

DETERMINANTS OF NON-PERFORMING LOANS IN THE GHANAIAN BANKING INDUSTRY.

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Abstract

The purpose of this study was to examine the effect of the factors that contribute to the non-performance of loans within the Ghanaian financial sector. Specifically, the study categorized the non-performing loan predictor variables into three main categories that is individual related factors, bank related factors and macro-economic related factors.

The study assumed a mixed method approach and a sequential explanatory research design. Thus, the study was designed into two main phases. The first phase covered the quantitative part of the study, where data was gathered from respondents using survey questionnaires. Four hundred (400) questionnaires were administered to the target population and the study retrieved three hundred and thirty-four (334) questionnaires back. The second phase of the study, entailed a case study where the researcher probed for in-depth understanding of the quantitative findings through interviews. Three (3) experienced business executives who were purposively selected and interviewed based on the quantitative findings for their views and practical explanation of the quantitative findings. The study employed multiple linear regression in analyzing the quantitative study and content analysis in analyzing the qualitative data.

Based on the analysis of the collected data, the study found that bank related factors did not have any significant effect on the non-performance of loans, whilst individual customer related factors and macro-economic factors had a significant effect on non-performing loans. However, with regards to the moderation effect of the credit reference bureau, only the effect of the relationship between bank related factors and non- performing loans was significant.

Keywords: Non-performing loans, attitudes, macro-economic, bank, credit reference bureau.