

## ABSTRACT

Banking sector being a service organization mainly depend on its human capital. This study conducted to discover the impact of human capital role for the stability of banking sector in Sri Lanka. Primarily the consequences were selected based on literature review by exploring the relationship between human capital and financial stability, human capital and market stability and human capital and service quality. The philosophy of current study is positivism as its major investigations are done in scientific and quantitative manner. The study is deductive in its approach as the study is based on research questions, objectives, data collection and analysis. The research strategy occupied in this research is survey method and the data collection was done using semi structured questionnaires among 33 branch managers in different banks outspread within the country by using random sampling method and in depth interview were conducted to collect primary data. The methodological choice of research is mixed method in which the research comprise of both qualitative and quantitative components. Sample sufficiency and reliability was measured by using IBM SPSS version 20. According to KMO Bartlett's test, sample adequacy remained at 0.753 and it was indicated that data is suited for analysis. Alongside a Cronbach Alpha estimation of 0.772 and it was revealed that the sample is adequate to generalize and predict the population. The quantitative data analysis was based on the indicators of each variables using the Likert scale and results were analyzed by using bivariate and multivariate estimations. According to the results, financial stability, market stability and service quality positively related with banking sector stability. The interviews made to gather context rich data about the banking sector improved the validity of primary data collected and such in depth interviews also highlighted that human capital is the most crucial factor to improve the bank performance effectively and efficiently in way of finance, market, and quality. Based on the findings, it is understood the importance of having human capital to enhance productivity, survival and the stability in banking sector in a developing country, Sri Lanka.

**Key words:** Human Capital, Financial Stability, Market Stability, Service Quality, Banking sector stability.