

# **DETERMINANTS OF AVERAGE WEIGHTED PRIME LENDING RATE OF COMMERCIAL BANKS IN SRI LANKA**



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## ABSTRACT

The purpose of this study is to identify the factors affecting Average Weighted Prime Lending Rate (AWPLR) of Commercial Banks in Sri Lanka and develop a multiple regression model to explain the behavior of AWPLR. Researcher identified and tested three variables among many, namely Inflation, Average Weighted Deposit Rate (AWDR) and Statutory Reserve Ratio (SRR) are the factors which affect the AWPLR of Commercial Banks in Sri Lanka.

The required data for this study was collected mainly from secondary data sources (Central Bank of Sri Lanka, Department of Census and Statistics - Sri Lanka) and the inflation is based on the Colombo Consumers Price Index (CCPI). Regression analysis, correlation coefficient analysis and graphical analysis was used to find the relationship between AWPLR and explanatory variables. Further, the collected data were analyzed mainly using the SPSS software package. The finding was that there is strong relationship between Average prime lending rate and other three explanatory variables.

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