Determinants of Non-Performing Loans in Sri Lankan Commercial Banks

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Abstract

Banks provide a variety of products and services to their customers while delighting them. Banks’ lending activities take a significant place among other activities, and grants attractive credit facilities to their customers to improve their living standards. When consider the performance of the granted loans, the results is not good. Because it’s Non-Performing loan balance has been taken a high value. So, its profitability is reducing continuously. Due to inadequate income generation, banks have faced disability of providing credit facilities regularly. The research is mainly based on the identification of reasons behind the existence of higher NPLHs and outstanding balances in the bank. According to the results loan lending rate and loans to deposits significantly affect for the non-performing loan rate.

Key Words: Non-performing loans, Commercial banks, Lending rate, loans to deposits, inadequate income generation