

**ANALYSIS OF CAUSES FOR NON PERFORMING MICRO CREDIT  
LOANS OF COMMERCIAL BANKS IN KALUTARA DISTRICT**



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## ABSTRACT

Banking systems play a central role in mobilizing and allocating resources in a market Economy. This stands in fundamental contrast to a planned economy, where financial institutions play a largely incidental role in resource allocation. Microcredit loans are given to Customers especially those who are engaged in Small scale Businesses. An understanding of how demographic characteristics and income/gross profit level of individuals, interest rate, repayment capacity, loan period and value of installment influence the Non Performing Micro Credit Loans of Commercial Banks in Kalutara.

In this study dependent non performing micro credit loan is entirely based on five independent variables of income/gross profit level of individuals, interest rate, repayment capacity, loan period and value of installment. Convenient sampling method was used to collect the primary data from the respondent. Data was collected using a structured questionnaire which was distributed among 100 respondents including five commercial banks (Commercial, People's, BOC, NDB and HNB) in Kalutara district. The collected data was analyzed using descriptive statistics, regression analysis, cross tabulation and ANOVA.

The results of the study showed that level of non performing micro credit loan of commercial banks in Kalutara district is high. The findings also showed that income level is the most influential factor for non performing micro credit loans and the least influential factor for non performing micro credit loans is loan period.

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