

Impact of Bank Specific Factors on Non-Performing Loans

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Abstract

This study aims to find out the impact of bank specific factors on non-performing loans of National Level Savings Banks in Western Province. Therefore, this study considered bank specific factors as independent variable and NPL as dependent variable. Bank specific factor was measured with its nine dimensions, they are; poor risk assessment, poor monitoring, security/collateral, credit orientation, high interest rate, lenient credit terms, rapid loan growth, bank size and ownership structure. The survey was conducted among Managers, Assistant Managers, Credit Officers and other Managerial Staffs who are related to the lending activities by distributing structured questionnaire

The results of the study found that there is a strong positive correlation between bank specific factor and NPL as well as it also found that there is a correlation between dimensions of bank specific factor and NPL based on their correlation coefficient, it was found poor risk assessment, poor monitoring, security, high interest rate, lenient credit terms and bank size have medium positive correlation and other factors such as, credit orientation, rapid loan growth and ownership structure have weak positive correlation.

Keywords: Bank specific factors, Non- performing loan, National level saving bank