Commerce
University of Sri Jayewardenepura
E ISBN: 978-624-5703-88-3

DOI: https://doi.org/10.31357/fmsc/icbm24/csb.01.c01

Chapter 1

Way Forward in a Contingent Crisis: Hatton National Bank, Sri Lanka

A. J. Fernando[1], N. S. Nanayakkara[2], T. N.S. De Peiris[3], P. V. N. Perera[4], A.N. Higurala Arachchi[5], P. B. D. Fernando[6], M. T. S. Perera[7], G.R.T Perera[8], P.G.D.B. Pallewatte[9], P. R. Wijayaratn[10], T. R. Jayatunge[11]

[1]Department of Accounting, *Faculty of Management Studies and Commerce, University of Sri Jayewardenepura, Nugegoda, Sri Lanka*
[2,5]Department of Finance, *Faculty of Management Studies and Commerce, University of Sri Jayewardenepura, Nugegoda, Sri Lanka*
[3,6,7]Department of Business Administration, *Faculty of Management Studies and Commerce, University of Sri Jayewardenepura, Nugegoda, Sri Lanka*
[4]Business Communication Unit, *Faculty of Management Studies and Commerce, University of Sri Jayewardenepura, Nugegoda, Sri Lanka*
[8]Department of Entrepreneurship, *Faculty of Management Studies and Commerce, University of Sri Jayewardenepura, Nugegoda, Sri Lanka*
[9, 10,11]Hatton National Bank PLC

Abstract

The events between 2019 to 2023 triggered a contingent crisis in Sri Lanka as the government of Sri Lanka has been borrowing excessively from the global financial system. In any neoliberal regime, the governments intervene to prevent and mitigate systematic financial crises. As such the Central Bank of Sri Lanka (CBSL) has been involved with licensed commercial banks in Sri Lanka through supervisory early intervention through a variety of circulars, where specifically circulars relating to debt moratoriums have been of importance to stabilize the system. The financial system of Sri Lanka is dominated by licensed commercial banks and among local commercial banks the Hatton National Bank PLC has always played a pivotal role as a pioneering bank in the economy with one of the highest geographical dispersions. Therefore, this case study methodically depicts how a contingent crisis can occur in a country, what are the early interventions taken by the CBSL, and how well one of the largest commercial banks adhered to those circulars and navigated the financial system through troubled waters. This case study employs a methodology where secondary data analysis was carried out through publicly available data such as the CBSL reports, the annual reports of HNB Plc, and other published sources. Furthermore, to enrich the study it has incorporated semi-structured interviews with selected managers of HNB PLC from strategic to operational levels. The quantitative evaluation of the impact of debt moratorium on banks' financial performance during the period reflected its ability to maintain non-performing assets at a lower level, reduce the risk of the loan portfolio by a considerable percentage, maintain strong asset quality, and enforce aggressive recovery strategies. Through the interviews, the study identified swift strategies adopted by HNB to adhere to circulars on debt moratoriums

in four key areas, namely, operations in the normal rules and regulations on loan facilities; changes in investment plans; changes in the training and development of human resources; and the daily functioning of bank branches across the country. Thus, the study's findings provide valuable insights into how the bank has faced these emergent contingencies that challenge the smooth functioning of the organizations with strength and vigor.

Keywords: *Contingent Crisis, Debt moratorium, Hatton National Bank Plc*

Hatton National Bank PLC

Hatton National Bank PLC (HNB) stands as a cornerstone in Sri Lanka's financial landscape with around 255 branches and over 2.6 million customers. Employing more than 5000 individuals, of whom 43% are females, HNB is a pivotal holding company in a diversified financial group, positioned as a leading player in the nation's financial services sector. Recognized among the top 1000 world banks by Bank Magazine UK since 2017, HNB secured the No. 01 position in Business Today's 2020 rankings and earned the title of Best Corporate Citizen in Sri Lanka by the Ceylon Chamber of Commerce in 2022.

Established in 1888 by R.D Banks and A.T. Atkin as Hatton Bank to cater to the needs of investors and workers in Ceylon's tea plantations, and became Hatton National Bank in 1970, with the amalgamation of selected branches of the National & Grindlays Bank. HNB has evolved into an inclusive financial powerhouse with a customer-centric approach. The bank operates in diverse sectors, including insurance, real estate, investment banking, and finance. HNB caters to all segments of the market, namely, corporate, SME, retail and micro finance and offers a diverse range of deposit and loan products through its well spread branch network. The Bank’s expansion in the recent years has been through digital channels and the HNB digital app and the digital wallet carry the best ratings in the industry. In service for 135 years, HNB envisions being the acknowledged leader and chosen partner in providing financial solutions by inspiring people. Throughout its history, HNB has been a transformative force, playing a crucial role in the socio-economic landscape of Sri Lanka.

This study investigates how HNB navigated through turbulent economic conditions adhering to directives stipulated by the CBSL from 2019 to 2023. Specifically, this case presents an episode of HNB’s operations amidst a series of recent crises in Sri Lanka by highlighting how HNB has planned and operationalized the required practices within the bank adhering to the requirements of the CBSL’s directives on debt moratorium on the banking system.

Background to the Case

Financialization is the subordination of economic and social reproduction to interest-bearing capital (Saad-Filho, 2021). It is a significant feature of neoliberalism where control over resource allocation is transferred from the state to a globally integrated financial system. According to Schmidt and Thatcher (2014), there are two norms central to neoliberalism: public policy should promote competition, and government intervention should be limited, ensuring a dominant allocative role for markets. Neoliberal expansions began in the early 1990s, resting on debt-driven bubble economics, which temporarily hid the conflicting interests and contradictions of this structure of capital accumulation (Webb, 2011).

During the past few decades, the expansion of neoliberal regimes with debt-driven financial systems has resulted in many financial crises such as the Dot Com Bubble, the Asian Financial crisis, and the 2009 Mortgage crisis. One of the main reasons for the financial crisis is the inability of markets and governments to pay their debt. According to Krugman et al. (2018), a default crisis in a country can trigger a *"crisis triplet"* (as shown in Figure 1) which includes a default crisis leading to a foreign exchange crisis/currency crisis and ultimately a banking/ financial crisis. They further state that after the 1970s, major default crises occurred repeatedly due to the free flow of private global capital, leading many to question the stability of the world capital market.

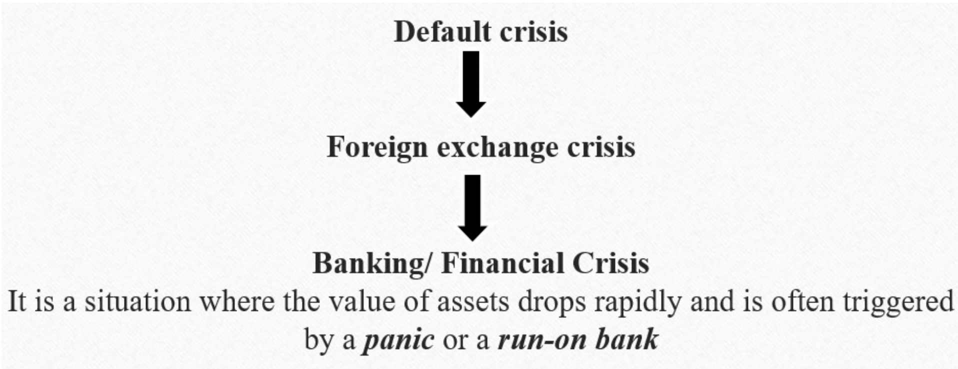

Figure 1: The Crisis Triplet (Krugman, Obstfeld, & Melitz, 2018)

Financial crises led by external borrowings are further termed "Contingent Crises". It is argued that they occur when governments borrow large amounts of external debt at the beginning which does not appear to be unsustainable since there is no way of knowing in advance how much borrowing is "excessive," until suddenly the crisis is struck. However, they are not *accidental* phenomena. Thus, Figure 2 depicts default crisis can occur due to structural, cyclical as well as contingent factors.

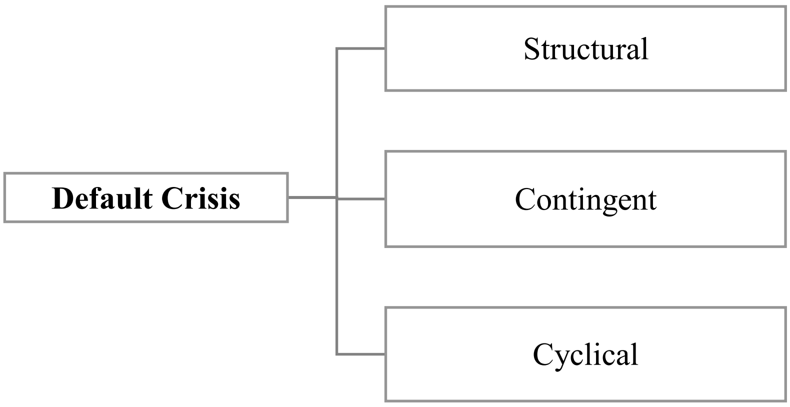

Figure 2: Factors that can lead to a default crisis

Source: Authors (2024)

Sri Lanka is a developing South Asian nation that has encountered its worst economic crisis since its independence in 1948. The Easter bomb attack in 2019, and the Covid pandemic in 2020, followed by a severe economic crisis crippled the island nation as never before. The current economic condition of Sri Lanka is a result of a myriad of factors, namely the massive build-up of external debt, the huge Value Added Tax (VAT) concessions that pushed up the fiscal deficit, the decline in foreign exchange earnings because of the pandemic that particularly hit tourist inflows and the downward pressure on the exchange rate which made many Sri Lankan workers choose the unofficial route to send their earnings home rather than the official. The events from 2019 onwards that triggered the crisis are depicted in Table 1. Nonetheless, it should be noted that with the already existing massive external borrowing portfolio of the government of Sri Lanka, the current crisis was inevitable.

Table 1: Economic Crisis in Sri Lanka - Event Timeline 2019 - To date

Economic Crisis Timeline of Sri Lanka	The Easter attack - 21 April 2019
	Covid first announcement (first reported case in Sri Lanka) - 27 January 2020
	Covid first lockdown (Sri Lanka) - 20 March 2021
	Announcement of Sri Lanka nonpayment of sovereign debt - 12 April 2022
	Appointment of the new governor to CBSL - 7 April 2022

Source: Authors (2024)

Crisis Management Framework

In financial market-centric neoliberal regimes crises encountered by countries such as Sri Lanka are not rare. An inherent feature of such regimes is that there are government interventions although they can be limited. According to Chwieroth and Walter (2021), the relationship between bailouts and neoliberalism is an instance of mutually reinforcing coexistence, where governments do not hesitate to bail out financial institutions when in crisis. The IMF report (2020) on Managing Systematic Banking Crisis introduces innovative crisis management tools to central banks to prevent probable financial crises in economies globally. The crisis prevention mechanism includes four criteria as depicted in Figure 3, the Crisis Management Framework.

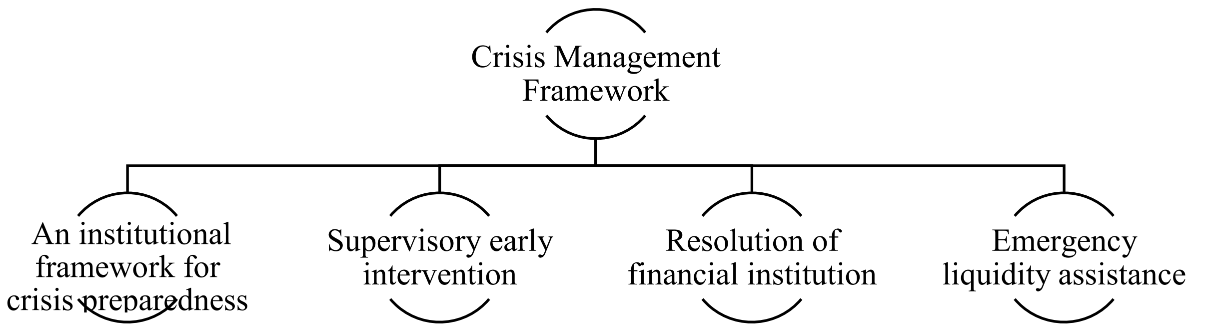

Figure 3: Crisis Management Framework Role of Central Banks (Source: IMF, 2020)

As postulated in the Crisis Management Framework of IMF, the Central Bank of Sri Lanka (CBSL) has also played a reactive as well as a proactive role in mitigating the risk of a systematic financial crisis in Sri Lanka. Under supervisory early intervention, the CBSL has been guiding the financial sector in Sri Lanka with the CBSL circulars such as on debt moratoriums and International Sovereign bonds. Liquidity asset management can be directly related to circulars aimed at the prevention of financial crises, specifically for Licensed Commercial Banks (LCBs), Licensed Specialized Banks (LSBs), and leasing companies. The debt moratorium introduced during the period has been a successful tool both from the financial institute and customer perspective.

Circulars on Debt Moratoriums

A debt moratorium refers to the deferment of capital and/or interest payments due within the respective concession periods. However, a debt moratorium does not mean a permanent capital and/or interest waive-off. The CBSL circulars directed that borrowers who have lost their jobs or income due to the outbreak of COVID-19 could request banks to defer their capital and interest payments to pay them later when the economy picks up and their income streams improve. Tourism, direct and indirect export-related businesses including apparel, IT, tea, spices, plantation, and related logistic suppliers that have been adversely affected by work disruption and overseas lockdowns resulting from Covid –19 were given moratoriums without any turnover limit stipulated for these businesses/sectors to avail of the concessions. Small and Medium Enterprises (SMEs) engaged in business sectors such as manufacturing, services, agriculture (including processing), construction, value addition, and trading businesses including authorized domestic pharmaceutical suppliers with turnover below Rs. 1 bn were also granted debt moratoriums.

The CBSL debt moratorium circulars were stipulated from the year 2020 to the year 2021 for financial institutions including the licensed commercial banks. As depicted in Table 2, the commercial banks were periodically given directives to extend the said moratoriums as the economic situation was worsening. Suspension of recovery actions, restructuring of credit facilities, facilitating early settlements, extending the moratorium for performing credit facilities, were a few of the other related directives included in circulars of debt moratoriums. Accordingly, the licensed commercial bank sector in Sri Lanka has been able to adhere to the CBSL circulars during this period.

Table 2: Circulars Issued by CBSL Related to Debt Moratorium 2019 to 2023

Date	Circular No.	Summary Detail
24/ 03/2020	Circular No. 4 of 2020	A circular was issued to Licensed Commercial Banks (LCBs), Licensed Specialized Banks (LSBs), and leasing companies informing relief measures to assist businesses and individuals who were adversely affected by the COVID outbreak. This included a debt moratorium on capital and interest, provision of working capital at an interest rate of 4% per annum, capping of interest rates charged on credit card payments, reduction of minimum monthly payment dues on credit cards, extension of the validity of cheques, and to keep all branches of licensed banks open on non-curfew days and corporate branches to be kept open during curfew

		days.
16/07/2020	Circular No. 7 of 2020	A circular was issued to financial institutions to: Extend the existing 6-month moratorium period to 12 months in respect of capital outstanding of leasing facilities granted to tourism-related vehicles. Recover interest during the moratorium period from eligible borrowers mentioned above, in a manner that is not inconvenient to the borrower. Waive off the accrued penal interest in respect of leasing facilities granted to tourism-related vehicles.
26/08/2020	Circular No. 8 of 2020	A circular (banking) was issued to LCBs and LSBs to: Extend the debt moratorium granted to COVID-19-affected businesses and individuals in the tourism sector for a further period of six months commencing from 1 October 2020 to 31 March 2021.
30/09/2020	Circular No. 9 of 2020	A circular (non-banking) was issued to Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs) to: Extend the debt moratorium granted to COVID-19-affected businesses and individuals in the tourism sector for a further period of six months commencing from 1 October 2020 to 31 March 2021.
9/11/2020	Circular No. 10 of 2020	A circular (banking) was issued to LCBs and LSBs to: Extend the debt moratorium granted to COVID-19-affected businesses and individuals for a further period of six months commencing from 1 October 2020 to 31 March 2021.
9/11/2020	Circular No. 11 of 2020	A circular (non-banking) was issued to LFCs and SLCs to: Extend the debt moratorium granted to COVID-19-affected businesses and individuals for a further period of six months commencing from 1 October 2020 to 31 March 2021.
27/11/2020	Circular No. 12 of 2020	A circular was issued to LFCs and SLCs with an amendment to Circular No. 11 of 2020 on Debt Moratorium for COVID-19-affected businesses and individuals – (extension of deadline for the submission of requests until 10/12/2020)
13/01/2021	Circular No. 1 of 2021	A circular was issued to LCBs and LSBs to: Suspend recovery actions against SME paddy millers for six months commencing from 01 January 2021
10/03/2021	Circular No. 3 of 2021	A circular (banking) was issued to LCBs and LSBs to: Provide concession for lease facilities obtained by COVID-19-affected businesses and individuals engaged in passenger transportation services for six months commencing from 1 April 2020
12/03/2021	Circular No. 4 of 2021	A circular (non-banking) was issued to LFCs and SLCs to: Provide concession for lease facilities obtained by COVID-19-affected businesses and individuals engaged in passenger transportation services for six months commencing from 1 April 2020
19/03/2021	Circular No. 4 of 2021	A circular (banking) was issued to LCBs and LSBs to: Extend the debt moratorium granted to the Tourism Sector under Circular No. 08 of 2020 dated 26 August 2020 for another six months commencing 1 April 2021
19/03/2021	Circular No. 5 of 2021	A circular (non-banking) was issued to LFCs and SLCs to: Extend the debt moratorium granted to the Tourism Sector under Circular No. 09 of 2020 dated 30 September 2020 for another six months commencing 1 April 2021
25/03/2021 09/06/2021	Circular No. 5 of 2021 Circular No. 6 of 2021	A circular (banking) was issued to LCBs and LSBs to: Extend concessions COVID-19 affected businesses and individuals A circular (non-banking) was issued to LFCs and SLCs to extend concessions to businesses and individuals affected by3rd wave of COVID-19. -Deferment/ restructuring of loans -Concessions for credit facilities in the non-performing category

		(Reschedule/waive off penal interest/suspend recovery actions)
01/09/2021	Circular No. 8 of 2021	A circular was issued for extending concessions for COVID-19-affected businesses and individuals (not applicable to the borrowers in the tourism sector)
10/09/2021	Circular No. 7 of 2021	A circular (non-banking) was issued with amendments to the Circular No. 06 of 2021 on concessions for COVID-19-affected businesses and individuals (extending the deferment of recovery 30th September 2021)
13/09/2021	Circular No. 10 of 2021	A circular (banking) was issued for extension of debt moratorium for Covid-19 affected businesses and individuals in the tourism industry (9 months from 1/10/2021 to 30/6/2022), restructuring the bet moratorium (banks could convert the capital and interest falling due during the moratorium period from 1/10/2021 to 30/6/2022 into a term loan)
05/10/2021	Circular No. 12 of 2021	A circular (banking) was issued for concessions for lease facilities obtained by businesses and individuals in the passenger transportation sector.
06/10/2021	Circular No. 9 of 2021	A circular (non-banking) was issued for the extension of concessions for Covid-19 Affected businesses and individuals. Eligible concessions: -Restructuring of credit facilities -Facilitating early settlements -Extending the moratorium for performing credit facilities -Suspension of recovery actions

Source: Central Bank of Sri Lanka (2023)

The Licensed Commercial Banks in Sri Lanka

The banking sector in Sri Lanka comprises LCBs and LSBs. In terms of the asset base and the magnitude of services provided, the LCBs are the single most important category of financial institutions within the banking sector. It dominates the financial system with the highest market share of the entire financial system's assets (CBSL, 2023). According to the CBSL, there are 24 LCBs in Sri Lanka, and the Hatton National Bank PLC holds the second-highest asset base in the banking sector among private sector commercial banks.

HNB’s Financial Performance and Stability Amidst Challenges

In the face of challenging economic conditions, HNB has emerged as an outstanding performer within the private banking sector. The annual reports of HNB indicate the bank’s resilience amidst extreme conditions and financial prowess, particularly its ability to consistently deliver sustainable returns to its stakeholders with multiple crisis settings in the bank focused on managing asset quality, liquidity, and capital as a priority. From 2019, until April 2022 interest rates remained relatively low. However, due to the low level of economic activity, businesses were focusing more on reviving their businesses rather than on new investments. This coupled with the low level of capital repayments due to moratoria in place resulted in an average credit growth of 5.53% p.a. from 2019 to 2021. In April 2022, in order to arrest the rising inflation and to stabilize the currency, the Central Bank increased the policy rates by 700bps. Consequently, lending rates also increased significantly with Average Weighted Prime Lending rate increasing to over 30%. This high level of interest rate on one side resulted in a low demand for credit while it exerted pressure on asset quality on the other side, as the repayment capacity of the borrowers was impacted. As such the bank adopted a cautious approach towards lending, focusing on specific segments.

The loans under moratoria which stood at 40% at the end of 2020 improved to 9% as at end of 2021. Nevertheless, the industry witnessed a deterioration in asset quality due to economic conditions. In this backdrop HNB has been able to consistently record stage 3 ratio and stage 3 provision cover well ahead of the industry average demonstrating the focused approach as indicated by figure 4 and 5. The pressure on asset quality and the investments made by HNB in foreign currency denominated government securities resulted in the bank having to make significant provisions for impairment of over Rs 90Bn, during the year 2022. Nevertheless, due to prudent management, HNB was able to record a return on equity of 9% for the year 2022.

In addition. due to the focus on maintaining liquidity, HNB was able to grow its deposits substantially during the period with total deposits crossing Rs. 1 trillion in 2021 and surpassing Rs. 1.5 trillion in 2023, with statutory liquid asset ratio and liquid coverage ratios remaining well above the regulatory requirements. During the height of the crisis, the banking sector was constrained by foreign exchange liquidity. In order to address this situation, the bank expanded its market share on exports and remittances while supporting the essential imports into the country. At present the bank remains well liquid in this front as well. Despite the substantial impairment provisions, HNB was successful in maintaining its capital adequacy levels, also well above the regulatory requirements.

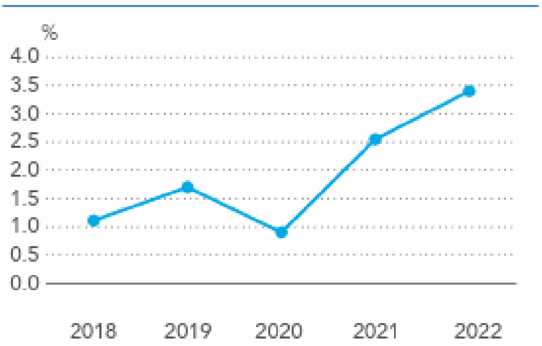

Figure 4: NPA/Stage 3 Net as a % of loans & Advances
Source: Hatton National Bank PLC (2022)

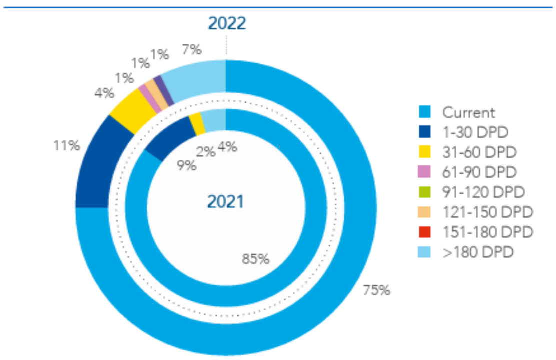

Figure 5: Aging of Past Due Loans 2022 & 2021
Source: Hatton National Bank PLC (2021, 2022)

According to the interviews with the management, the bank's proactive approach to credit risk mitigation involved a dual strategy. Firstly, on improving underwriting standards. HNB's

approach to segregating credit underwriting from credit sales in 2019, paved the way to identifying high risk credit in the processing stage. In addition, the bank continuously reviewed credit policy to strengthen the underwriting standards during this volatile period.
On the recovery front, HNB's aggressive recovery strategies, coupled with a stringent oversight mechanism, demonstrated their effectiveness in containing NPAs despite the high-risk environment. The bank's collaboration with clients and reduction of moratoria showcased a commitment to managing credit risks in a challenging market. Recognizing the systemic impact, HNB fortified its credit risk processes. A meticulous approach, coupled with close collaboration with affected clients, showcased the bank's dedication to easing the transition for businesses facing financial challenges and revival.

The financial success of HNB during this period is also attributed to its performance in a robust human resource strategy. The bank's emphasis on recruiting the right talent and providing a supportive structure facilitated effective communication with both customers and staff, ensuring the provision of necessary facilities. HNB's strategic focus on recovery and loan transitioning was reinforced by a commitment to upskilling. Frequent follow-up meetings, led by senior staff guiding and sharing knowledge with other team members, played a pivotal role in navigating the challenges posed by the economic downturn.

Impact and Execution of Moratorium Facilities at HNB amidst the Challenges

The directive on moratorium by the CBSL and the economic environment was having an impact on several areas of HNB from an overall perspective of operations and performances. Accordingly, specific changes can be identified, namely in operations in the normal rules and regulations on loan facilities; changes in discretionary payment and capital expenditure; changes in the training and developments of HR; and the daily functioning of bank branches across the country.

Changes in operations in the normal rules and regulations on loan facilities

With the Easter Sunday attack, the COVID-19 pandemic, and the ongoing economic crisis, the demand for credit and enthusiasm for loans in the banking sector has decreased due to the difficulties faced by the public. Against this backdrop, HNB wanted to support their most affected customers to survive the crisis by assisting with their working capital needs and thus prevent total shutdowns of businesses.

The credit approvals were already decentralized to 10 regional centers, with 255 branches allocated among them. The SME and microfinance segments were also assigned to these centers based on their geographic locations, while corporate facilities, project finance, and emerging corporates were managed centrally. The regional levels also consisted of teams such as credit underwriting and recovery which provided immense support to credit activities. Underwriting was a centralized function, which positively assisted HNB during this challenging period. Accordingly, once the moratorium facilities were introduced, a large volume was received by the bank which processed at the designated centres that ensured consistency of the credit approval process.

When the CBSL instructed the banks to provide the moratorium facilities to the customers, HNB faced the challenging task of implementing these facilities both effectively and in a timely way while retaining the customers, who are key stakeholders of the bank. The bank has offered repayment plans, depending on the repayment capacity, for their eligible customers.

Before the announcement of the moratorium facilities, drafts of the intended moratorium facilities were communicated by the CBSL to all banks, which helped HNB to preemptively plan and adapt its processes and staff for the successful implementation of the facilities. Subsequently, specific guidelines were provided to its branch network once the CBSL circular was issued. As an example, HNB proactively prepared the required formats such as the credit approval format, addressing industry conditions, customer assessment, and future considerations in a simplified manner.

Due to these facilities, the resulting stagnation in loan repayments has been evidenced by the loan book of the bank. During the initial period from 2019 to 2021, there is evidence of a drop in the HNB's loan book. However, in 2022, there was a notable net increase of 6% in the loan books, primarily driven by the repricing of foreign currency loans. This adjustment was influenced by the depreciation of the currency, with foreign currency loans accounting for 12% of HNB's total loan book. However, during the year up to 29th December 2023, the Sri Lanka rupee appreciated against the US dollar by 12.1% (Central Bank of Sri Lanka, 2023) resulting in a contracted loan book. While there was a possibility to increase credit risk, proactive strategies addressed the challenges faced by genuine customers impacted by COVID-19. Furthermore, HNB could ensure seamless management of affairs by complying with the guidelines issued by the Institute of Chartered Accountants on treating loan portfolios separately rather than in accumulation.

Changes in discretionary payments and capital expenditure

There were circulars issued by the CBSL in terms of discretionary payments. As a result, the banks were compelled to reassess their capital expenditure, including those related to information technology (IT) and digital expansions.

HNB was persuaded to consider various aspects of the capital expenditure and investment plans. While HNB postponed some of the non-critical capital expenses during this period, having identified the need to be future ready the investments in digital expansion continued. On the other hand, identifying situational requirements, they had to make several investments such as the introduction of the HNB digital app and the HNB digital wallet – Solo. Thus, HNB recognized the importance of investments in the digital platforms as a strategy to fortify their future preparedness which was a fact underscored by the remarkable increase in app transactions of HNB customers.

With COVID-19, HNB was persuaded to find a way they regularly connect with the staff. Consequently, they realized that technology was the most effective mode to employ at this point.

"Even though our organization had already invested in the MS Office 365 package, and we already had MS Teams at that time, we had never utilized it before the Covid-19 pandemic. However, with our prior investment, we were able to seamlessly transition to MS Teams without significant disruptions to operations."

HNB was able to provide the staff with remote access with the support of their IT department who assisted with the VPN connectivity, virtual machines, internet dongles, etc. Due to this immediate response and agility, they mobilized their staff to work from home and were able to communicate and perform most of the processes online.

Changes in the training and development of HR and the daily functioning of bank branches

In general, HNB formulates an HR plan at the beginning of the year. However, with the crises, HNB had to be flexible with these initial plans. Due to the adverse conditions of the Covid-19 pandemic, the HNB staff faced various mobility and safety concerns, where physical participation of the staff members had to be limited. The shift to remote work posed challenges, with uncertainty about system capacity. Some centers faced quarantine, necessitating personnel relocation to regional offices.

Accordingly, the mode of communicating with staff, work allocation, and post-monitoring of moratorium training emerged as additions to the initial HR plan.

Although HNB did not strongly focus on online communication platforms before the Covid-19 pandemic, the bank immediately and successfully shifted most of its communication to Microsoft Teams, which facilitated successful horizontal and vertical information flow throughout the HNB network. Furthermore, a hotline was established for any branch employee to request clarity on the bank's updated facilities. Each Monday of the week, and every first day of the month, the managing director communicates a message, containing aspects that the HNB staff should focus on. These messages were shared with each staff member through the 'One HNB' platform. Such initiatives allowed the HNB employees to stay updated on the processes that were crucial in performing business operations in a challenging business environment such as the Covid-19 pandemic.

Further, quick changes were made within the HNB structure and work allocation, by considering the ownership of required new activities. Accordingly, one of the main immediate actions HNB took was the top management's heightened and continuous engagement with the other levels of the HNB hierarchy. The staff at the operational level were the main contact points of the customers who inquired about the moratorium facilities. Thus, each staff member needed to be updated comprehensively on the moratorium guidelines that were outlined by the top-level management based on the CBSL circulars. On the monitoring and recovery front, the Chief Operating Officer of HNB was directly involved in the management of moratorium facilities, and the top management frequently participated in recovery meetings to monitor the progress of the moratorium facilities. Additionally, the top management remained highly accessible to the branch network, where they visited various branches and regional centers frequently. This also allowed the top management to observe and interact with the staff members at the operational level, and to obtain novel insights by engaging with the customers of the HNB network.

Simultaneously, HNB provided training to ensure that the staff was updated on the new guidelines. With the new requirements of providing moratorium and responsibility with post-moratorium, training was provided to the bank staff. Accordingly, internally the credit administration department prepared guidelines and conducted online training. Remote training sessions, multiple MS Teams sessions, and the adoption of new platforms facilitated communication and operations.

Issues faced during the operations amidst the crisis

Customers of the bank were affected by the Covid-19 pandemic, in an unprecedented manner. However, the gravity of the impact depended on the sector. Most customers asked for the moratorium facilities without even being contacted by the bank while some customers were oblivious to such strategies. Some customers failed to provide the required documentation to get the working capital for their businesses during the COVID-19 pandemic. The bank was compelled to contact customers by phone to get written confirmations with much difficulty. Further, due to the curfew and restricted mobility, the mobile team was also involved in collections.

HNB had to close some branches due to curfew. The staff could perform certain operations such as approving loans, while working from home (WFH) during the pandemic. The bank had to allocate additional laptops, desktops, and connections to WFH arrangements. Some of the employees were given office laptops with dongles, even before the Covid-19 pandemic. The demand for these facilities increased during the pandemic.

The bank could only open a few branches during the pandemic. Some employees went to the nearest HNB branch to work. However, the safety of the staff who came to bank branches to work needed to be ensured. Accordingly, measures like wearing face masks, covering bank counters with glasses with a small opening to talk to the customer, and providing sanitizers, etc. were taken. Further, bank branches had to arrange transport facilities, different places for dining, etc. for the staff who reported to work at the bank branches. Some employees contracted the virus and were hospitalized or quarantined at quarantine centers. The bank arranged a supporting mechanism for medical requirements/ food requirements/hotel facilities for the staff who are required to undergo quarantine with Covid-19. Furthermore, a vaccination camp was arranged at the head office.

Conclusion

Contingent crises are transpired when governments borrow unsustainable amounts of debt without knowing in advance how much borrowing is excessive until a crisis is struck. Sri Lanka faced a similar situation as a systematic financial crisis was triggered by the Easter bomb attack, the Covid-19 pandemic, and the policy mismanagement of the government. As one of the pillars of the financial system of Sri Lanka, the commercial banks holding a large part of the assets of the public were directly impacted by the crises. In neoliberal regimes, governments intervene to prevent or mitigate systemic crises, especially through the Framework of Crisis Management. Thus, the CBSL intervened through supervisory early interventions stipulated through commercial bank circulars. Debt moratorium was one such instrument and this case study analyzed the impact of the said circulars on one of the largest local commercial banks in Sri Lanka namely Hatton National Bank Plc. A quantitative and a qualitative analysis were conducted where public data were utilized for the former, and semi-structured qualitative interviews were conducted for the latter with strategic to operational level management. It was evident that HNB Plc proactively faced the crisis by maintaining strong financial performance throughout the study period of 2019 to 2023. The implementation of the moratoriums and its effect on four key areas were identified through the interviews, namely on operations in the normal rules and regulations on loan facilities; changes in investment plans; changes in the training and development of human resources; and the daily functioning of bank branches across the country. Thus, this case study depicts how HNB Plc navigated through the current contingent crisis in Sri Lanka.

List of References

Central Bank of Sri Lanka (CBSL) (2023). *Banking Sector*. Retrieved from Central Bank of Sri Lanka: https://www.cbsl.gov.lk/en

Central Bank of Sri Lanka. (2023, December 20). Timeline - Debt Moratorium. https://www.cbsl.gov.lk/en/covid-19-debt-moratorium-and-banking-sector-regulatory-measures

Central Bank of Sri Lanka (2023) *Weekly Economic Indicators*, *Statistics Department*

Chwieroth, J. M., & Walter, A. (2022). Neoliberalism and banking crisis bailouts: Distant enemies or warring neighbors? *Public Administration*, *100*(3), 600–615. https://doi.org/10.1111/padm.12774

Hatton National Bank PLC (2021) *HNB PLC Annual Report 2021*. Available at: https://www.hnb.net/images/annual_reports/2021/integrated-report-2021.pdf.

Hatton National Bank PLC (2022) *HNB PLC Annual Report 2022*. Available at: https://www.nuscalepower.com/benefits/built-for-resilience

IMF. (2020). *Managing Systemic Banking Crises - New Lessons and Lessons Relearned.* Washington D.C.: Departmental Paper, International Monetary Fund.

Krugman, P. R., Obstfeld, M., & Melitz, M. J. (2018). *International economics theory and policy.* Harlow: Pearson.

Saad-Filho, A. (2021). Endgame: from crisis in neoliberalism to crises of neoliberalism. *Human Geography*, 133-137.

Schmidt, V. A., & Thatcher, M. (2014). Why are neoliberal ideas so resilient in Europe‘s political economy? *Critical Policy Studies*, *8*(3), 340–347. https://doi.org/10.1080/19460171.2014.926826

Webb, S. (2011, 11 23). *Structural crisis exposes neoliberalism as a disaster.* Retrieved from People's World: https://www.peoplesworld.org/article/structural-crisis-exposes-neoliberalism-as-disaster/