

Determinants of Non-Performing Loans in Sri Lankan Commercial Banks

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ABSTRACT

Introduction- Non-performing loans (NPLs) is considered major issue of the banking sector in any economy. Sri Lankan context non- performing loan is also a major risk of the financial sector. This study aims to examine the effect of bank specific determinants, corporate governance determinants and bank specific determinants on the non- performing loans of listed bank in Sri Lanka for the period of 2010 to 2019.

Design/ Methodology/ Approach- This study is used ten listed licensed commercial banks in Sri Lanka as a sample. This study mainly has used secondary data collection methods. The study has considered bank size, loan growth rate, loan loss provision to gross loan, operating expenses to income ratio, gross domestic product growth, lending rate, inflation rate, gender diversity, board independence. The panel data regression method has been used to estimate the impact.

Findings- The study finds that independent variable which are used in this research namely, loan growth rate, loan loss provision to gross loan, operating expenses to income ratio, lending ratio and gender diversity has significant influence on non-performing loans in Sri Lankan banking sector. Also finds that bank size, GDP growth rate, inflation rate and board independence has no significant influence on the non-performing loan level.

Conclusion- The study Fulfils the existing research gap in the area of determinants of NPLs in Sri Lankan Banking Industry. These findings will help for future studies relating to Determinants of NPLs on NPL level.

Keywords: *Non-performing loan, bank specific factors, corporate governance factors, macro-economic factors, commercial banks*