

ANALYSIS OF CAUSES FOR NON PERFORMING MICRO CREDIT LOANS OF COMMERCIAL BANKS IN GAMPAHA

By

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ABSTRACT

This research study investigates an Analysis of Causes for Non Performing Micro Credit Loans of Commercial Banks in Gampaha. The research study was conducted over three months of period. The researcher has identified five factors those make influence on non performing micro credit loans. The purpose of this research study is to identifying the level of influence caused the factors which the researcher has previously determined. The researcher has chosen the five commercial banks in Gampaha district and sample size of 100 Non Performing Micro Credit loans customers were taken by randomly throughout the major cities in Gampaha district as respondents.

The researcher has identified that there are significant fluctuations of Non Performing Loans ratios in 2008 to 2012 according to the "institute of bankers of Sri Lanka – performance report 2012-2013"

This study connected with two major variables, five identified factors as independent variable and non performing micro credit loans as the dependent variable. A five scored likert scale was used to collect data and those data were analyzed based on mean value and standard deviation values. The mean values represent the how extent the independent variables make influence on non performing micro credit loans. The standard deviation values represent the diversity of answers provided by selected respondents. When making the analysis, the researcher firstly delivered a set of questionnaire which includes 21 aspects. In this study dependent non performing micro credit loan is entirely based on five variables of income/gross profit level of individuals, interest rate, repayment capacity, loan period and value of installment. According to the findings, when there is a higher income/gross profit, higher savings amount and higher micro credit loan repayment period then, there is a lower influence on non performing micro credit loans. Relatively, when there is a lower income/gross profit, lower savings amount and lower micro credit loan repayment period then, there is a higher influence on non performing micro credit loans. But when there is higher micro credit loan interest rate and higher monthly installments then there is a higher influence on non performing micro credit loans. Relatively, when there is lower micro credit loan interest rate and lower monthly installments then there is a lower influence on non performing micro credit loans.

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