

**DETERMINANTS OF LOAN PERFORMANCE OF BANKS IN  
GAMPAHA DISTRICT: A CONSUMER PERSPECTIVE VIEW**



**By**

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## ABSTRACT

A well- functioning financial system is fundamental to a modern economy, and banks perform important functions for society. In carrying out their functions banks are exposed to several types of risks. Such as credit risk, market risk, liquidity risk, operational risk, legal risk and reputation risk. While banks and other have faced difficulties for a multitude of reasons, credit risk is the most common cause of bank failures. Hence managing credit risk and having a profitable loan portfolio is importance for the wellbeing of any bank. This study attempts to explore the determinants of loan performance of Banks in Gampaha District: a consumer perspective view. Quantitative research approach was used for this study were obtained from bank loan users in Gampaha District. Primary data had been practiced by this study. Questionnaire (Sinhala) was used to collect the data and convenient sampling method was used to obtain 100 responses of bank loan users. The data were analyzed using descriptive statistic, correlation and regression analysis. The findings indicate that there are good reliability and high level loan performance of selected private and state commercial banks in Gampaha District. And also the results showed that there is a strong positive relationship between credit term, client appraisal, credit risk controls and collection policy on loan performance. Furthermore, credit terms, client appraisal, credit risk controls and collection policy significantly effect on loan performance. It was recommended that credit terms, client appraisal, credit risk controls and collection policy improve loan performance of banks. The results of the study are helpful for the bank management to focus on these explanatory variables used in the study so that the performance of the loan may be enhanced.

**Keywords:** *Loan performance, Credit terms, Client appraisal, Credit risk controls, Collection policy*

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