

Non – Performing Loans Determinants and Impact of Covid-19: Evidence from Banking Sector in Sri Lanka

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Abstract

Non-performing loans (NPLs) are considered as a critical factor affecting bank credit policies and credit performance. This study aims to investigate on Non-Performing Loan (NPL) determinants in Sri Lankan banking sector. This study will specifically consider on bank specific factor and economic factors which determine NPL and consider the impact of COVID-19 on Non-Performing Loan in banking sector as well.

The study has been conducted with a sample of 10 license commercial banks in Sri Lanka over the period of 2010 to 2020. Non-performing loan rates will be measured through the gross NPL ratio which are published by individual banks on their annual reports. Both primary and secondary data will be used in this study. Secondary data will be used to identify the determinants of non-performing loans and the primary data will be used to assess the impact of Covid-19. Secondary data will be gathered by using individual banks websites, Colombo stock exchange and official website of Central Bank of Sri Lanka as well as primary data will be collected from bank employees (-working in the capacity of credit officers, marketing officers, branch managers and area managers-). Descriptive statistics, data screening and regression analysis will be used to analyze secondary data and correlation & coefficient analysis, multiple regression analysis and descriptive statistical analysis will be used to analyze primary data. The findings of this study will be important to the officers who set long term economic plans in Sri Lanka as well as to banks' officers to reduce non-performing loans and manage the credit decisions in the banking sector.

Key words: *Non-performing Loan Ratio (NPL), banks Specific Factors, Economic Factors, Commercial Banks, COVID-19, Sri Lanka*