

**AN EXPLORATORY STUDY ON THE FACTORS OF NON-PERFORMING LOANS AND LOAN
SANCTIONING PROCEDURES IN THE CONTEXT OF COMMERCIAL BANKS OF PAKISTAN**



**A Dissertation submitted to The Superior College, Lahore, in partial
fulfillment of the requirements for the degree of
Doctor of Philosophy in Business Administration**

by

Khawaja Hisham-Ul-Hassan

Roll No. PHBA-F13-201

Session: 2013–2016

THE SUPERIOR COLLEGE LAHORE

Author's Declaration

I, Khawaja Hisham-Ul-Hassan, hereby state that my Ph.D. dissertation titled “**An Exploratory Study on the Factors of Non-Performing Loans and Loans Sanctioning Procedures in the Context of Commercial Banks of Pakistan**” is my work and has not been submitted previously by me for taking any degree from this Institute, **The Superior University, Lahore** or anywhere else in the country/world.

At any time if my statement is found to be incorrect even after I graduate, the Institute has the right to withdraw my Ph.D. degree.

Name of Student: Khawaja Hisham-Ul-Hassan

Date: _____

Plagiarism Undertaking

I solemnly declare that research work presented in the dissertation titled “**An Exploratory Study on the Factors of Non-Performing Loans and Loans Sanctioning Procedures in the Context of Commercial Banks of Pakistan**” is solely my research work with no significant contribution from any other person. Small contribution/help wherever taken has been duly acknowledged and the complete dissertation has been written by me.

I understand the zero-tolerance policy of the HEC and Institute **The Superior University, Lahore** towards plagiarism. Therefore, I as an author of the above-titled dissertation declare that no portion of my dissertation has been plagiarized and any material used as a reference is properly referred/cited.

I undertake that if I am found guilty of any formal plagiarism in the above-titled dissertation even after awarding of Ph.D. Degree, the Institute reserves the right to withdraw/revoke my Ph.D. degree and that HEC and the Institute have the right to publish my name on the HEC/Institute Website on which names of students are placed who submitted a plagiarized dissertation.

Student/Author Signature: _____

Name: Khawaja Hisham-Ul-Hassan

Certificate of Approval

This is to certify that the research work presented in this dissertation, entitled “An Exploratory Study on the Factors of Non-Performing Loans and Loans Sanctioning Procedures in the Context of Commercial Banks of Pakistan” was conducted by Khawaja Hisham-Ul-Hassan under the supervision of Prof. Dr. Muqqadas Rehman.

No part of this dissertation has been submitted anywhere else for any other degree. This dissertation is submitted to the Faculty of Business and Management Sciences, The Superior University, Lahore in partial fulfillment of the requirements for the degree of Doctor of Philosophy in the field of Business Administration at The Superior University, Lahore.

Student Name: Khawaja Hisham-Ul-Hassan

Signature: _____

Dedication

This work is dedicated to my supervisor, parents, wife, and sweet little daughters, Maira, Izma, and Roha; because of their prayers and love, I am successful in my life. May Allah give them a long and healthy life, Ameen!

Acknowledgement

In the name of Allah, the Most Gracious and the Most Merciful! Alhamdulillah, all praises to Allah for the strengths and His blessing in completing this dissertation. Special appreciation goes to my supervisor, Dr. Muqqadas Rehman, for her supervision and constant support. Her invaluable help of constructive comments and suggestions throughout the dissertation work has contributed to the success of this research. It was under her guidance that I developed a focus and became interested in vision and human factors. It was through her persistence, understanding, and kindness that I completed my Ph.D. dissertation. I doubt that I will ever be able to convey my appreciation fully, but I owe her my eternal gratitude.

Not forgotten, my appreciation to Dr. Sumaira Rehman who introduced me to the qualitative approach which was, at first, an alien and complex methodology for me to understand. But afterward, due to the teaching technique used by Dr. Sumaira, it became so familiar that I decided to do my final dissertation using a qualitative approach. I am also heavily indebted to Prof. Dr. Ch. Abdul Rehman for giving his valuable time to give direction to this dissertation at a very crucial stage. He is, indeed, the one professor who truly made a difference in my life. He provided me with direction, support and became more of a mentor than a professor. Thank you very much for guiding me through this important period of my life.

Last, but not least, I would also like to thank my family for the support they provided to me throughout my entire life and, in particular, I must acknowledge my wife and best friend, Saba Hisham, without whose love, encouragement, and assistance, I would not have finished this dissertation.

Khawaja Hisham-Ul-Hassan

Contents

Author's Declaration	i
Plagiarism Undertaking	ii
Certificate of Approval	iii
Dedication	iv
Acknowledgement.....	v
List of Acronyms	ix
Abstract	x
Chapter 1: The Introduction	1
1.1 Background of the Study	1
1.2 Rationale of the Study	4
1.3 Problem Statement	10
1.4 Objectives of the Study	14
1.4.1 Research Questions (RQs)	14
1.5 Significance of the Study	15
1.6 Scope of the Study.....	16
1.7 Organization of the Dissertation	17
Chapter 2: Literature Review.....	20
2.1 Commercial Banks and Economic Development.....	20
2.2 NPLs: A Theoretical Review	22
2.3 Sanctioning of Loans.....	26
2.4 Factors of NPLs	28
2.4.1 Bank-specific Factors	31
2.4.2 Macroeconomic Factors	35
2.4.3 Other Factors of NPLs (other than macroeconomic and bank-specific)	38
2.5 Empirical Literature on the Factors of NPLs	44
2.6 The Development of Research Propositions	64
2.7 Conceptual Framework	66
Chapter 3: Research Methodology and Method.....	68
3.1 Purpose and Approach	68
3.2 Research Paradigms	69
3.2.1 What is a Research Paradigm?	69

3.3 Philosophical Assumptions of the Research Inquiry	73
3.3.1 Ontological Stance	74
3.3.2 Epistemological Stance	74
3.3.3 Methodological Stance	75
3.4 Selection and Employment of Sample	76
3.4.1 Sampling Strategy	77
3.4.2 Employment of the Sample	78
3.5 Collection of Data	79
3.5.1 Semi-Structured Interviews	79
3.5.2 Stages in Steering of Interviews	80
3.5.3 Interview Guide/Interview Protocol/Interview Schedule	81
3.6 Data Analysis	83
3.6.1 Transcribing the Interviews	83
3.6.2 Thematic Analysis	84
3.7 Quality Concerns of the Study	86
3.8 Ethical Concerns	88
3.9 Reflexivity of Researcher	89
Chapter 4: Qualitative Data Analysis	93
4.1 Qualitative Analysis of the Interviews of Bankers	93
4.1.1 NPLs	93
4.1.2 Sanctioning of Bank Loans	97
4.1.3 Education of Borrower and NPLs	101
4.1.4 Lifestyle of Borrower and NPLs	105
4.1.5 Gender of Borrower and NPLs	108
4.1.6 Religion of Borrower and NPLs	111
4.1.7 Character of Borrower and NPLs	114
4.1.8 Credit Culture of the Country and NPLs	116
4.1.9 Age of Borrower and NPLs	120
4.1.10 Occupation of Borrower and NPLs	123
4.2 Qualitative Analysis of Semi-structured Interviews	124
4.2.1	125
Bankers' Interview-based Themes and Thematic Analysis	125
Chapter 5: Discussion	191

5.1 Orientation of the Chapter	192
5.2 Demographic Profile of the Bankers.....	192
5.3 Presentation of Qualitative Findings	193
5.3.1 NPLs	193
5.3.2 Sanctioning of Loans.....	195
5.3.3 Education of Borrower and NPLs.....	196
5.3.4 Lifestyle of Borrower and NPLs	198
5.3.5 Gender of Borrower and NPLs.....	200
5.3.6 Religion of Borrower and NPLs.....	201
5.3.7 Character of Borrower and NPLs	202
5.3.8 Credit Culture of Country and NPLs.....	203
5.3.9 Age of Borrower and NPLs.....	205
5.3.10 Occupation of Borrower and NPLs	206
Chapter 6: Findings and Conclusion	208
6.1 Findings.....	208
6.2 Limitations of the Study	213
6.3 Conclusion	214
6.4 Implications and Recommendations of the Study	216
6.4 Future Research Directions	222
References	223
Websites	262
Appendix – I	263
Appendix – II	269
Appendix – III	271
Appendix – IV.....	276
Demographics of Participants	276

List of Acronyms

ABL	Allied Bank Limited
ARDL	Autoregressive distributed lag
BIS	Bank for International Settlements
CAR	Capital Adequacy Ratio
CESEE	Central, Eastern, and South-Eastern Europe
CPI	Consumer Price Index
EAD	Exposure at default
GCC	Gulf Cooperation Council
GDP	Gross domestic product
GMM	Generalized method of moments
HLB	Habib Bank Limited
LGD	Loss given default
LLP	loan loss provision
MCB	Muslim Commercial Bank
MFI	Microfinance institution
NPA	Non-Performing Asset
NPL	Non-Performing Loan
OLS	Ordinary least squares
PD	Probability of default
ROA	Return on assets
ROE	Return on equity
RQ	Research questions
SBP	State Bank of Pakistan
SME	Small and medium enterprise
VECM	Vector Error Correction Model
v/s	versus

Abstract

The role of the banking sector in the growth of the economy of any country is important. If the banking sector of a country can play an active role in enhancing the development in a country, then no hurdle can stop that nation from getting highlighted in the galaxy of top countries of the world regarding financial viability. It is quite obvious that banks should have processes that may ensure that advances or loans are not only used in safe as well as in profitable projects. The major aim of this research is to examine the factors of non-performing loans (NPLs) which can be divided into dual purposes: Firstly, to propose a conceptual model that explores factors of NPLs and to test this model in the context of the Pakistani banking sector. Secondly, to assist bankers in identifying or executing necessary steps for factors of NPLs in the banking sector of Pakistan.

In this exploratory research, the data was gathered through a semi-structured interview method. The interviews were conducted with senior credit managers related to loans and advances departments of commercial banks of Pakistan because they could provide rich information about the dissertation topic. Snowball sampling was used because interviews with senior bankers were required and the researcher could not approach the best sample very easily. The methodology helped to analyze data about factors of NPLs as well as to have an insight into the nature of their relationship with each other. A total of 22 themes emerged from the interviews, out of which the researcher chose a few relevant themes that matched the project: education, lifestyle, gender, age, religion, character, occupation of borrowers, and credit culture of a country.

This study considered education, character, occupation, and credit culture more significant and lifestyle, age, gender, and religion less significant factors of NPLs in the context of Pakistani commercial banks. Moreover, this study revealed that the Pakistani bankers knew about the loan sanctioning techniques, however, there were issues related to their compliance. It was concluded that the analysis of factors of

NPLs would help bankers and policymakers to devise mechanisms that would support the financial sector, especially banks, to control the issue of loan defaults in Pakistani banks.

Keywords: Non-performing loans, Bank-specific factors, Macroeconomic factors, Pakistan.

Chapter 1: The Introduction

1.1 Background of the Study

The main purpose of a bank is to accept deposits and lend these to various industries and businesses for their growth. In this context, the overall efficiency of banks has been associated with Non-Performing Loans (NPLs); however, countryside commercial banks are still challenged with glitches in traditional NPLs (Shiyi, Wolfgang and Li, 2020). The potential borrowers of a bank can be industry, agriculture, government, and so on. Nevertheless, while issuing loans in the recent past, banks have confronted the issue of NPLs (Sontakke and Tiwari, 2013). However, it is also true that the major sources of revenue of banks are advances and loans. In addition, banks are the main contributors towards funds for not only the industry sector but for other development projects as well like the agriculture sector, SMEs, etc.

The studies of Venkatachalam et al. (2020) and Daniel and Wandera (2013) showed that in the case of developing economies, banks can play the role of an intermediary between loan seekers and investors; thus, they cut down barriers that block borrowers' access to capital markets. Moreover, as per McKillop et al. (2020), banks act as one of the safest and most vital sources of credit for all types of business, whether small, medium, or large. According to the study of Mannu et al. (2020), one of the main reasons for increasing non-performing assets (NPAs/NPLs) and frauds is the credit monitoring systems of banks. It has been seen that banks ignore, both pre and post, rules and regulations while issuing loans; this results in increased NPLs, thus, slowing down the economic activities in a country. Therefore, banks must have a vigilant monitoring system that can keep a very close look at the loans being issued (Radha and Vasudevan, 1980).

To reduce the liquidity risk, banks have to hold a certain amount as a reserve with the central bank of their country (Saira et al. 2020). The creation of credit is a source through which the deposits in

banks are balanced. There will be a serious problem if these deposits do not earn revenue because in that case the capability of a bank to return the amount to the depositors can be in jeopardy. As a result, the clients of banks will ultimately lose trust in their banks.

Several reports suggest a significant amount of problems for banks in both developed and emerging countries (Shubhara and Cheshta, 2020; Arora et al., 2018; Banerjee et al., 2018; Alamelumangai et al., 2017; Bag & Islam, 2017; Tendia et al., 2012). Due to insufficient capital adequacy, poor quality of assets, and incompetent management, banks cannot perform up to the expected standards, and loan defaults have harmed their financial performance (Changjun et al., 2020; Sontakke and Tiwari, 2013).

There is a lot of literature that highlights the issues for banks created by NPLs. For example, the works of Fendri et al. (2020) and Calice (2012) showed deterioration in the value of assets of Tunisian banks. Furthermore, the studies of Nusrat et al. (2019) for Bangladesh, Blanco, and Gimeno (2012) in the case of South Africa and Kolapo, Funso et al. (2012) for Nigeria showed that banks of the aforementioned countries have suffered a lot due to NPLs, raising many questions on their existence. NPLs should also be taken into account as they can quickly be a serious headache for the banking industry. NPLs give birth to different types of issues in various countries. In some countries, NPLs have an indirect effect on the working environment of banks, whereas in other countries they directly affect banks. This issue fascinated a large number of researchers from different countries; so, a variety of studies have been conducted on factors of NPLs. Some of these are presented in the following paragraphs.

The study of Machacek et al. (2018) showed that unemployment rate, exchange rate, real economic growth rate, and interest rate may sensitively affect NPLs; this study used meta-regression analysis. Mpofu and Nikolaidou (2018) studied 22 Sub-Saharan African countries and found that

macroeconomic factors, namely trade openness, financial crisis, GDP growth rate, inflation rate, and domestic credit to the private sector by banks as a percentage of GDP, significantly influenced NPLs. Some studies examined the features of borrowers and their impact on NPLs; these features include the level of education and gender (Eze & Ibekwe, 2007; Nawai & Shariff, 2013a; Roslan & Mohd Zaini, 2009). There is an insignificant relationship between gender and NPLs (Chong, Morni, and Suhaimi, 2010; Nawai & Shariff, 2013b). The literature also showed that due to a lack of hard work and financial self-control, the men defaulted much more than women (Roslan and Mohd Zaini, 2009; Wongnaa, 2013). The study of Eze and Ibekwe (2007) revealed that age has a significant and positive relationship with loan defaults; the results of this study showed that young borrowers were better at loan repayments than mature borrowers.

The study of Abdelbaki (2019) showed in the case of Gulf Cooperation Council (GCC) economies that macroeconomic factors, namely interest rate, and financial crisis, positively influenced NPLs, whereas inflation, non-oil GDP growth, and domestic credit to the private sector to GDP ratio negatively influenced NPLs. The study of Abraham (2002) was conducted in the setting of Ethiopia using a logit model; the results indicated that education, work experience in related economic activity before the loan, engaging in economic activities other than agriculture, and having other sources of income were important determinants of enhanced loan repayment while giving extended loan repayment period and being a male borrower were insignificant determinants of loan defaults.

The study of Amir (2019) showed a significant relationship between NPLs and various factors including excess bank liquidity, political stability, foreign motives, interest rate, inflation rate, and GDP growth. The study of Kjosevski et al. (2019) found that the unemployment rate had a positive relationship with NPLs whereas GDP growth had a negative relationship with NPLs in the case of

the Republic of Macedonia. The most recent example of the adverse consequences of NPLs is the banking crisis which started in the USA and ultimately took the entire world in its grasp. The main reasons for the occurrence of NPLs are reduced purchasing power of borrowers, issuing of loans on easy terms, increased interest rates, and use of the loan on other than productive projects.

1.2 Rationale of the Study

The previous literature has considered bank-specific and macroeconomic factors to be responsible for the growing number of NPLs. The study of Islam (2018) assessed the impacts of loan loss provision (LLP), maintained to deal with NPLs, on profitability. For this, the cumulative data of 56 commercial banks, from 2009 to 2017, was used. The results of this study showed a significant impact of gross NPLs on total loans outstanding. Furthermore, the NPLs and LLPs maintained by commercial banks showed a negative and significant impact on profitability.

The study of Rahman and Jahan (2018) described NPLs as one of the major roadblocks in the way of development and sustainability of the banking sector; the study showed that bureaucratic issues, credit analysis process, ethical perspectives of employees, and creditworthiness of customers had a significant impact on NPLs. Nguyen (2007) did not consider the impact of some important factors like religion or gender of borrowers on NPLs. Moreover, the effect of a country's credit culture on loan repayment was also ignored.

The study of Islam et al. (2018) showed a significant impact of NPLs on the ROA of Bangladeshi banks; they used a sample size of 40 banks and a dataset of NPLs ratio against ROA ratio for the years from 2008 to 2017. The study of Kon and Storey (2003) explained the role of factors like the lifestyle of borrowers and the credit culture of a country in the performance of loan payments. They found that moral responsibility to pay off their loans is placed on people who are involved

in politics and become famous. However, this study fails to present the combined impact of other factors on loan defaults, like the age and gender of borrowers.

The NPLs have been considered to be the crucial factor behind the global financial crisis (Sorge, 2004). NPLs mostly hurt two key things of financial institutions: profitability and viability. The preceding literature considered the vulnerability of banks in facing the issue of NPLs, but other factors like credit culture and borrowers' features are ignored.

The study of Balango and Rao (2017) reveals a significant impact of NPLs rate, lending interest rate, and GDP growth rate on the level of ROA of Dashen Bank in Bangladesh. The study of Rachman et al. (2018) showed that the NPLs in the Indonesian banking sector have a lower trend due to the high profit margin. NPLs have shown an increasing trend (from 9% to 50%) in Asian countries, such as Hong Kong, the Philippines, Taiwan, and Singapore. Therefore, studying the various factors of NPLs becomes much more important in the context of the Pakistani banking sector.

The results of Islam et al.'s (2018) study show that NPLs have a significant impact on the capital adequacy of banks. Islam and Nishiyama (2019) studied the bank-specific and macroeconomic factors of NPLs in South Asian countries (Pakistan, Bangladesh, Nepal, and India) for the period from 1997 to 2012 using the Generalized Method of Moments (GMM) estimator. Their study showed that the adverse selection of borrowers by banks noticeably affected the rise of NPLs of the said countries.

In a case that evaluated the impact of macroeconomic factors on NPLs in the banking sector of Bangladesh, based on a dataset of a 2000 to 2017 time series, an autoregressive distributed lag (ARDL) methodology was used; the results of this study showed an insignificant impact of GDP

growth rate and inflation rate on NPLs (Hasan, 2019). There are limited studies available related to factors like political instability and credit culture, especially in the setting of the banking sector of Pakistan. The researcher is interested to investigate how such factors can facilitate banks to control NPLs.

There is literature available which explains the causes of the financial crisis in pre-crisis and post-crisis periods. As per the study of Sunday et al. (2020), NPLs were seen to be increasing with an increase in the real exchange rate, unemployment rate, and lending rates, whereas NPLs decreased with an increased GDP growth rate and ROA; their study was conducted for the period from 2002-Q1 to 2017-Q2 and ARDL along with bound test techniques were used for analysis. The previous literature has focused only on the macroeconomic and bank-specific factors of NPLs, however, NPLs should be considered from the context of factors other than macroeconomic and bank-specific factors.

The study of Ozili (2019a) showed that NPLs had a positive relationship with financial intermediation, banking crisis, bank concentration, and foreign bank presence. However, NPLs had a negative relationship with loan loss coverage ratio, competition, bank system stability, and bank efficiency. Moreover, a regional analysis revealed that NPLs harmed bank liquidity and regulatory capital.

The Bank for International Settlements (BIS, 2017) suggested that NPLs were one of the main indicators of banking performance. The key cause of the famous US financial crisis was the default of subprime mortgages (Park and Zhang, 2012). Loan defaults were also responsible for the financial crisis of Sub-Saharan African and East Asian countries. The literature of European countries such as Italy and Spain shows that some macroeconomic factors have a significant association with loan defaults (Selma and Jouini, 2013). Moreover, Selma and Jouini (2013) also

explained that NPLs were the main factor for the occurrence of the banking crisis in the aforementioned countries.

Banks could shut down their operations for a company whose NPLs were giving unfavorable signs (Ozili, 2019b). The study of Malaysia indicated the issue of improper provisioning of NPLs. This study also pointed out the requirement of an authenticated system that can assess NPLs. Previous studies have highlighted that NPLs can initialize the beginning of a financial crisis, as seen in the case of the financial crisis of 1997 in Asian countries (Issa, 2011).

The study of Mohanty et al. (2018) revealed that macroeconomic factors, including the stock market, market capitalization, and GDP growth rate, had a negative relationship with gross NPLs ratio, however, an expansionary fiscal policy specified a positive gross NPLs ratio. Their study estimated a final sample of data from the period between 2000 and 2016 comprising Indian firm-specific, bank-specific and macroeconomic factors affected by NPLs.

The recent financial crisis of 2007–2008 highlighted the NPLs issue all across the globe and a lot of research is being conducted to determine its factors as per the social and economic conditions of various countries. Malaysian banks were also adversely affected by NPLs (Adebola et al. 2011). Their study showed that there is a great danger that Islamic banks could get involved in a financial crisis because they do not work on the interest system that conventional banks deal in. Thus, to date, financial regulatory institutions are still finding it difficult to devise a way to deal with NPLs in the Islamic banking sector.

NPLs are one of the biggest hurdles for the progress of the banking industry. They disturb the lending size and reduce banks' viability and capability to advance fresh capital (Cucinelli et al., 2018). NPLs can be reduced through moral credit risk supervision practices but the trade-off is a

decrease in banks' profitability as well as an increase in costs. The study of Nanto and Sinha (2002) showed that the basic factor behind the Asian financial crisis was NPLs. Hence, it can be inferred that big banks, even with government support like the case of China, are not safe from the adverse effects of NPLs.

The Pakistani banking sector is also confronted by the issue of NPLs. The findings of Muhammad, Ramzan and Kashif Hamid (2020) indicated a significant and positive impact of innovation, lending capability, and bank investments on NPLs in the case of the banking sector of Pakistan. For their study, a sample of 24 banks, as panel data, was selected for the period from 2006 to 2016. Cointegration and Vector Error Correction Model (VECM) tests were applied to analyze the panel dataset.

The results of Khan et al. (2020) showed a significant and inverse relationship between profitability and operating efficiency with NPLs. In addition, the findings of their study revealed an insignificant relationship between NPLs and income diversification and capital adequacy. For their study, data from Pakistani commercial banks, listed on the stock exchange, was taken for the period from 2005 to 2017. Random and fixed effects methodologies were used to analyze the data. It had been observed that the average NPLs in Pakistan were at an alarming level of 14.87% between the years 1995 and 2016. This high level of NPLs hindered the growth of the banking sector of Pakistan. This level of NPLs positioned Pakistan as the 24th country in the world in terms of the largest amount of NPLs (State Bank of Pakistan, 2016). Therefore, there is a dire need to determine the factors of NPLs in the setting of the banking sector of Pakistan.

The researcher has observed that almost all of the previous literature focused more on bank-specific and macroeconomic factors of NPLs than on other factors in the context of the Pakistani banking sector. The study of Ali and Khan (2019) was conducted to determine the impact of

macroeconomic variables on credit risk (NPLs) of the Pakistani banking sector. Their study found that the unemployment rate, export of goods and services, and the foreign exchange rate had a significant and positive relationship with credit risk while stock market capitalization, GDP growth rate, and import goods had a significant and negative relationship with NPLs. GMM estimation model was applied on time series data from the period 2000 to 2017 to analyze the said relationship of various factors with NPLs.

There is a lot of literature available on the macroeconomic and bank-specific determinants of NPLs (Abdul, Azira Abdul Adzis, Shamsul Bahrain Mohamed-Arshad, 2020; Abid Abid, Mohmad and Alias, 2019a; Naseem and Qurrat, 2019; Saba et al., 2012; Javid, 2013; Zhang, 2010; Biabani et al., 2012), but there is a lack of literature on the effect of factors like the role of education portfolio, age, gender and character of borrowers and credit culture of the country on NPLs, especially concerning the Pakistani banking sector, which is a potential gap that needs to be filled.

This research uses a qualitative methodology that was rarely used in the previous literature and even less in the background of Pakistan. The aforementioned factors (role of education portfolio, age, gender and character of borrowers, and credit culture of the country) are to be discussed regarding NPLs, which have yet to be seen in the literature. The research methodology has hardly been used in the context of such factors of NPLs in the Pakistani commercial banks' sector. There is another latent gap that is concerned with the classification of NPLs. These types of loans found in the literature were: consumer, business, and mortgage loans (Louzis et al., 2012). This approach has not been taken to date in previous studies related to Pakistani commercial banks.

The literature review points out certain factors of loan defaults, where research is required to be conducted in the setting of developing countries like Pakistan. These factors include macroeconomic (saving, political instability, assets quality), bank-specific (corporate governance,

regulatory environment), and social factors (war on terror, corruption) (Abdul et al., 2020; Shubhara and Cheshta, 2020; Abid et al., 2019a; Abid Mohmad and Alias, 2019b; Amir, 2019; Ihtesham Muhammad and Shehzad, 2019; Saad Siddiqui, 2012; Tarron and Sukrishnalall, 2009; Boudriga, Taktak and Jellouli, 2009a).

Furthermore, some studies have identified the determinants of NPLs in three phases: pre-crisis, during a crisis, and post-crisis (Abdelbaki, 2019; Liu, 2020; Mpofu and Nikolaidou, 2018; Louzis et al., 2012; Park and Zhang, 2012). This angle has been ignored in previous studies in the background of the Pakistani banking sector.

1.3 Problem Statement

The issues associated with NPLs have gained prominence in recent years. Several countries have been very badly affected by NPLs (Mannu Goyal et al., 2020). The future profitability and continuity of banks can increase if loans are well administered. Nevertheless, the persistence of banks is questionable if they fail to control loan defaults (Banerjee, 2018; Koch and Scott MacDonald, 2006). Non-performing loans continue to be a problem for financial institutions around the world. According to Debtwire's results from 2018, 44 percent of financial institutions around the world believe their operating atmosphere leads to loan non-performance.

The key mechanisms for the general effectiveness of banks are profitability and liquidity. When the provision is increased on NPLs, it decreases revenues. The credit ranking and image of a bank are weakened if there is a disparity of maturities among assets and liabilities, which ultimately paves the way for liquidity risk (Changjun et al., 2020; Munib and Atiya, 2013). Thus, banks should deal with NPLs with the utmost care because of their potential harmful influence on banks.

The negative impact of NPLs leads to adverse selection of borrowers (Islam and Nishiyama, 2019; Brownbridge, 1998b). There are various factors of NPLs which include ROE, ROA, the volume of deposit, bank size, excessive lending, credit growth, total loan, liquidity, interest rate, capital adequacy, inflation, and level of GDP. These factors were determined by various researchers related to a variety of countries (Naseem and Qurrat, 2019; Islam and Islam, 2018; Mileris, 2012; Tomak, 2013; Fawad and Taqadus, 2013; Shingjerji, 2013).

The majority of studies that examined the factors of NPLs were conducted in developed countries like the USA, Spain, and Greece (Ozili, 2019b; Saba et al., 2012, Louzis et al., 2012; Munib and Atiya, 2013; Skarica, 2013). In the context of emerging markets, such as Pakistan, there are practically few studies that describe the determinants of NPLs. The operational efficiency of a country's financial sector is crucial to the country's financial and economic growth. Commercial banks represent a major portion of the financial sector for the economy of Pakistan. Therefore, it is essential to scrutinize the quality of the assets of the banks.

It was observed that almost all of the previous literature gives more weight to bank-specific and macroeconomic factors of NPLs than to other factors in the context of the Pakistani banking sector (Ashraf, 2016); there is a paucity of literature on other factors like the role of education portfolio, age, gender and character of borrowers and credit culture of the country on NPLs, especially about the Pakistani banking sector, which is a potential gap that needs to be filled.

The study of Son et al. (2020) revealed a positive and significant impact of corruption on the banking sector as well as on economic growth. Their study highlighted that corruption increased the amount of NPLs, thus weakening the reliability of the banking sector and ultimately negatively affecting economic growth. Their study applied GMM regressions on data of 120 countries, taken from the World Bank, for the period from 2004 to 2017.

The study of Kjosevski and Petkovski (2017) showed political factors as one of the major variables influencing NPLs. The study of Ogeisia et al. (2014) examined the influence of the character of borrowers on loan repayment. Their study used a purposive and simple random sampling technique for the selection of sample size. The study of Hasan (2019) showed that along with other bank-specific factors like profitability, capital adequacy, and credit growth, a habitual culture of defaulting loans prevailed in the case of studying NPLs of Bangladesh.

The above studies used various methodologies to determine the various factors of NPLs but none of the studies used a qualitative approach. There are also variations in the results of different studies regarding some of the aforementioned factors of NPLs. The study of Montalvo and Reynal (2020) found that women followed the rules and regulations of loan repayment more strictly than men; therefore, loan delinquency on the part of women was found to be lower than that of men. Moreover, the loan applications screened by female bank officers led to fewer NPLs than those screened by male bank officers.

The study of Montoya et al. (2019) showed an insignificant impact of gender of borrowers on NPLs. The findings of their study matched those of Armendariz de Aghion and Murdoch (2005), which considered the relation of borrowers' features and gender with loan defaults.

The study of Rafay et al. (2020) showed very interesting results. It found a significant and positive relationship of various socio-demographic variables, including marital status, number of dependents, number of previous loans, and gender, with the performance of loan repayment. However, the findings revealed an inverse and significant relationship of loan repayment performance with religion and previous loan default. The study of Sakti and Aniskurlillah (2017) showed that variables like capital and character had an inverse and significant relationship with

NPLs, whereas the rate of payment had a positive impact on NPLs. On the other hand, collateral, condition, capacity, and loan term were found to have no impact on NPLs.

The study of Demiroglu et al. (2019) showed an insignificant relationship between religion and loan repayment performance. The study was conducted on the data of bank loans issued during the period from 2003 to 2013 in Turkey. To study the impact of religion on loan repayment performance, loans issued in the month of Ramzan were studied as this month is considered the most sacred month, and Muslims practice fasting during this month to practice the ideal moral character pictured by Islam. However, the findings indicated that the performance of loan repayment was worse in Ramzan than in any other month.

The Pakistani banking industry has exclusive characteristics that differentiate it from the financial markets of other nations. In the present day, there is a trend for the rapid emergence of new banks, which has created an environment of fierce competition among banks. The market share has been shrinking and due to growth in the banking industry, it is expected that this situation will continue. Therefore, under these circumstances, the need to study the determinants of NPLs in the context of the Pakistani banking sector becomes crucial.

The State Bank of Pakistan (SBP) announced that “with the tightening of macroeconomic conditions in CY18 and later, the inflow of new non-performing loans (NPLs) has been on the rise.” NPLs increased 13% to Rs768 billion in the first half of the current calendar year, according to the SBP’s Mid-Year Performance Review of the Banking Sector, which ended June 30, 2019. (January-June 2019)

Higher defaults were limited to the energy and agribusiness sectors in H1CY19. “During H1CY19, the energy sector accounted for 52.8 percent of the overall growth in NPLs, while agribusiness

accounted for 18.6 percent. The majority of NPLs in the energy sector (96.8%) were related to public sector institutions involved in electricity generation and transmission that had cash flow constraints (due to circular debt/low recoveries),” according to the SBP survey¹, however, as per the Pakistani Credit Rating Agency Limited report of June 2021, the rate of NPLs to advances in the Pakistani banking sector was reported at 9.2%.²

1.4 Objectives of the Study

The major aim of this research is to explore the factors of NPLs. The analysis of factors of NPLs will help bankers and policymakers to devise mechanisms that will support bank-specific and macroeconomic factors to control the issue of loan defaults in Pakistani banks.

The main objectives are as follows:

1. To explore the factors of NPLs in the context of the banking sector of Pakistan.
2. To propose a conceptual model that explores factors of NPLs and to test this model in the context of the Pakistani banking sector.
3. To assist bankers in identifying or executing necessary steps concerning factors of NPLs in the banking sector of Pakistan.

1.4.1 Research Questions (RQs)

The following shows the RQs:

¹ State Bank of Pakistan

<https://www.sbp.org.pk/search/results.asp?cx=002167901857236840991:v55i2sdnxf&cof=FORID:11&q=%20Non%20Performing%20Loans> (Accessed 30 April 30, 2021)

The Express Tribune

<https://tribune.com.pk/story/2084483/non-performing-loans-rise-13-rs768b-first-half-2019>

(Accessed 30 April 30, 2021)

² https://www.pacra.com/sector_research/PACRA%20Research%20-%20Banks%20-%20May21_1623131618.pdf

- 1) How are the factors of education, lifestyle, gender, religion, character, credit culture of the country, age, and occupation related to NPLs?
- 2) What are the perceptions of bankers about NPLs and what measures are taken by bankers before sanctioning loans?

1.5 Significance of the Study

The results of this study which are related to the factors of NPLs of commercial banks of Pakistan are useful for various stakeholders, such as banking sectors, including commercial banks and State Bank of Pakistan (SBP), researchers, and other researchers. The significance of this study for the mentioned stakeholders is as follows.

- For the SBP, the research has policy implications, the results of this dissertation might be used as an instructional contribution in evolving regulatory values for the loan issuing policies of the commercial banks of Pakistan.
- Furthermore, the themes highlighted in this study will assist the management of commercial banks to give due importance to the understanding of events, which will improve the performance of their loans.
- The themes highlighted in the research will improve understanding of some of the additional and unique factors of NPLs, which will enable bank managers to focus more on the quality of loans rather than their quantity. Therefore, this research helps management to envision the factors of NPLs.
- In addition, this study will help banks to improve their operations regarding NPLs. This study will reveal the factors related to defaulted loans which will assist the credit departments of banks to make improvements in their loan issuance and monitoring systems which, ultimately, will decrease the level of NPLs.

- Moreover, the results of this study induce the researcher to undertake additional research as this study can be extended into the positivism paradigm using the quantitative methodology and merging all other factors of NPLs (e.g. macroeconomic factors and bank-specific factors).
- This research presents itself as a reference for future studies of other researchers in the concerned area. Thus, it can close a gap in the literature (i.e. a lack of studies of Pakistan).
- Last, but not least, this study will be an addition to the existing literature as it will cover the area of factors of NPLs, other than macro-economic and bank-specific, which has rarely been seen to date in the context of the Pakistani banking sector.

1.6 Scope of the Study

The methodology of this dissertation was based on a constructivism paradigm and qualitative analysis. In this study, the primary data for exploring factors of NPLs and about techniques being used by bankers while issuing loans were obtained through a semi-structured interview method. There were 25 interviews conducted with various bankers relating to credit issuance and advances departments. Data obtained from interviews were translated into English and then was transcribed. These transcribed data were analyzed through thematic/ content Analysis. One complete chapter (Methodology) will be written thereon. The thematic analysis produced themes that were analyzed in the light of various theories and literature in Chapter 5 (Findings). There were five banks selected based on the number of deposits, advances, and ratio of NPLs. In this study, 25 bankers were interviewed, and a snowball sampling technique was used.

Five (5) bankers from each of the following banks were selected for interviews:

- i. Habib Bank Limited.

- ii. Muslim Commercial Bank Limited.
- iii. Allied Bank Limited.
- iv. Bank Alfalah Limited.
- v. Askari Bank Limited.

1.7 Organization of the Dissertation

This research dissertation has six chapters. These chapters include an introduction, literature review, methodology of the study, results, and analysis, discussion, recommendations, future research prospects, and conclusion. These chapters are followed by references. A summary for each of these chapters is given below.

Chapter 1 Introduction

The first chapter explains the background of NPLs, then the rationale behind the study is discussed, afterwards, there is a statement describing the problem highlighted in this study. Then, the objectives, including the general and the specific, are explained. At the end of this chapter, the significance of conducting this study and its scope are described.

Chapter 2 Literature Review

This chapter of the dissertation gives a detailed explanation of the basic definition of NPLs. Afterward, theories related to the various determinants of NPLs are discussed. This discussion is followed by theories on factors of NPLs, including bank-specific, macroeconomic, and other factors. Subsequently, NPLs and their bank-specific, macroeconomic, and other factors are explained in the light of previous literature. The literature is thoroughly studied in this section and comments are made on each of the studies regarding their results and methodology. While discussing the previous literature the conceptual framework is presented at the end of this chapter.

Chapter 3 Methodology

An overview of the process of research and organization is given. Then the assumptions are given along with the potential areas of research. Then, various research paradigms are discussed along with qualitative and quantitative methods. These paradigms and methods are followed by an explanation of the selection of the research method and design for this dissertation. After this, the process of interviews followed by the selection of interviewees is explained. This chapter concludes with a discussion on the limitations of the methodology.

Chapter 4 Results and Data Analysis

In this chapter of the dissertation, the results of the interviews are discussed. The interviews were conducted with senior bankers in top decision-making positions. Five bankers were selected from each of the five top-ranking commercial banks of the Pakistani banking sector. The bankers were selected because of their rich knowledge about the banking sector of Pakistan. These bankers were asked questions about their experience and awareness of various factors of NPLs. More concentration was given to factors other than macroeconomic and bank-specific factors of NPLs. The confidentiality of the recorded interviews was briefly explained. There were four parts to the interviews. The first part contained the introduction of the interviewee. The second part had been designed to ask about the interviewees' inspiration and their experience of banking as a livelihood. The third section was based on questions about NPLs. The fourth part asked about various factors other than macroeconomic and bank-specific factors of NPLs. In the last part, the interview was concluded with words of thanks. At the end of this chapter thematic analysis is given.

Chapter 5 Discussion

This chapter of the dissertation discusses the findings of the study. The findings of the study were the outcome of the previous chapter. The findings just provide us with the path, but how to travel on the path to get to the destination is decided in this chapter. The discussions are divided into three parts. First of all, the results are discussed using extracts taken from the interviews, then the results are analyzed and, in the end, they are compared with the existing literature. Lastly, a summary is presented showing synchronization between the results, the analysis, and the previous literature.

Chapter 6 Conclusion, Recommendations, and Future Research Directions

This chapter begins with summing up the research being conducted. It provides a summary of all the work done in all chapters, from the introduction chapter to the discussion chapter. Then this chapter presents recommendations in the light of chapters 4, 5, and 6. These recommendations are made for the SBP, banking sector, credit experts, financial sectors other than the banks and the government. The recommendations are followed by the limitations of the study and future research prospects for researchers in the selected topic.

Chapter 2: Literature Review

The Introduction chapter contained the context of the study comprising the research problem and objectives of the study. This chapter will explain the theoretical and empirical issues of various determinants of NPLs while emphasizing factors other than macroeconomic and bank-specific factors. In the end, the development of research propositions and a conceptual model, which were derived in the light of the entire discussion of previous literature, will be presented.

2.1 Commercial Banks and Economic Development

Rawlin et al. (2012) explained that the primary purpose of banks is to earn profit and capitalize it. The banks are one of the main sources of economic development of any country. The studies of Echekeba et al. (2018), Lawal et al. (2018), Panigrahi et al. (2019) and Qureshi et al. (2019) affirm that there is a positive association between the profitability of banks and economic growth.

So, it is natural to issue more and more loans, but when these loans are issued in abundance there can be an increase in loan defaults. The resources available for funding in Pakistan are commercial, Islamic, and investment banks. In addition, other non-banking organizations play a part in meeting some of the financial needs, such as developing financial institutions, takaful, and insurance companies. Moreover, the Pakistani commercial banking sector and the other non-banking financial institutions share a positive financial association in the context of the economic development of the country. Nevertheless, the banking sector has a greater share in the economic development of Pakistan than the non-banking sector.

Some studies acknowledged the strong financial role of commercial banks. The study of Hussain (2004) showed that the banking sector makes up approximately 95% of the financial sector and has a positive significant impact on the economic development of Pakistan. The last decade

showed an increased interest and focussed on the association between the financial sector and economic growth. In the late 1980s, endogenous growth theory evolved, and it cemented the path of other theories that proposed the same view.

Several studies questioned the influence of the performance of the banking sector on the economy of Pakistan. These studies also described the effects of interest rate and loan defaults on the Pakistani economy using various methodologies like time series. The results of such research highlighted that loan defaults exerted a large influence on the banking sector. Furthermore, these loan defaults created a barrier to the loan issuing power of banks; banks were more tentative to issue loans because bad loans were hitting their direct source of revenue, which threatened their survival (Farooq et al., 2010).

The Pakistani economy faces various challenges in respect of financial stability; thus, commercial banks are expected to play a major role in bringing improvements not only to their services but also through strengthening the industry by accommodating their financial needs. The study of Bitzenis and Mistic (2008) explained the association between economic development and the role of the banking sector in Serbia through applying a survey methodology. The study discussed the performance of the Serbian banking sector in the pre- and post-economic development phases. In addition, their study considered a restructuring process in the banking sector. Their results showed a positive relationship between the banking sector after a restructuring process and the economic development of Serbia. Their study also discussed some issues and opportunities.

According to Farooq Afridi and Alam (2010), failure of the banking sector can be devastating not only for that particular country but it can also hurt other countries. Much has been written on the recent global financial crisis due to which a decline in investment was seen along with several challenges. This issue did not originate in Pakistan but its banking sector did feel the heat. The

banking sector faced stagnancy and all development was jeopardized. The financial crisis was characterized by some byproducts, such as increased hazard in investment, the high price of borrowing, and decreased rate of earning. All of these byproducts exerted a negative influence on profits and return of investments and these prohibited investors from going into developmental projects due to liquidity issues. This shows a picture of the devastation caused by a global banking failure

Fadare (2010) examined the consequences of bank loans and economic development on industrial production in Nigeria. Times series data was used and the time taken was from 1973 to 2009. Co-integration and VECM were used to analyze the data. The results of the study illustrated that the production size utilized in manufacturing and the bank rate of lending loans influenced industrial output in Nigeria. This shows the importance of commercial banking for the development of any sector. According to the study of Lafunte (2012), there is a need for a system that can operate like an alarm, warning banks of a decline in assets' quality. Inadequate asset quality is a key factor that can cause disaster for a bank. NPLs can reduce the value and quality of assets as these can cut the mainstream of revenues of the bank; so, resultantly, negatively influencing the financial position of the bank.

2.2 NPLs: A Theoretical Review

The interest on different categories of loans is the basic source of revenue without which banks could not exist, so the former is the major contributor to the profits of the latter (Issa, 2011). That is why banks try to lend their money in the form of various types of loans and advances to maximize their profits. Therefore, profit maximization is the main objective of banks, and to achieve this they issue loans and other credit instruments (Achou and Tenguh, 2008). As commercial banks are focusing on issuing more and more loans, it should be noted that this dealing

in loans is not free from risk (Casu et al., 2006). Great risks are attached to the recovery and protection of loans.

According to the study of Casu et al. (2006), the major problem of commercial banks is that borrowers fail to pay back their loans as per the timeline. The study of Hefferan (2005) showed that the inability of borrowers to pay back their obligations in time is the cause of the appearance of NPLs. These NPLs ultimately become the main reason for the failure of commercial banks. NPLs are considered to be the most severe cause of banks' failure to manage their cash flows. Before going further it is important to be clear about the definitions, classification, and determinants of NPLs.

According to Basu (2003), NPLs have been given different names, such as “bad loans”. Similarly, Fofack (2005) termed NPLs as “impaired loans” in his study. Moreover, Berger and DeYoung (1997) called NPLs “problem loans” in their studies. Therefore, it can be inferred from these studies that NPLs are synonymous with “bad loans”, “impaired loans” and “problem loans”.

Loans that are in default or about to be in default are categorized as NPLs as studied in Rawlin et al. (2012). Thus, it is quite obvious that banks should have processes that can ensure that the amounts given as advances or loans are not only used in safe projects but are also profitable. Otherwise, if loans default in huge amounts or numbers, this can very easily push any bank into insolvency.

As per Hou (2006) and Bloem and Freeman (2005), hypothetically, there is no single definition that is acceptable unanimously in the world. Therefore, it can be seen that, globally, there are ambiguities in the types, scope, and substance of NPLs (Hou 2007). Issa (2009) reported that the definition of NPLs changes a little in different banking systems of the world.

In applied terms, credit institutes use two types of standards under which NPLs are defined to classify the state of loan. These standards are qualitative and quantitative. According to Bloem and Freeman (2005), a qualitative standard uses data regarding the future of loans and debtors, whereas the quantitative standard considers the number of days or months to declare the condition of a loan.

As it can be seen from above, NPLs have been defined by various banking sectors of different countries; so, the researcher presents a summary of these distinct definitions. Rose (2002) defined NPLs as “A loan is placed in the NPLs category when any scheduled loan repayment is past due for more than 90 days”. Bloem and Freeman (2005) explained NPLs as, “A loan is NPLs when payments of interest and/or principal are past due by 90 days or more, or interest payments equal to 90 days or more have been capitalized, refinanced, or delayed by agreement”.

The study of Negera (2012) explained NPLs as per the directives given in the National Bank of Ethiopia (2012) Directive, SSB/43/008 as, “loans or advances whose credit quality has deteriorated such that full collection of principal and/or interest following the contractual repayment terms of the loan or advances are in question; or when the principal and/or interest is due and uncollected for 90 (ninety) consecutive days or more beyond the scheduled payment date or maturity”.

Saad Siddiqui (2012) stated that the SBP, in their amended prudential regulation vide BSD circular No. 2 dated June 3, 2010, considered a loan (principal amount and interest) as “Substandard” if its payment period exceeds 90 days. Moreover, if the payment is overdue by a period of over 180 days, then it is considered “Doubtful”. If the payment is not received for more than a year then finally it is declared as a loss. The studies of Dimitrios et. al (2016) and Munib and Atiya (2013) explained NPLs in their study by giving reference to the definition given by the International Monetary Fund. They consider an NPL as a loan that is either defaulted or is near to default and the overdue period is 90 days.

There are also a variety of studies available which defined NPLs as per the regulations of the central bank of their country, for instance, the study of Cortawarria et al. (2000) explained that in Switzerland, Spain, Norway, France and Portugal, NPLs are those loans for which the principal amount along with the interest is overdue for more than 90 days.

NPLs are a global threat, and the US financial crisis is the best example (Adebola et al., 2011). The study of Bayar (2019) shows a positive relationship between unemployment, the cost to income ratio, lagged values of NPLs, public debt, financial crisis, and credit growth with NPLs. Therefore, the need to identify factors of NPLs is very important for any country. Nkusu (2011) was of the view that some previous studies described the association between NPLs and their factors, whereas other studies related the financial crisis with NPLs. Even in developed countries, the financial crisis negatively affected the payment capability of debtors, which led to debtors' names appearing in the defaulters' list (Sonali, 2001). Kunt and Detragiache (1998) and Gonzalez-Hermosillo (1999) also proposed that NPLs were the main cause of the financial crisis.

Financial institutions, which use the funds of depositors, have the lion's share of responsibility to invest those funds in a safe and profitable investment project. If the funds are invested in a doubtful and vulnerable business venture, then that investment can easily be converted into a defaulted loan instead of a profitable opportunity (Javid 2013). Sorge (2004) considered that among the main causes behind the US financial crisis of 2007, NPLs are the major ones. NPLs are a type of threatening syndrome that can badly hurt the profitability and solvency of any financial organization.

According to Caprio and Kilngebier (2002), NPLs hurt the economy of a country but they are not directly responsible for the financial crisis. In Asian countries, NPLs rate showed a growing trend in the years from 1997 to 1999 (Drees Burkhard, and Ceyla Pazarbasioglu, 1998); these countries

included Hong Kong, Philippines, Taiwan, and Singapore. In Pakistan, NPLs have seen phenomenal growth. Farhan et al. (2012) stated, about a report from the SBP (State Bank of Pakistan, 2010), that the amount of NPLs reached Rs. 630 billion in 2012. Therefore, it has become imperative to study the various factors of NPLs.

Due to these NPLs, the profitability of banks is blocked which can result in ultimate closure (Brownbridge, 1998b). According to Haneef et al. (2012), Pakistani banks are confronting various risks (liquidity risk, operational risk, market risk, and credit risk) and all of these risks are directly or indirectly influenced by NPLs, due to which the profitability margins of banks is decreasing; thus, profitability is deteriorating.

2.3 Sanctioning of Loans

Banks have different tools and techniques which they use while making loaning decisions. Lending to small businesses is mainly operated by four chief technologies: asset-based, credit scoring, financial statement, and relationship lending. These technologies can help to solve issues like credit rationing or unnecessary credit extension (Stiglitz and Weiss, 1981; De Meza and Webb, 1987; De Meza, 2002). Such technologies are also called transaction-based lending. In transaction-based lending, hard information is accessible at the time of the loaning decision. Therefore, the bank does not depend on soft information collected through the relationship created after the loan issuance. The financial statement lending method helps in making loaning decisions after looking closely at the strengths of balance sheets and other financial statements. This type of methodology is ideal where the potential borrower is a large firm, although some medium firms can also be checked through this method as they can provide the required data. This data includes audited financial statements and loaning history of past years.

Asset-based lending tests the quality of the collateral being provided by the borrower. This method of verification is very expensive and needs very close monitoring. Normally, banks take accounts receivable and inventory as collateral. This methodology is suitable for any type of firm. The only disadvantage is its expensiveness. The Credit Scoring Method is generally used in consumer lending. In this method, the borrower is looked upon in terms of financial health and past track record (Feldman, 1997; Mester, 1997).

In the USA, Credit Scoring Method is adopted for borrowers demanding loans up to \$250,000. This method is relatively new and has very limited usage (Frame et al., 2001). In the relationship lending methodology, a bank makes its loaning decision based on the information collected through a variety of acquaintances during a wide course of time. This data is gathered from various financial products and requirements of loans and deposits (Petersen and Rajan, 1994; Berger and Udell, 1995; Nakamura, 1993; Cole et al, 2004; Mester et al., 1998; Degryse and van Cayseele, 2000).

The study of Ratnaningtyas et al. (2016) shows that various methods are used to judge the credit worthiness of the borrowers. These include financial statement analysis, 6C credit analysis, and working capital analysis. Other added information can also be gathered through suppliers and consumers of the borrowers. This information is valuable as it cannot be obtained through the calculation of ratios or verification of financial statements. This type of information is more beneficial than the data gathered through the other data collection methodologies. Conventionally, relationship lending has been used to measure the time-based strength of the relationship between borrowers and banks (Petersen and Rajan, 1994, 1995; Berger and Udell, 1995; Angelini et al., 1998; Scott and Dunkelberg, 1999; Ongena and Smith, 2000).

However, in the recent past, empirical research showed that the relationship has developed in terms of extensiveness as banks now provide a variety of services to their borrowers (Nakamura, 1993; Cole et al, 2004; Mester et al., 1998; Scott and Dunkelberg, 1999; Degryse and van Cayseele, 2000). Banks have shaped themselves to be almost the sole providers of funds to firms, thus increasing the level of trust among borrowers and they have been present at times of need. These strong relationships can be seen through lowering interest rates, lower desire for trade debt, improved safety against the cycle of interest rate, and augmented credit availability (Petersen and Rajan, 1994; Berger and Udell, 1995; Berlin and Mester, 1998; Ferri and Messori, 2000; Degryse and van Cayseele, 2000; Machauer and Weber, 2000).

Therefore, it can be concluded from the above discussion that there is a major difference between transactions-based and relationship lending. Through transactions-based lending, hard data can be gathered and used at the time of initiation of the loan. This hard data is based on objective criteria, such as analysis of financial health of the business through financial ratio analysis of financial statements. However, relationship lending is normally linked with obtaining soft information through building relationships with potential borrowers, including firms or sole traders. This soft data may not be confirmed or communicated to others.

2.4 Factors of NPLs

There is, regrettably, no specific theoretical framework that underlines the factors of NPLs (Issa, 2009). Nevertheless, with the help of the study of Akerlof (1971), through using the concept of asymmetric information, this problem has been solved to some extent. The asymmetric information concept studies the behavior of the individual in the market, particularly information about business transactions and exchanges. NPLs relate to behavioral configuration arising from the moral hazard on the part of the debtors and adverse selection on the side of creditors (Issa,

2009). So the concepts of asymmetric information, if observed, can help in giving an additional sense, and recognizing the various unique aspects, of NPLs.

The study of Duminda Silva and Nilshan Perera (2021) and Arestis and Sawyer (2001) recognized that the adverse selection issue, from the concepts of asymmetric information, is the first significant issue in studying NPLs. When the lender's incapability to recognize the difference between a high and a low-risk borrower is conceded, then it is said that there is an issue of adverse selection. The adverse selection issue takes place a long time before the occurrence of the transaction. When a lender demands high interest and added collateral as security, then low-risk borrowers will go to other sources for loans, whereas high-risk borrowers will immediately accept all the conditions to get funds (Hafer, 2005). This can be summarized as high-risk borrowers having no or very little intention of paying back the loan and they will be the most likely to obtain a loan, even at an extraordinary interest rate.

The studies of Al-Ghamdi & Rhodes (2015) and Breuer (2006) noted that there exists a conflict of interest between shareholders and bank administrators which can make the adverse selection issue worse. Bank administrators have a short-term decision perspective that is just limited to maintaining their performance, which is greatly influenced by the expectations of stakeholders as well. The standard of performance of these bank administrators is short-term earnings on the amounts invested in loans and advances. If the economy is in a boom phase, then the performance of an administrator will be considered below par in case of failing to inflate credit. This will result in the poor standing of such managers in their institutions. Therefore, to protect themselves from these negative effects, managers will disburse loans even to clients who have high risks of default. This situation is termed as "herd behavior".

The researcher has also seen in the literature that macroeconomic ups and downs can also augment adverse selection. The studies of Rahman et. Al (2021), Fisher (1933) and Kiyotaki and Moore (1997) indicated that during a boom phase, NPLs show low amounts because borrowers have enough revenues to pay back their loans. Nevertheless, if this prosperous phase continues, then loans are given to an inferior class of borrowers, and consequently the NPLs upturn when the economy enters a recession period.

The studies of Bouchet and Michel (2021) and Arestis and Sawyer (2001) explained a second theoretical concept that can be applied to NPLs. This concept is initiated from asymmetric information and is called “moral hazard”. Clients, to grow their authority and standing, can have intentions to misuse funds through investing in non-paying ventures. Therefore, a financing institute is exposed to the hazard that borrowers may have intentions to participate in such unwanted events, which will increase the chances of defaulting the loan and is against the liking of the financing institute as well.

Furthermore, to improve their performance, bank managers may deliberately grant loans to inferior clients (Arestis and Sawyer, 2001). Eventually, it can be inferred that, in the credit market, asymmetric information can lead to financial problems, particularly NPLs (Enkhzaya Demid, 2021). Thus, it can be said that in the absence of adequate data of both the customers and general settings, the economy and commercial banks will not function desirably. The determinants of NPLs will now be discussed in light of the theory of asymmetric information. It should also be recognized that the factors which will be discussed subsequently may not directly relate to the theory of asymmetric information.

2.4.1 Bank-specific Factors

Bank-specific factors are those which are branded to specific banks, such as managerial choices. These are normally related to the precise strategy selections of a specific bank that are concerned with its efforts to increase its proficiency and expand its risk management. In this study, the following bank-specific factors were theorized to be determinants of NPLs: financial performance, operational efficiency, bank size, ownership structure, income diversification, and loan growth.

As per the studies of Machacek et al. (2018), Hu et al. (2004), Jimenez and Saurina (2006), Boudriga et al. (2009a), Louzis et al. (2012) and Vogiazas and Nikolaidou (2011), the financial performance of banks is normally associated with the risk-taking conduct of their managers. Profitable banks take fewer risks in investing their funds in dangerous ventures as they have fewer burdens to generate incomes (Hu et al., 2004).

The study of Koju et al. (2018) shows that the Capital Adequacy Ratio (CAR) has a negative relationship with Non-Performing Loans which means that to ensure safety, banks must have a keen eye on that ratio. These banks have the choice of selecting low-risk borrowers who have a durable financial record. Thus, as the productivity of banks rises, the chance of bank managers investing in dangerous projects lessens, which as a result decreases the probability of loans converting into NPLs. On the other hand, in the case of banks which are under financial pressure and are less profitable, managers will be forced to issue risky loans which will ultimately increase the chance of a loan default thus increasing the amount of NPLs.

Theoretically speaking, the operational efficiency of a bank has nothing to do with its NPLs. The reason is that operational managers do not take part in the selection and observation of loans and, similarly, credit managers do not control the operating costs; however, the problems of default

loans and efficiency costs are connected in various ways. Therefore, operational efficiency can influence NPLs negatively or positively. The studies of Berger and Udell (2004) and Wheelock and Wilson (1994) have shown that banks tend to fail if they are not efficient in their operations.

Some studies have found a positive association between low cost of efficiency and NPLs (Cucinelli, 2015; Hughes and Moon, 1995; Resti, 1995). This relationship between low cost of efficiency and NPLs is theorized as “bad management” (Berger and DeYoung, 1997). The argument being developed here is that if the management saves operational costs on looking after NPLs, then it will be a sign of “bad management” on the part of the management. This “bad management” attitude of the bank can greatly affect its loan issuing decisions. This also indicates some deficiencies on the part of the managers in the form of poor abilities to analyze the net present values of loans, failing to pledge collaterals matching with the loans, and finding it difficult to have checks and balances on customers for enforcing the conditions of loans.

Berger and DeYoung (1997) hypothesized the negative relationship between low cost of efficiency and NPLs as the “skimping” hypothesis. According to this hypothesis, there is a compromise between assigning funds to monitor and certify loans and restrained cost efficiency. Simply speaking, it means that banks which spend less on the monitoring of loans are more cost-efficient; however, they will face a growing rate of NPLs. By contrast, banks that spend more on monitoring the quality of loans will appear inefficient in terms of cost of efficiency in the short run, but their NPLs will be less in the long run. Therefore, there is a negative relationship between low-cost efficiency and NPLs.

The previous studies of Salas and Saurina (2002), Hu et al. (2004), Cole et al. (2004), Micco et al. (2004), Garcia and Robles (2007) and Swamy (2012) indicated a negative relationship between bank size and NPLs. The bigger banks have more resources to collect, process, and investigate the

data to challenge the adverse selection and moral hazard. These steps enable large banks to improve their dealings with bad clients. On the other hand, smaller banks do not have enough capabilities and knowledge to efficiently evaluate the repayment capacity of customers. The study of Cole et al. (2004) suggested that smaller banks implement minor business financing practices. Therefore, it can be concluded that the failure rate of bigger firms is less than the failure rate of small firms.

The Coase Theorem, cited in Hou (2006), indicates that if the cost of a transaction is zero, then the transferring of property rights (ownership) will not have any impact on economic efficiency. Though, in the real world, there is normally a high transaction cost. According to Salas and Saurina (2002), in an imperfect world that has high costs of the transaction, ownership has a strong impact on economic efficiency and various ownership kinds are related to diverse costs of the transaction. Most of the previous studies showed that privately owned banks have lower NPLs than state-owned banks.

The state-owned banks have to invest in risky ventures and apportion encouraging loans to SMEs to increase the growth of the country (Salas and Saurina, 2002). By contrast, private banks have indistinct directives to resolve adverse selection and moral hazard issues. According to Hu (2004), state-owned banks cannot cope with risk appropriately and effectively. The reason is that governments are primarily not ambitious about profit-making so, in the absence of that motive, state-owned banks work under the same behavior which will eventually lead to rising levels of NPLs.

The study of Fisher (1933) presented the traditional wisdom of not putting all eggs in one basket. There are mixed views in the literature regarding the benefits of investing amounts in different ventures. The followers of this theory are of the view that when banks diversify their investments,

they mitigate the loss in one project against the profit in another (Winton, 1999; Templeton and Severiens, 1992). Thus, the NPLs may be covered through capital gains and financial revenues. However, some researchers disagree with the theory of investing funds in different projects.

The studies of Berger and DeYoung (1997) and Stiroh (2006) revealed that the diversification of funds does not give assurance of lower amounts of NPLs. The reasons they gave are that if banks are engaged in monitoring various projects, then they may drop their emphasis on the project of their expertise and the probability of failure will increase. Therefore, banks should place their entire attention on a solitary route of business, and in this way they can achieve maximum advantage from their management's specialty, eventually decreasing the chance of NPLs.

The credit policy of a bank is the main factor on which the future levels of NPLs will depend. According to Machacek et al. (2018), Sinkey and Greenwalt (1991), Keeton (1999), Salas and Saurina (2002), Jimenez and Saurina (2006) and Louzis et al. (2012), commercial banks state that credit growth has a positive relationship with the size of NPLs. To take short-term benefits, credit managers pursue quick means of expanding credit and therefore take insufficient credit coverages. Keeton (1999) was of the view that profit maximization policies play the role of activists for the rapid progression of loans.

The study of Fernandez et al. (2000) showed that credit institutes ignore assessment procedures, which are required for checking the quality of loans being issued, and focus more on campaigns for achieving maximum market share, predominantly during rapid economic growth. The objective of rapid credit growth is achieved through giving loans at low-interest rates or issuing loans to low-quality borrowers. This step will become the reason for adverse selection and will ultimately increase NPLs.

The study of Tarron and Sukrishnalall (2009) indicated that macroeconomic factors, like effective exchange rate and GDP, and bank-specific factors, like excessive lending, bank size, and high interest rate, are significantly associated with NPLs. The studies of Misra and Dhal (2010) and Bangladesh Bank (2010) showed that the neighboring countries of India and Bangladesh had a lesser rate of NPLs than Pakistan. The study of Masood (2009) compared the banking industries of Turkey and Pakistan and the NPLs rates in both countries are higher. The results of Masood's (2009) study showed that non-compliance with the rules of issuing loans was the key factor responsible for the increase in NPLs. Moreover, the study indicated that state-owned banks have the option of consulting the government as a last resort. Thus, from Masood's (2009) study, it can be inferred that NPLs are an issue confronted by all countries, whether developed or developing.

2.4.2 Macroeconomic Factors

There is a strong relationship between macroeconomic factors and NPLs, which can be seen in previous literature. According to the studies of Salas and Suarina (2002), Fofack (2005) and Jimenez and Saurina (2006), the main macroeconomic factors of NPLs are GDP per capita, real GDP growth, unemployment rate, inflation rate, real interest rate, effective exchange rate, broad money supply (M2) and unemployment rate. In this study, the researcher discusses only the annual inflation rate, real effective exchange rate, growth in real GDP, and real interest rate.

The studies of Satpathy et al. (2015), Fofack (2005), Tarron and Sukrishnalall (2009), and Nkusu (2011) showed that inflation can impact NPLs positively and negatively by affecting the repayment capacity of borrowers. The literature clarifies this relationship: when there is inflation the payment capacity of borrowers increases and it is easy for them to pay their loan installments provided that the interest rates are fixed. However, it can also hurt the repayment capacity of borrowers by decreasing their real incomes. Furthermore, if the bank interest rates are variable, then inflation

can reduce the payment capacity of borrowers because banks can transfer the burden of inflation to borrowers by adjusting the interest rates as per the monetary policy to cope with inflation. Therefore, it can be inferred from the discussion that inflation can have a positive or negative impact on NPLs.

According to Nkusu (2011), a variation in the real effective exchange rate can impact the repayment capacity of borrowers just like inflation and the impact can be positive or negative. The study of Tarron and Sukrishnalall (2009) indicated that devaluation of the exchange rate can either increase or decrease the payment ability of the borrower. On the one side, it is of real benefit for export-oriented firms because their products will become cheaper in the global market, thus, increasing their competitiveness. Export-oriented firms will be able to sell their products in international markets and will receive foreign currency whose value will be more than the domestic currency. As a result of this, their debt repayment capacity will improve by a great deal. On the other side, this depreciation in local currency can be harmful to import-oriented firms as they borrow in foreign currency.

According to Salas and Suarina (2002), Rajan and Dhal (2003), Fofack (2005), Hou (2007), Jimenez and Saurina (2005), Tarron and Sukrishnalall (2009), Louzis et al. (2012), and Saba et al. (2012), commercial banks report that there exists a negative relationship between real GDP growth and NPLs. The reason is that variations in the business cycle influence the creditworthiness of borrowers, which ultimately affects their repayment capacity. In periods of high economic activities and positive growth in GDP, there are more revenues for borrowers thus increasing their payment capacity, resulting in lower levels of NPLs. By contrast, an economic slowdown will result in lower growth in GDP, hence, decreasing the repayment capacity of borrowers due to a

decrease in their revenues. This situation will become the reason for the delay and even defaults in payments of the borrowers and, therefore, the banks will be exposed to higher exposure risk.

There is a situation when borrowers who are deprived of getting loans are ready to pay a higher rate of interest. This is called “credit rationing” which is the result of asymmetric information and the subsequent adverse selection problem (Stiglitz and Weiss, 1981). The reason is that when interest rates are high, wise borrowers do not go for loans and they wait for favorable conditions, whereas only those borrowers who have the riskiest investment projects are willing to pay higher interest rates. According to the studies of Sinkey and Greenwalt (1991), Jimenez and Saurina (2006), Tarron and Sukrishnalall (2009), Fawad and Taqadus (2013), and Louzis et al. (2012), higher interest rates increase the probability of lending to a poor quality borrower, thus, increasing the chances of higher NPLs. Therefore, in this background, a higher interest rate leads to a bigger adverse selection.

According to Klein (2013), the rate of loan defaults in Central, Eastern, and South-Eastern Europe (CESEE) had been around 3% but it reached 11% at the end of 2011 due to the financial crisis of 2007–2008. Thus, loan defaults were considered to be a vital factor in CESEE. Klein (2013) studied the determinants of NPLs in the CESEE region and found a significant relationship between the bank-specific factors of equity to assets ratio, excessive lending and return on equity (ROE), and the macroeconomic factors of inflation, GDP growth, exchange rate depreciation and unemployment with NPLs. The study of Park and Zhang (2012) investigated two different periods from 2002–2006 and 2007–2009. The results of their study showed that there is a significant relationship between the financial performance of a country and NPLs. Furthermore, their study revealed that macroeconomic and bank-specific variables were responsible for the higher level of loan defaults.

Ashraf and Butt (2019) and Prasad (2010) studied the financial sector of GCC and the results showed a significant but inverse association between NPLs and macroeconomic factors (interest rate, credit growth, and GDP growth) of the GCC. Prasad (2010) suggested that these results arose because, in a boom phase, the interest rate declines, thus, increasing borrowers' ability to repay their loans. These have shown a rising trend which is a very dangerous sign for the economy (Masood, 2009).

The study of Louzis et al. (2012) revealed that due to positive macroeconomic indicators the Greek economy achieved continual growth in the crisis of the mid-1990s. However, it could not handle the financial crisis of 2007 due to political pressure, incompetent management, issuing loans without giving concern to the trustworthiness of borrowers, and non-compliance of protocols. This study showed that banks need a consistent monitoring system that can guide them during unfavorable macroeconomic conditions. Therefore, the study of factors of NPLs other than macroeconomic and bank-specific factors is very important.

2.4.3 Other Factors of NPLs (other than macroeconomic and bank-specific)

These factors of NPLs refer to various types of forces inside society. These forces shape things, like lifestyle, buying habits, qualifications, and religious beliefs of individuals. Factors that are theorized to be determinants of NPLs are education, lifestyle, gender, religion, character, age, credit culture, and occupation.

2.4.3.1 Education of Borrower

The studies of Mpofu and Nikolaidou (2018), Eze and Ibekwe (2007), Nawai and Shariff (2013b) and Roslan and Mohd Zaini (2009) have analyzed the characteristics of borrowers. These characteristics include the level of education as well as others. These studies examined the impact

of these characteristics of borrowers on loan defaults. These studies showed a significant and positive impact of the level of education on NPLs. Borrowers with a high level of education will be able to understand the terms and conditions of loans more than an uneducated borrower. The educated borrower will have superior thinking to invest the amount of loan in profitable avenues. This characteristic of the borrower will enable the banker to avoid the issue of adverse selection. The banker will have the option of selecting safe borrowers instead of risky ones, thus decreasing the level of NPLs.

2.4.3.2 Lifestyle of Borrower

The studies of Rahman and Jahan (2018) and Nguyen (2007) showed that clients' characteristics have an impact on their character, which ultimately results in a significant relationship with the better performance of loans. These characteristics include lifestyle, which has a positive relationship with loan performance. Furthermore, this study presents that lifestyle along with age, personality, and self-concept have a noticeable influence on character, which ultimately determines loan defaults for a bank.

There is a condition when some borrowers who are rejected for lending are ready to pay a higher rate of interest. The reason behind this is that they want to use that fund in non-productive ventures to maintain their lavish lifestyle. This step adopted by a bank is called rationing of credit. Credit rationing is caused by the adverse selection problem (Stiglitz and Weiss, 1981). The main cause of this is that when interest rates are high, normal borrowers wait for the interest rate to come down, but other borrowers in the market have risky and non-productive investment projects in hand just to maintain their lifestyles and they have no care for the funds of the banks. Whenever borrowers are willing to pay high rates of interest, this indicates that there are more chances for a loan to default (Sinkey and Greenwalt, 1991; Jimenez and Saurina, 2006; Tarron and Sukrishnalall,

2009; Ahmad et al., 2013; Louzis et al., 2012). In this background, the issue of adverse selection takes place. Through addressing this feature of borrowers there is a likelihood that loan performance can be improved, thus, resulting in fewer NPLs.

2.4.3.3 Gender of Borrower

The studies of Rafay et al. (2020) and Roslan and Mohd Zaini (2009) examined the impact of three types of features, including gender as one of the features, of the borrower on the performance of loans. The results of the study revealed that there is a positive relationship between gender and loan performance. Furthermore, the results indicated that formal religious education, total income, age, and business formality are negatively associated with loan repayment performance, whereas business experience, gender, loan approval, distance to the lender office, and the number of visits have a positive association. The study of Gonzalez-Hermosillo (1999) found that age, gender, and attractiveness of borrowers influence the decision of money lenders. This means that in some studies it has been found that if gender attracts bankers, then this can influence their lending decision, which can result in loan defaults.

Due to gender differentiation, as explained in the study of Gonzalez-Hermosillo (1999), the lending decision of a banker can be influenced and there may be ignored in some of the evaluation procedures. The study of Felix and Cloudine (2008) showed that credit institutes ignore the assessment procedures which are required for checking the quality of loans being issued and focus more on campaigns for achieving maximum market share, predominantly during periods of rapid economic growth. The objective of rapid credit growth is achieved through giving loans at a low interest rate or issuing loans to low-quality borrowers. This step will become the reason for adverse selection, which will ultimately increase NPLs.

This gender differentiation may also be missing in the case of ownership of banks as the study of Salas and Saurina (2002) revealed that state-owned banks have to invest in risky ventures and apportion encouraging loans to SMEs to increase the growth of the country. Thus, in this process, there is a chance that certain practices in scrutinizing the quality of borrowers will be ignored, resulting in a rise in loan defaults due to adverse selection issues. According to Hou (2007), state-owned banks cannot cope with risk appropriately and effectively. The reason is that as governments are primarily not ambitious about profit-making so, in the absence of that motive, state-owned banks work under the same behavior which will eventually lead to rising levels of NPLs.

2.4.3.4 Religion of Borrower

The studies of Montalvo and Reynal (2020) and Nawai and Shariff (2012) investigated the factors determining the repayment performance in microfinance programs in Malaysia. The results showed that formal religious education along with other factors significantly affects the loan repayment performance of borrowers. Religious education shows a positive association with loan performance. If the performance of loans is improved then it will decrease NPLs; so, it can be inferred that if religion plays a positive role in reducing NPLs and if religious views are considered by banks, then this can safeguard the latter against the issue of adverse selection of borrowers. If this feature of the borrowers is not considered by banks, then it could lead to the possibility of poor quality of borrowers (Tarron and Sukrishnalall, 2009).

2.4.3.5 Character of Borrower

If the borrower's character is not properly and promptly evaluated, then there is a chance that the bank may face the issue of asymmetric information. Asymmetric information is the result of two sub-issues, namely the issue of adverse selection and moral hazard. When the borrower's character

is ignored while issuing credit, it may lead to the wrong selection of the borrower. If the lender's incapability to recognize the difference between a high and a low-risk borrower is conceded, then it is said that there is an issue of adverse selection (Demiroglu et al., 2019; Arestis and Sawyer, 2001). Hence, the study of the character of borrowers can help bankers to decrease the level of NPLs.

2.4.3.6 Age of Borrower

The studies of Amir (2019), Nawai and Shariff (2013a) and Roslan and Mohd Zaini (2009) analyzed the characteristics of borrowers. Characteristics including age have a significant positive association with NPLs. Moreover, this study mentioned that younger borrowers tend to pay their loans better than mature ones. This study was supported by the work of Oladeebo and Oladeebo (2008) which revealed that young borrowers are keener to apply innovations in comparison to older borrowers (Eze & Ibekwe, 2007; Bhatt & Tang, 2002; Wongnaa, 2013).

The study of Arestis and Sawyer (2001) recognized that the adverse selection issue, from the concept of asymmetric information, is the first significant issue in studying NPLs. When the lender's incapability to recognize the difference between a high and a low-risk borrower is conceded, then it is said that there is an issue of adverse selection. If the banker does not consider the age factor of a borrower, then there is a chance that he or she may select the wrong borrower, as the behavior may vary as per the age of the borrower. This can lead to the issue of adverse selection due to the reason that the banker has failed to distinguish between high-risk and low-risk borrowers, which can ultimately lead the loan towards defaulting.

2.4.3.7 Credit Culture of Country

The studies of Rahman and Jahan (2018) and Nguyen (2007) stated that people are affected by other people or a group of people from which they take inspiration. These may include reference groups, social roles, ranks, and family members. Borrowers are motivated to pay off their loans due to fear of being disliked by the reference group, club members, church, and so on. By contrast, the company of bad friends, family members, and neighbors can instigate borrowers to delay or default loans. If a banker does not consider the credit culture while making a lending decision, then the banker can face the issue of adverse selection; due to this poor quality of borrowers, NPLs may increase.

2.4.3.8 Occupation of Borrower

The study of Rafay et al. (2020) showed that a customer's features have an impact on consumer character, which eventually leads to better performance regarding loan defaults, especially age, lifestyle, personality, self-concept, lifecycle stage, occupation, and economic circumstances. The study of Nguyen (2007) showed that customers' features, especially age, lifestyle, personality, self-concept, lifecycle stage, occupation, and economic circumstances, have an impact on their character. In addition, customers with sound occupation, lifestyles, and self-concept have a better loan repayment rate. The study of Khieu, Mullineaux and Yi (2012) showed that there is a strong relationship between the occupation of the borrower, location of collateral, and loan defaults.

Breuer (2006) noted that there exists a conflict of interest between shareholders and bank administrators which can worsen adverse selection. Bank administrators have a short-term decision perspective that is limited to maintaining their performance, which is greatly influenced by the expectations of the stakeholders as well. In this situation, where the standard of performance of these bank administrators is short-term earnings on the amounts invested in loans and advances,

there is a chance that if the occupation of a borrower is not considered then the issue of adverse selection can arise.

2.5 Empirical Literature on the Factors of NPLs

There are quite a decent number of studies conducted on factors of NPLs. The outcomes of the literature show that the factors of NPLs can be external and internal. In this section, the literature will be reviewed in three strands. These three strands are related to single countries, cross-countries studies, and studies conducted in Pakistan.

Keeton and Morris (1987) examined the basic factors of loan defaults for US commercial banks for the period 1979 to 1985. That study was conducted on 2,500 US commercial banks. The study used simple ordinary least squares (OLS) and found that poor economic conditions coupled with poor performance in some specific sectors were the main factors behind the loan defaults. After the study of Keeton and Morris (1987), further studies were conducted on the performance of US banks in handling loan defaults which presented almost the same results, although there were a few studies with a little variation in results. For example, the study of Sinkey and Greenwalt (1991) explored the experience of big banks from 1984 to 1987 of loan defaults. Their study used the methodology of applying OLS and indicated that internal factors, as well as external factors, were responsible for loan defaults in the US banking system. Their study showed a positive relationship between NPLs and internal factors, including volatile funds, high interest rates, and excessive lending. Furthermore, the authors also found that the poor economic conditions of the region also had an impact on the NPLs of commercial banks. The study of Keeton (1999) examined US banks for a period from 1982 to 1996 using a vector regression model and found a strong relationship between impaired assets and credit expansion. Keeton (1999) stated that the ultimate reason for loan defaults was the issuance of loans to poor-quality borrowers to expand credit.

The literature in other settings provides almost the same results as those found in the USA. The study of Bercoff et al. (2002) investigated instability in the Argentinean banking system by using survival analysis. Their study was conducted for the period from 1993 to 1996; the researchers claimed that NPLs were affected by macroeconomic and bank-specific factors.

Salas and Saurina (2002) examined the factors of NPLs in the case of Spanish commercial banks. They used a dynamic model and panel data for the period from 1985 to 1997. Their study found that bank size, real growth in GDP, rapid credit expansion, market power, and capital ratio were the factors influencing the NPLs of Spanish banks. Jimenez and Saurina (2006) used a panel regression model to examine credit risks, prudential regulations, and credit cycles of Spanish commercial banks. Their study examined the effect of real interest rate, size of banks, the growth rate of GDP, and two Herfindahl indexes (one for industry and one for area) on NPLs. Their study showed that real interest rate and growth rate are significant factors of NPLs, meaning that an increase in GDP and a decrease in real interest rates lower NPLs. However, the size of the bank does not have a significant relationship with the NPLs ratio. Last, but not least, the rate of loan growth is significant and has a positive relationship with loan defaults.

The study of Hou (2006) investigated the association of bank size, investment diversification, and ownership structure with the problem loans of Taiwanese commercial banks by using panel data from the period 1996 to 1999. The results of their study showed that higher involvement of government ownership in banks logged lower NPLs. Furthermore, bank size showed a negative relationship with NPLs, whereas diversification of investment did not show a significant association with problem loans of commercial banks of Taiwan.

The study of Tarron and Sukrishnalall (2009) investigated the factors of loan defaults in the commercial banks of Guyana. They used a panel dataset. The outcomes of their study showed that

macroeconomic and macroeconomic variables significantly explain NPLs. The macroeconomic variables which showed a significant association with NPLs were GDP growth and exchange rate.

Precisely as per Tarron and Sukrishnalall (2009), there is a positive significant impact of real effective exchange rate on NPLs. This shows that if there is an increase in the exchange rate there will be an increase in problem loans. Therefore, from this, it can be inferred that when there is an increase in the value of the local currency, the NPLs of commercial banks can be expected to rise. However, the study has found a negative association between GDP growth and NPLs which means that when the GDP growth increases due to high economic activities, it results in improved repayment capacity among the borrowers, thus, decreasing NPLs. Microeconomic variables, credit expansion, and interest rates showed a positive significant relationship with NPLs; this means that the increase in interest rates and credit expansion results in a higher level of NPLs. Their study did not show a significant relationship between bank size and NPLs, although in previous literature it was considered to be one of the major factors in explaining NPLs (Tarron and Sukrishnalall, 2009).

The study of Ahmad et al. (2013) investigated the determinants of NPLs in the setting of the Jordanian banking system. Their study used dynamic panel regression analysis for the period 1995 to 2005. The results indicated that macroeconomic variables, namely inflation, market interest, and GDP, are significant determinants of NPLs. Furthermore, the study showed that microeconomic variables, specifically rapid credit expansion, investment diversification, and bank size, were significant determinants of problem loans. The study of Saba et al. (2012) revealed that it is imperative to study NPLs as NPLs are the main reason behind a variety of financial and economic issues, such as declining profits, less per capita income, and the financial disaster that beset the banking sector all around the globe.

The study of Ahmed et al. (2021) examined the impact of macro-economic and bank-specific factors on Non-Performing Loans. For this purpose, they applied a GMM estimator on the data from 2008 to 2018 of Non-Performing Loans of commercial banks. They found a significant and positive relationship of NPLs with loan loss provision, credit growth, interest margin, and bank diversification whereas a negative relationship with bank size, Return on Assets, and operating efficiency.

Louzis et al. (2012) investigated the factors of NPLs in the financial sector of Greece. Their study used a dynamic panel regression model with a panel dataset consisting of the nine biggest banks in Greece for the years from 2003 to 2009. This period includes two economic environments (i.e. economic growth and slump). Their study showed that macroeconomic variables, precisely unemployment rate, lending rates, and GDP growth rate, had a significant relationship with NPLs. In addition, their study also considered that bank-specific variables, like financial efficiency and performance, significantly explained NPLs.

The study of Ramachandran et al. (2011) examined the factors of loan defaults in the commercial banks of India. They used an econometric model and a panel dataset of 22 state-owned banks and 15 privately owned banks. Their study showed that both macroeconomic and bank-specific variables played a significant role in explaining the NPLs of commercial banks. Noticeably, lagged NPAs were found to have a strong statistical positive relationship with NPAs of the current period. In addition, there was a negative impact of credit risk and GDP on NPLs in both state-owned and privately owned banks.

The study of Asari et al. (2011) examined the impact of the inflation rate and interest rate on NPLs of Malaysian commercial banks. They applied VECM for the period from 2006 to 2009 to find out the impact of interest rate and inflation rate on NPLs. Their results showed that in the long run, the

inflation rate did not have a significant relationship with NPLs, whereas the interest rate had a significant impact on NPLs. Furthermore, in the short run, both the interest rate and the inflation rate had an insignificant relationship with the NPLs of Malaysian commercial banks.

Vogiazas and Nikolaidou (2011) examined the factors of loan defaults in Bulgarian banks by using a time series dataset. Their study was inspired by the theory that macroeconomic variables, financial market variables, and bank-specific variables can explain the NPLs of the Bulgarian banking system. This study used time series from 2001 to 2010 covering both a boom and financial crisis period. The study revealed that macroeconomic, financial markets, and bank-specific variables, namely the construction index, unemployment rate, the industrial production index, the real effective exchange rate, global financial crisis, and credit expansion, had a significant relationship with the NPLs of Bulgarian commercial banks.

The study of Swamy (2012) used panel data to investigate the impact of determinants of NPLs on the Indian banking sector. Swamy (2012) applied an econometric model on a dataset from the period 1997–2007. The results, however, differed from the previous literature. The study showed that the interest rate had an insignificant impact on the NPLs which contradicted the findings of previous studies. In addition, the study revealed that bank size had a significant and negative relationship with the NPLs, meaning that the bigger banks had excessive funds and better risk-evaluating procedures needed to screen out and monitor borrowers, which resulted in lower NPLs than the smaller banks; this result also conflicts with results from the previous literature. Furthermore, Swamy (2012) found that privately owned and foreign banks had better credit control systems so these record fewer NPLs than the state-owned banks. This is another result that challenges the outcomes of previous studies.

The study of Saba et al. (2012) examined the factors of NPLs in the setting of US commercial banks. Their study used a dataset from the period 1985-2010 and applied correlation and regression models. The results showed that there was a significant association of interest rate and GDP with NPLs. However, the study revealed that GDP had a significant inverse relationship with NPLs, whereas the real interest rate had a significant positive relationship with the latter.

The study of Amir (2019) of the Bangladeshi economy showed a significant relationship between NPLs and various factors including excess bank liquidity, political stability, foreign motives, interest rate, inflation rate, and GDP growth. The study of Fofack (2005) examined the main reason for NPLs in the period of the banking crisis which affected a lot of Sub-Saharan African countries in the 1990s. The study applied correlation and causality tests. In addition, the study also used a pseudo-panel-based dataset from 16 African countries and found that both microeconomic and macroeconomic factors had a significant relationship with NPLs. The econometric model revealed that real interest rate, economic growth, real exchange rate appreciation, interbank loans, and net interest margins were a robust causality of NPLs.

The study of Machacek et al. (2018) showed that in the case of Prague, the Czech Republic, unemployment rate, exchange rate, real economic growth rate, and interest rate may significantly affect NPLs. Their study used meta-regression analysis. Fofack (2005) also indicated that macroeconomic volatility is the main driving force behind an increase in NPLs and it reflected the weakness of undiversified African economies, which were severely unprotected from external tremors. Stability in macroeconomic conditions and economic growth are responsible for lower levels of NPLs, whereas deteriorating macroeconomic tremors along with the increased cost of capital are likely to increase levels of NPLs. However, this study shows a stimulating result in the

shape of inflation being an insignificant factor of NPLs, whereas most previous literature contradicted this finding.

The study of Besmir and Muhamet (2021) found a significant and negative relationship between NPLs and profitability over a time duration from 2010-2019. For this study, they employed multivariable linear regression to evaluate the determination of profit function. The study of Masood and Aktan (2009) showed the determinants of NPLs in the context of big state-owned banks in the setting of Pakistan and Turkey. The dataset was from 1996 to 1998 for Pakistani banks and from 1999 to 2001 for Turkish banks. Their study conducted surveys of credit managers of Pakistani and Turkish commercial banks through questionnaires to determine the factors of NPLs. The results of their study showed that loans to insiders, poor credit risk assessment, and external government intervention were significantly related to NPLs in Turkish commercial banks. In addition, the results also revealed that in the case of Pakistani commercial banks, credit managers' years of service, credit managers' years of experience, and communication facilities provided to the credit managers were significant predictors of NPLs.

Mpofu and Nikolaidou (2018) studied 22 Sub-Saharan African countries and found the macroeconomic factors of NPLs, namely trade openness, financial crisis, GDP growth rate, inflation rate, and domestic credit to the private sector by banks as a percentage of GDP, to be significantly influencing NPLs. The study of Boudriga et al. (2009b) empirically examined the factors of NPLs in the setting of the Middle East and North African countries; the sample comprised 46 commercial banks. The banks were selected from 12 countries with a panel dataset based on years from 2002 to 2006. Their study showed a significant relationship between institutional and business environment and risk disclosure of banks. In their study, a random-effect regression model was applied which pedaled country-level cluster properties. The results revealed

that NPL levels were lower when a foreign developed country contributed. Furthermore, the banks with high capital incurred high amounts of NPLs, whereas high credit growth produced a lower level of NPLs. However, in the case of business environment factors, only the information printed by the credit bureau positively influenced the credit disclosure of banks.

The empirical study of Ojeka et al. (2021) used financial statements of 15 banks listed on the Nigerian stock exchange. This study applied panel regression methodology and found a significant and negative relationship of inclusion of expertise in audit committee and Non-Performing Loans. The empirical study of Boudriga et al. (2009a) investigated the cross-country factors of NPLs and the probable influence of regulatory determinants of credit risk exposure. Their study used economic, financial, aggregate banking, and legal environment data for 59 countries. The dataset used a panel and it covered the period from 2002 to 2006. Their study used 1-year lagged loan loss reserves to total loans ratio, capital to risk-weighted assets minus the required minimum capital, 1-year lagged real GDP growth, percentage of assets held by the five largest banks, percentage of state-owned banks, 1-year lagged ROA ratio and percentage of foreign ownership. The outcomes of the study of Boudriga et al. (2009a) revealed that a greater capital adequacy ratio (CAR) and cautious provisioning strategy were correlated with a decline in problem loans. Furthermore, foreign participation, bank concentration, and private ownership had a positive relationship with problem loans. In the countries where there were poor institutions, corruption, and compromised democracy, the regulatory measures were either biased or did not improve the credit risk exposure in these countries. Lastly, the existence of a state did not improve the condition of NPLs.

The study of Espiloza and Prasad (2010) analyzed the factors of NPLs in the banking sector of GCC. The study used a dataset covering the period from 1995 to 2008 constituting 80 banks from this region. The results of the study showed that both bank-specific and macroeconomic factors

significantly explained NPLs. Specifically, the results showed a negative association between real GDP growth and NPLs. Global market conditions were also found to be a significant predictor of NPLs. The results also showed that bank-specific variables, namely past expansion of the balance sheet and efficiency, were significant determinants of NPLs. However, high credit expansion in the past was found to be responsible for increased NPLs in the future. Last but not the least, bigger banks were also found to incur fewer NPLs in the banking sector of GCC countries.

The study of Sudan Kumar Oli (2021) empirically explained the impact of NPLs on the deprived lending sector. For this purpose, they collected 262 observations through secondary data of 27 commercial banks of Nepal from the year 2009-2018. This study applied the regression method which showed a significant and negative relationship between the deprived lending sector and Non-Performing Loans. The empirical study of Nkusu (2011) examined the relationship between macroeconomic performance and NPLs. The study used a dataset of 26 developed countries for the time 1998 to 2009 for two corresponding methods. As per one method, factors of NPLs were investigated in panel regressions and it was revealed that macroeconomic developments were negatively associated with NPLs. Secondly, the association between macroeconomic factors and NPLs was examined through a panel vector autoregressive model. The results of the study revealed that macroeconomic factors like unemployment, inflation, an adverse shock to GDP growth, and falling assets prices had a relationship with the servicing of debt issues, mirrored with rising NPLs. By contrast, a positive macroeconomic environment led to decreasing NPLs.

The study of Castro (2012) examined a connection between macroeconomic developments and credit risk of banks in Greece, Ireland, Portugal, Spain, and Italy as these were all affected by adverse financial and economic circumstances. A dynamic panel dataset for the period 1997 to 2011 was used in the study. The results showed that there was a significant relationship between

banking credit risk and macroeconomic variables. In particular, GDP growth was negatively associated with NPLs. By contrast, interest rate, appreciation of real exchange rate, unemployment rate, and rapid credit expansion showed a positive significant relationship with the bank credit risk.

The study of De Bock and Demyanets (2012) investigated the relationship between various internal and external factors of asset quality and credit growth. The study used a dataset of dynamic panel regression investigation in 25 emerging markets for the period 1996 to 2010. The results revealed that a weak exchange rate or terms of trade, rapid credit growth, and a slowdown in economic growth were significantly associated with a high level of NPLs.

The study of Negera (2012) examined the factors of NPLs in the setting of Ethiopian commercial banks. The study estimated the factors of NPLs using a survey in privately owned and state-owned commercial banks through a self-administered questionnaire. Furthermore, interviews with senior bankers were also conducted. Descriptive statistics and correlation were used to examine the data. The findings revealed that underdeveloped credit culture, compromised integrity, poor credit assessment, over/under financing by banks, willful defaults, lenient credit terms and conditions, poor loan monitoring, aggressive lending, unfair competition among banks, fund diversion for unintended purposes, and weak institutional capacity were the reasons behind high NPLs. However, the study did not support any association between interest rate, ownership type, and bank size with the NPLs. Interestingly, in this study, only descriptive statistics and correlation tests were used to analyze the relationship between various variables and NPLs, although these tests were not enough to predict any association as seen in previous literature.

The results of the study of Eze and Ibekwe (2007) showed that age has a significant positive association with NPLs in the case of Nigeria. The study mentioned that young borrowers tended to pay their loans better than mature ones. This study was supported by the work of Oladeebo and

Oladeebo (2008) in the settings of Nigeria. Their study revealed that young borrowers are keener to apply innovations than old borrowers. Borrowers with higher education are understood to make in-time payments, thus lowering the level of NPLs, because highly educated borrowers are superior in thinking and assessing new avenues and methods that lead to an increase in revenues (Eze & Ibekwe, 2007; Bhatt & Tang, 2002; Wongnaa, 2013).

The study of Roslan and Mohd Zaini (2009) examined the impact of three types of features of borrowers, project, and loan on loan defaults of agriculture microfinancing. The borrowers' features included marital status, race, level of education, age, occupation, training, membership in business society, number of dependents, and experience. The project features were the type of the project, distance to the nearest bank, revenue from the project, and ownership structure of the project. Similarly, the loan features comprised the length of the repayment period and the amount of the loan. Primary data was used in this study which was collected employing a survey conducted in 86 branches of agro-banks all across Malaysia. A self-explanatory questionnaire was given to 2,630 borrowers who were selected through simple random sampling. To analyze the data logit and probit models were applied. The outcomes of the study showed that there was a positive and significant relationship of gender with bank loan defaults. In addition, this study revealed that there were fewer female borrowers than male borrowers. Furthermore, the results of Roslan and Mohd Zaini (2009) showed that the coefficient for the factor "project" was significant but showed an inverse association with loan defaults. This means that those borrowers who were engaged in production activities committed higher defaults than the borrowers attached to services. The coefficient for the variable "training" showed a significant but negative relationship with loan defaults. These results mean that trained borrowers had fewer NPLs as compared to untrained borrowers. Moreover, the coefficient of factor "amount of loans" also showed an inverse but

significant relationship, which means that the higher the amount of loan, the less likely it will default. The coefficient of factor “period of repayment” had a significant and positive relationship with loan default, which implies the longer the period of repayment, the more a loan default is probable. However, the results indicated that loan defaults had an insignificant relationship with age, previous occupation, membership in business society, distance or project to the nearest agro-bank office, revenue from business or project, race, and education.

The study of Kamajou and Baker (1980) suggested that various African studies analyzed the factors of loan defaults in a binary loan outcome, which means explaining borrowers as present with their loan repayments or committing defaults. The study found that factors like the number of supervisory visits by credit officers, lower client debt asset ratios, established previous loan history, timeliness of loan disbursement, enterprise profitability, and having additional sources of income were positively associated with loans defaults.

Jemal (2003) conducted a study on loan repayment performance and microfinance conducted in Kuyu, located in Oromia National Regional State, Ethiopia. This was a case study of a company by the name of Oromia Credit and Savings Share Company based in Kuyu. This study used a logit model to analyze the impact of factors determining loans defaults in MFIs. The sample size comprised 203 respondents. The independent factors used in this study included the location of residence of the borrower, annual income from other activities (not financed by the loan), age of the borrower, sex of borrower, the value of livestock in birr (the unit of currency of Ethiopia), loan size in birr, income from activities financed by loan (annual), educational level of borrower, timeliness of loan release loan diversion rate, the ratio of loan diverted to total loan received, number of dependents, number of times borrowed, suitability of repayment period, use of financial records, adequacy of supervision and visits made to a borrower. The results of the logit model

showed a significant negative association of availability of other credit sources and livestock, suitability of repayment period, education, loan supervision, and income with loan defaults. However, loan size and loan diversion were found to be positively associated with loan defaults. In addition, female borrowers were found to be better at loan repayment than male ones (Jemal, 2003).

The study of Abraham (2002) used a logit model to examine the factors of NPLs. The study was conducted with private borrowers funded by the Development Bank of Ethiopia, Zway branch. An interview methodology was used to collect the dataset. Interviews were conducted with a total of 102 borrowers out of which 34 had good creditworthiness and the remaining 68 were defaulters. The study examined the impact of household size (number), loan diversion, sex of borrower, sector, availability of another source of income, the ratio of the value of collateral to the loan amount, repayment period (years), age of borrowers (years), educational level of borrowers, experience in related economic activity (in years) and the ratio of equity to total investment on loan defaults. The results indicated that education, work experience in related economic activity before the loan, engaging in economic activities other than agriculture, and having other sources of income were significant factors of loan defaults, whereas giving extended loan repayment period and being a male borrower were insignificant factors of loan defaults.

The study of Nawai and Shariff (2012) analyzed the factors determining repayment performance in microfinance programs in Malaysia. The dataset was gathered through a survey of 309 respondents. To analyze the data, a multinomial logit regression model was used. The results showed that loan monitoring, loan disbursement lag, business formality, total sales per month, total loan received, distance to the lender's office, formal religious education, and gender significantly affected the loan repayment performance of borrowers. Their study also showed that female

borrowers were more engaged in loan defaults than male ones. This result contradicts previous literature like Sharma and Zeller (1997), Derban et al. (2005), Papias and Ganesan (2008), and Roslan and Mohd Zaini (2009). Furthermore, the results indicate that formal religious education, total income, age, and business formality are negatively associated with loan repayment performance, whereas business experience, gender, loan approval, distance to the lender's office, and many visits have a positive association. Lastly, this study explained that total income, total sales, loan approval, formal religious education had higher chances to increase loan repayment performance, whereas age, gender, distance to the lender's office, loan monitoring and education level had lower chances to improve loan performance by a great deal.

The study of Michal and David (2010) explained the impact of gender on loan defaults. Their study used regression for the analysis of data. The results showed that gender had an insignificant impact on loan defaults. Their study matches with the previous study of Armendariz de Aghion and Murdoch (2005), which considered that the relation of borrowers' features and gender with loan defaults. The study of Nguyen (2007) showed that customers' features, especially age, lifestyle, personality, self-concept, lifecycle stage, occupation, and economic circumstances, had an impact on their character. The study explained that older people took more time to make decisions and took fewer risks than young people. In addition, customers with a sound occupation, lifestyle, and self-concept had a better loan repayment rate. Furthermore, people who are engaged in politics make fewer defaults as they are highlighted by people of society and do not want to be known as loan defaulters (Nguyen, 2007). However, the political environment may damage a venture funded through a loan and eventually increase the problems for a quick return of debt. The culture in which people spend their lives represents that environment that depicts their morals, history, values, art, and language (Kon and Storey 2003).

The study of Ogeisia et al. (2014) examined the influence of the character of borrowers on loan repayment. Their study used a purposive and simple random sampling technique for the selection of sample size. In total, 105 respondents were selected from commercial banks located in Kakamega town, Kenya, and the data was collected through a survey. Regression was applied to check the impact of gender, location, loan size, and age on loan repayments. Some of the findings were against the results shown by the study of Magali (2013), for example, loan size had a positive relationship with loan defaults. However, some of the results did match with Magali (2013), such as both studies revealed an insignificant relationship between gender and loan repayments.

The study of Dermine and Neto de Carvalho (2006) found that loan size, age of the borrower, collateral assets, and industry factor had a significant relationship with loan repayments. In addition, their study also revealed that if the cost of recovering the loans was higher than the eventual retrieval. The studies of Grunnet and Weber (2005), Dermine and Neto de Carvalho (2006), Bandyopadhyay and Saha (2009), Khieu and Mullineaux (2009), and Khieu et al. (2012) showed that there is a strong relationship of age of the borrower, location of collateral, age of collateral, size of collateral, type of collateral, occupation of the borrower, borrower's income, number of borrower's dependents, loan-to-value ratio, loan monitoring and supervision, recovery strategy characteristics, interest growth, unemployment rate, exchange rate, GDP growth, inflation growth, loan size, loan type, the status of the borrower, a relationship of the borrower with a lender, year of relationship with lenders and sector-based characteristics.

The study of Islam (2018) assessed the impacts of LLP, maintained to deal with NPLs, on profitability in Bangladesh. For this, cumulative data of 56 commercial banks, from the year 2009 to 2017, was used. The results of the study showed a significant impact of gross NPLs to total loans outstanding, LLP maintained and surplus/shortfall resulted from the required loan

provisioning on profitability. Furthermore, the NPLs and LLPs maintained by commercial banks showed a negative and significant impact on profitability.

There are a lot of aspects that are insignificant in influencing loan defaults but the lender gives serious care to these. The studies of Ravina (2012) and Mild, Waitz, and Wöck (2015) analyzed various individual features of peer-to-peer lending and found that age, race, beautiful applicants, and other personal features were noted by the lender while giving loans. There is more likely that a beautiful applicant can get loans, pays few but at nominal rates. The study of Pope and Sydnor (2011) found that there were ethnic differences in peer-to-peer lending. The study of Gonzalez-Hermosillo (1999) found that age, gender, and attractiveness of borrowers influenced the decisions of money lenders.

In the case of evaluating the impact of macroeconomic factors on NPLs of the banking sector of Bangladesh, a dataset of 2000 to 2017 time series, ARDL methodology was used. The results of the study showed an insignificant impact of GDP growth rate and inflation rate on NPLs (Hasan, 2019). The studies of Negera (2012), Murphey (2004b), and Nathenson (2004) examined the factors of NPLs in the setting of Ethiopian banks. Nathenson (2004) used a mixed-method approach. A survey questionnaire was used to conduct quantitative research, and interviews were conducted to cover the qualitative aspect. For analysis, descriptive statistics were used. The findings of the study showed that underdeveloped credit culture, poor credit assessment, aggressive lending, knowledge limitation of borrowers, willful defaults by borrowers, under/over funding by banks, fund diversion for an unintended purpose, weak institutional capacity, lenient credit terms, and conditions, unfair competition among banks and compromised integrity were the significant factors of loan defaults. The results of the interviews confirmed the results of the survey. The credit culture is not far developed in Ethiopia as shown by a higher bank branch to

population ratio, which means that there is very limited admittance to formal banking. This is another strong reason for the high level of NPLs in Ethiopian banks. There is an old saying in Ethiopia “either borrower or a lender might die” which means that a borrower usually commits defaults. Therefore, the culture has a significant relationship with the performance of loans (Negera, 2012).

The study of Sanju et al. (2021) revealed a significant relationship of NPLs with bank size, inflation, GDP, and ROA whereas an insignificant relationship with CAR. Multiple regression was employed on the secondary data of key commercial banks in Nepal for the years 2015 to 2019 from the World Bank database. The study of McGoven (1993) explained that character is a dominant factor when it comes to issuing loans. Therefore, this study revealed that banks should take proper care in assessing the character of borrowers and guarantors.

An empirical study of India conducted by Das and Ghosh (2003) investigated the determinants of bank defaults using credit growth, macroeconomic condition, operating efficiency, and asset size. The point of view of the Indian study was in agreement with the concept of “credit culture” in Reddy (2004) and “risk pricing” in Mohan (2003) and several other studies which have been discussed above. These studies give weight to credit culture and lending behavior to control NPLs.

Abdul et al. (2015) and Farhan et al. (2012) explained the reasons for NPLs and their influence on the banking sector of Pakistan. Abdul et al. (2015) surveyed 100 respondents through purposive sampling. The results of their study showed that the significant factors of loan defaults were lack of business management knowledge, the unwillingness of clients to repay the loans, poor weather conditions, ineffective monitoring, delayed loan approvals, and poor credit appraisals. In addition, the results also revealed that NPLs reduced the interest income of Pakistani banks. Furthermore, Abdul et al. (2015) indicated that due to NPLs, the provisioning for bad debts has reduced the

interest incomes of major Pakistani banks in 2009, like Allied Bank Limited (ABL), Muslim Commercial Bank (MCB), and United Bank Limited. The percentage in income reduction of the above-mentioned banks is about 16.91%, 16.22%, and 29.43% respectively. This provisioning has also decreased the incomes of the National Bank of Pakistan and Habib Bank Limited (HBL) by 29.48% and 19.86%, respectively. The results indicated a reduction in profits of many banks (e.g. in 2009 the profits of MCB and ABL decreased by 33.39% and 42.9%). All these results demand that banks should use appropriate measures to lessen loan defaults so that the financial performance of banks is not damaged. It is also significant to highlight that most of the loan defaults were committed in business and agriculture activities.

Islam and Nishiyama (2019) studied the bank-specific and macroeconomic factors of NPLs in South Asian countries (Pakistan, Bangladesh, Nepal, and India) for the period from 1997 to 2012 using the GMM estimator. The study showed that the adverse selection of borrowers by banks expressively affected the rise of NPLs of the said countries. Banks that are located in metropolitan areas issue a limited number of loans as the distance from borrowers increases (Brevoort and Hannan, 2004). This study used longitudinal data from the banks under Community Reinvestment Act. Due to competition with bigger banks, the small banks prefer to issue loans to nearby clients where they have the advantage of access to information.

Haroon and Danish (2019) revealed that NPLs had a greater impact on conventional Pakistani banks than non-conventional (Islamic) Pakistani banks. The findings also indicated that the number of branches had an insignificant effect on NPLs, whether banks were conventional or non-conventional. The staff strength was found to have a significant as well as negative impact on NPLs in the case of conventional banks, whereas it had a positive and significant impact on NPLs in the case of non-conventional banks in Pakistan. However, the CAR had a significant and

negative relationship with NPLs in the case of non-conventional banks and a direct and significant relationship with conventional banks. Last, but not least, the study showed a positive relationship between interest income and NPLs for conventional banks, whereas it showed an insignificant impact in the case of non-conventional banks.

Farhan et al. (2012) examined the economic determinants of NPLs in Pakistani commercial banks. They used a primary data collection tool in the shape of a questionnaire filled by 201 bankers who were involved in credit expansion decision-making. Their study used regression analysis to explain the impact of economic factors on NPLs. The economic factors included the energy crisis, inflation, unemployment, GDP growth, exchange rate, and interest rate. Their study revealed a significant positive association of energy crisis, unemployment, inflation, exchange rate, and interest rate with NPLs, whereas GDP growth had a negative but significant relationship with NPLs in the Pakistani banking sector. Moreover, due to the energy crisis, even good loans were converting into bad ones; so, it showed that an energy crisis has a damaging effect on commercial banks in Pakistan.

The study of Fawad and Taqadus (2013) examined the impact of macroeconomic variables on NPLs. Their study used a time series dataset from 1990 to 2011. OLS was applied to analyze the relationship between macroeconomic variables, namely, Consumer Price Index (CPI), GDP growth, inflation rate, industrial production, interest rate, exports, real exchange rate, unemployment, and FDI. Out of these variables, GDP growth, inflation rate, industrial production, interest rate, and exports were found to be in a significant but negative relationship with NPLs, whereas only one variable CPI was positively associated with NPLs. However, real effective exchange rate, FDI, and unemployment had an insignificant relationship with NPLs. In the study, the real exchange rate had an insignificant relationship with NPLs, which opposes the findings of

most of the literature. So, this study considered that if there was a change in the real effective exchange rate, the borrower's purchasing power would not be affected, there would be no impact on NPLs.

The study of Abid et al. (2019) showed that while defining NPLs in the case of Pakistani banks, the impact of the unemployment rate, lending interest rate, energy gap, bank credit to the private sector with corruption and political stability had to be analyzed along with other factors. The study of Munib and Atiya (2013) investigated the impact of macroeconomic variables including GDP, money supply, inflation, exchange rate, and interest rate on NPLs in Pakistani commercial banks. Their study used a time series dataset from 2002 to 2011. In addition, co-integration, Granger causality test, and VECM were applied to analyze the data; the results revealed that all the macroeconomic variables showed a significant relationship with NPLs.

The study of Tarchouna et al. (2021) used GMM estimation on 184 commercial banks of the USA about the period of 2000-2013. This empirical study revealed that small banks had higher bad loans due to a weak governance system. In the case of medium banks, thorough corporate governance was found. In addition, large banks were found to excessively lending without taking into consideration the loan losses. This study empirically proved that bank size did matter in explaining the impact of corporate governance of the banks on loan quality.

The studies of Eze and Ibekwe (2007), Nawai and Shariff (2013b) and Roslan and Mohd Zaini (2009) analyzed the characteristics of borrowers: age, level of education, and gender. These studies examined the impact of these characteristics of borrowers on loan defaults. The studies of Chong et al. (2010) and Nawai and Shariff (2013a) showed that the relationship between gender and NPLs is insignificant. The results of Roslan and Mohd Zaini (2009) and Wongnaa (2013) showed that female borrowers defaulted much less than male ones.

2.6 The Development of Research Propositions

Some studies have examined the relationship between NPLs and the level of education of borrowers and have found significant and positive results. These studies include Rafay et al. (2020), Eze and Ibekwe (2007), Nawai and Shariff (2013a) and Roslan and Mohd Zaini (2009).

Hence, it is proposed that:

Proposition 1: Education of borrowers influences NPLs.

The literature reveals that lifestyle influences NPLs. The studies of Rafay et al. (2020) and Nguyen (2007) described various personal features of borrowers which improved NPLs. These features include lifestyle, age, and personality. Therefore, it is proposed that:

Proposition 2: The lifestyle of borrowers significantly influences NPLs.

As far as gender is concerned, the literature shows that gender has a positive and significant association with NPLs. The studies of Rafay et al. (2020) and Roslan and Mohd Zaini (2009) investigated the impact of various characteristics of borrowers on NPLs and found a positive relationship between the gender of borrowers and NPLs.

Proposition 3: Gender of borrower influences NPLs.

It is also evident from the literature that religion and the character of the borrower have a significant relationship with NPLs. The argument developed in the literature is that while considering religious education the loan performance of banks has seen to improve, see for example Amir (2019), Demiroglu et al. (2019), and Nawai and Shariff (2012). The literature shows a significant relationship between the character of borrowers and loan performance, which

ultimately reduces NPLs (Ogeisia et al., 2014). Thus, the following propositions are formed in this regard:

Proposition 4: Religion of borrower is significantly associated with NPLs.

Proposition 5: The character of the borrower significantly influences NPLs.

In the case of the age of the borrower, it has been seen in the literature that age has a positive and significant influence on NPLs. The studies of Abid et al. (2019) and Roslan and Mohd Zaini (2009) reported that young borrowers tend to pay off their debts more than mature ones. Hence, the following is proposed:

Proposition 6: The age of the borrower has a significant and positive relation with NPLs.

Credit culture has been found to have a significant impact on NPLs as far as previous literature is concerned. The studies of Abdul et al. (2020) and Nguyen (2007) explained that people are affected by other people or a group of people from which they take inspiration. These may include reference groups, social roles, ranks, and family members. Borrowers are motivated to pay off their loans due to fear of being disliked by the reference group, club members, and church. By contrast, the company of bad friends, family members, and neighbors can instigate them to delay or default loans. In this regard, the following is proposed:

Proposition 7: The credit culture of a country has a significant association with NPLs.

The literature shows that the occupation of a borrower plays a significant role in improving NPLs. Islam et al. (2018), Khieu et al. (2012), and Nguyen (2007) explained that borrowers' features, especially occupation, have a significant relationship with NPLs. So, the following is proposed:

Proposition 8: Occupation of borrowers significantly influences NPLs.

2.7 Conceptual Framework

The main aim of this study is to explore the determinants of NPLs of commercial banks in Pakistan. Based on objectives, as defined previously in Chapter 1, a conceptual model is outlined. As seen from the literature, most researchers have conducted studies on the bank-specific and macroeconomic factors of NPLS. Moreover, most of the previous studies used a positivist approach and quantitative methodology to discuss the problem of NPLs about macroeconomic and bank-specific determinants. The researcher has noticed that, worldwide, there are very limited studies on the factors of NPLs other than macroeconomic and bank-specific factors and especially in the context of Pakistan. Those studies which are conducted in the background of macroeconomic and bank-specific factors have given more importance instead of the aforementioned factors of NPLs (education, lifestyle, gender, religion, character, occupation, age of borrowers, and credit culture of a country). Therefore, the researcher has selected to explore the factors mentioned in the following studies: Rafay et al. (2020), Demiroglu et al. (2019), Islam et al. (2018), Nawai and Shariff (2013b), Nguyen (2007), Roslan and Mohd Zaini (2009), Nawai and Shariff (2012), Rose (2002), Oladeebo and Oladeebo (2008) and Negera (2012). These factors are explored in the light of the theory of asymmetric information and its subordinate theories of adverse selection and moral hazard. The factors of NPLs are explored through analyzing the borrowers' characteristics and the credit culture of the country. These include education, lifestyle, gender, religion, character, occupation, age of borrowers, and credit culture of a country.

Chapter Summary

Chapter 2 has given a detailed discussion on various factors of NPLs with a detailed look at specific factors. At the close of the chapter, prepositions and a conceptual framework are given which have been derived from the literature review. Chapter 3 will explain the methodology of this research.

Chapter 3: Research Methodology and Method

3.1 Purpose and Approach

The literature review conducted in Chapter 2 indicated the previous studies related to the factors of NPLs. In addition, it also threw light on the rationale to explore the factors of NPLs. The RQs, as developed in Chapter 1, worked as guidelines for the research being conducted in this dissertation. To refresh the RQs, they are once again presented here.

- 1) How are the factors of education, lifestyle, gender, religion, character, credit culture of the country, age, and occupation related to NPLs?
- 2) What are the perceptions of bankers about NPLs and what measures are taken by bankers before sanctioning loans?

This chapter explains the research design, ascertains the population of the study and sample, and describes the data collection method and analysis. The bankers of credit departments of Pakistani commercial banks are the work field for this study. Besides these, research paradigms are explained in Section 3.2. Afterward, the rationale for choosing a qualitative approach for this research is clarified. The choice of a qualitative methodology led the researcher to select an exploratory research design. The selection and employment of the sample for this study are discussed in Section 3.4. Section 3.5 of the dissertation explains the design of the questionnaire, interview guide, sample, and sampling methods and processes. A summary of the data analysis is presented in Section 3.6. The quality and ethical concerns along with processes are defined in Sections 3.7 and 3.8, respectively. The challenges faced and reflexivity of the researcher, in conducting the study, are elaborated in Section 3.9.

3.2 Research Paradigms

3.2.1 What is a Research Paradigm?

The first step of starting a research study design is to choose an area and paradigm. According to Creswell (1994, p. 1), there are some assumptions about the social world that how science should be led, what establishes appropriate problems, answers, and the standards which can prove these. The objective of paradigms in the human and social sciences is to assist and to comprehend these evolving assumptions. Kuhn (1962) was the first to use the term “paradigm”. The researcher used a paradigm to explain a set of generalities, principles, and morals of a specialists’ community (Deshpande, 1983). Nevertheless, Creswell and Clark (2011, p. 39) preferred not to limit the usage of the term “paradigm” to any particular class of researchers. Paradigm can mean the common principles and values of scholars:

The knowledge claims, the strategies, the methods, all contribute to a research approach that tends to be more quantitative, qualitative, or mixed (Creswell, 2009, p. 18).

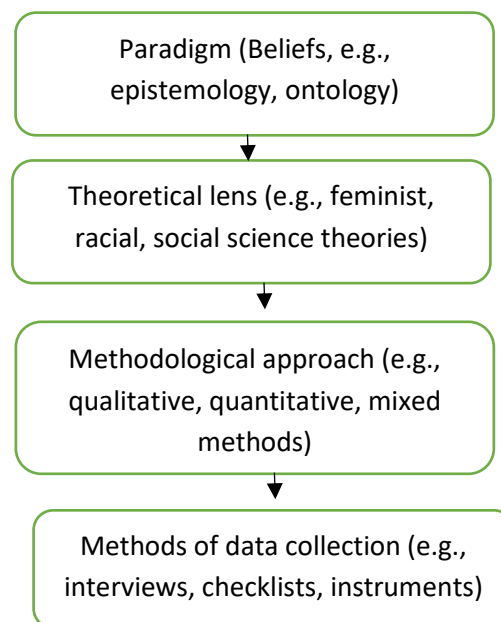


Figure 3.2.1.1 Four Stages for Developing a Research Study

Source: Adapted from (Creswell, 2009; Creswell and Clark, 2011)

Figure 3.2.1.1 shows there are four main levels to the design of a research study. The paradigm informs the choice of a theory which the researcher uses. The theory guides the researcher to choose the methodology or research strategy to conduct the research. Finally, the methodology leads to selecting the appropriate methods or procedures to collect, analyze and interpret the data (Creswell & Clark, 2011).

When designing a research study, constant variations are observed in the use of the terms “methodology” and “methods” (Foss, 2002; Giddings, 2006). Methodology and methods share a synergetic relationship and researchers often define them in various ways, depending on the researchers’ philosophical approaches (Jackson II, Drummond & Camara, 2007). It is argued that the way a researcher frames the RQ and decides on the process and methods to use is termed their “methodology”, whereas the tools used to collect and analyze the data are called their “methods” (Giddings, 2006; Kothari, 2004). The basic belief system of each of the four main worldviews is summarily characterized based on ontology, epistemology, axiology, methodology, and rhetoric. Ontology relates to assumptions held about the nature of reality and issues concerning “being” and with what exists (Burrell & Morgan, 1985). Epistemology refers to beliefs about the nature of knowledge or how do we know what we know (Annells, 1996). Axiology considers the role of values in the study (Guba & Lincoln, 1994). Methodology refers to the processes of research and rhetoric is the language of the research or writing style (Creswell, 1994).

Table 3.2.1.2

Research Paradigms

	Post-positivist Paradigm	Constructivist Paradigm	Participatory Paradigm	Pragmatist Paradigm
Ontology (What is the nature of reality?)	Singular reality (e.g., researchers reject or fail to reject hypotheses)	Multiple realities (e.g., researchers provide quotes to illustrate different perspectives)	Political reality (e.g., findings are negotiated with participants)	Singular and multiple realities (e.g., researchers test hypotheses and provide multiple perspectives)
Epistemology (What is the relationship between the researcher and that being researched?)	Distance and impartiality (e.g., researchers objectively collect data on instruments)	Closeness (e.g., researchers visit participants at their sites to collect data)	Collaboration (e.g., researchers actively involve participants as collaborators)	Practicality (e.g., researchers collect data by “what works” to address research question)
Axiology (What is the role of values?)	Unbiased (e.g., researchers use checks to eliminate bias)	Biased (e.g., researchers actively talk about their biases and interpretations)	Negotiated (e.g., researchers negotiate their biases with participants)	Multiple stances (e.g., researchers include both biased and unbiased perspectives)
Methodology (What is the process of research?)	Deductive (e.g., researchers test a prior theory)	Inductive (e.g., researchers start with participants’ views and build “up” to patterns, theories, and generalizations)	Participatory (e.g., researchers involve participants in all stages of the research and engage in cyclical reviews of results)	Combining (e.g., researchers collect both quantitative and qualitative data and mix them)
Rhetoric (What is the language of research?)	Formal style (e.g., researchers use agreed-on definitions of variables)	Informal style (e.g., researchers write in a literary, informal style)	Advocacy and change (e.g., researchers use language that will help bring about change and advocate for participants)	Formal or informal (e.g., researchers may employ both formal and informal styles of writing)

Source: Adopted from Rehman, M. (2015, p. 63)

Table 3.2.1.2 points out four basic paradigms which can be used in an individual or mixed form to give philosophical assumptions for research. These approaches are termed as “constructionist”, “post-positivist”, “participatory” and “pragmatist” paradigms (Creswell & Clark, 2011). These four approaches are explained in detail in the coming paragraphs.

The post-positivism paradigm is also known as positivism, quantitative research, and empirical science. According to Creswell and Clark (2011), Doyle et al. (2009), Feilzer (2010), Giddings (2006), and Morgan (2007), the positivist approach can be defined as a singular reality where the truth is exposed objectively in the shape of quantitative research. The advantages of this are several, such as simplicity in data collection and analysis in a short period. Though, there are certain limitations attached, like difficulty to spot the subjective issues, such as perceptions, philosophies, and motivations (Roux & Barry, 2009).

The Constructivist Paradigm involves determining reality through using qualitative research approaches (Creswell & Clark, 2011; Feilzer, 2010; Giddings, 2006). The followers of this paradigm are of the view that an individual can have various opinions and meanings in respect of different situations and their opinion should be considered. The positive points of this paradigm include an opportunity to have deeper understandings of the perceptions, philosophies, and motivations of the individuals. The limitations of this approach consist of additional time required to collect data, it is problematic to get admittance to meet each subject of the population being studied, and complications of data analysis (Roux & Barry, 2009). Last, but not least, the issue of researcher bias is stronger in this approach than in a quantitative study (Creswell, 2009).

The participatory paradigm explains social fairness problems omitted by other paradigms. This type of research paradigm is adopted to counter political distresses (Creswell & Clark, 2011). This approach benefits disregarded groups and manages knowledge through the research outcomes and

research procedures themselves. The researchers exchange their biases with members and the study report is drafted in a promoter style (Creswell & Clark, 2011). This research paradigm does not suit this study.

The pragmatist paradigm considers that there are certain physical limitations of the study which cannot be explained wholly through the usage of theory or data (Doyle et al., 2009). This paradigm allows the use of mixed methods because of its flexibility in transferring between the induction and deduction stages of an inquiry (Creswell & Clark, 2011; Doyle et al., 2009; Feilzer, 2010; Giddings, 2006; Jang, McDougall, Pollon et al., 2008; Johnson et al., 2007; Morgan, 2007; Scott & Briggs, 2009; Teddlie & Tashakkori, 2003; Rehman, M., 2015).

3.3 Philosophical Assumptions of the Research Inquiry

After the discussion of the research paradigms, it is imperative to explain the philosophical assumptions of the current study being conducted. According to Denzin and Lincoln (2011) and Creswell (2012), researchers should have complete knowledge of their philosophical assumptions. The reason is that failure to have this understanding can greatly harm the quality of the research procedure (Easterby-Smith, 2008; Bryman, 2012). A clear understanding of the assumptions can enable a researcher to establish well-versed decisions in choosing a specific paradigm and research strategies (Bryman and Bell, 2008; Bryman, 2012; Denzin and Lincoln, 2011). The study of Denzin and Lincoln (2011) explained that there are three main assumptions, namely ontological, epistemological and methodological. These philosophical assumptions scheme the methodological options relating to the study. The researcher now describes these assumptions for the research inquiry.

3.3.1 Ontological Stance

This position claims that reality is not an objective concept and there are several realities instead of a single one (Denzin and Lincoln, 2011). The philosophical information of ontology frames the research whenever a researcher conducts a research inquiry. We all establish various conventions about the environment and reality of the world; therefore, ontological assumptions are very important to the research procedures (Bryman and Bell, 2008).

The objective of the study of the researcher is to only explain the phenomena of factors of NPLs. There is no intention of the researcher to predict any objective explanations. The reason is that the phenomena used in this study are to be inclined through own experiences, knowledge, and explanations, assuming that individual attitudes or the social world are not constant objects and, therefore, they keep on varying as per the socio-cultural environment (Ussher, 1999). Though the aim is not to give an objective analysis, still the research will have a valued impact through the interpretations and explanation of the outcomes (Ussher, 1999).

3.3.2 Epistemological Stance

The information about the way that the researcher is to collect data to attain information about an individual's community biosphere is termed epistemology (Creswell, 2012; Denzin and Lincoln, 2011). According to Guba and Lincoln (2011), finding information about the reality along with the method of obtaining it is called the epistemological stance. There are different epistemological stances, such as positivism and numerous methods of social constructionism (Creswell, 2012; Bryman, 2012).

The epistemological stance for the research at hand is constructionism which resists that all information is produced in the vicinity, conditionally and precisely relating to a state (Bryman and

Bell, 2008), which raises concerns for the research results, as the results of the study may change as per the background in which the information is collected and examined (Madill et al., 2000). Thus, how the researcher advanced the study must be made clear, to guide the reader and to improve understanding of the position from which it was carved (Madill et al., 2000). In this way, the researcher can address and acknowledge the inevitability of carrying private and ethnic opinions to the research, like elementary socio-cultural norms and their influence on data and analysis. As per the point of view of the contextualist, any harmony between researcher and contributor is preserved as a valued means to aid in describing and better comprehending the results, as a substitute for cataloging them as bias that requires to be set apart and dealt with (Madill et al., 2000).

3.3.3 Methodological Stance

After the epistemological and ontological stances, it is claimed that there could be numerous processes involved in choosing a design for solitary research. The interpretive approach is the most suitable approach for this study for the reason that it permits digging deeper into the social world of the contributors, entering their reality, and interpreting their observations as suitable (Bryman, 2012).

There are many reasons for choosing the interpretivist approach. First of all, NPLs are complex and multi-dimensional phenomena (Mileris, 2012; Tomak, 2013; Fawad and Taqadus, 2013; Shingjerji, 2013). This phenomenon is dominated by the positivist approach and is thus based on a quantitative data analysis model in most studies (Park and Zhang, 2012; Boudriga et al., 2009b). These methods have been used to arrive at objective results (Skarica, 2013; Selma and Jouini, 2013; Makri et al., 2014; Rehman, S., 2015). Therefore, there is a need for qualitative data analysis

to have rich and deep knowledge of the phenomena of the factors of NPLs. In the context of the Pakistani banking sector, there are hardly any studies available using a qualitative methodology.

The area of factors of NPLs other than macroeconomic and bank-specific factors is under-researched which demands the usage of a qualitative study to have an in-depth understanding of the phenomena. According to Creswell (2012), a qualitative methodology is suitable when very little is known about any phenomena. The gaps already discussed in Chapter 2 give strong justifications to use such an approach through which more in-depth and free views, opinions, and perceptions of the participants and their experiences about handling NPLs can be acquired. This also provides the benefit of collecting information from face-to-face interviews to get trustworthy data from the senior bankers of Pakistani commercial banks who are dealing with real-time issues (Creswell, 2012; Bryman and Bell, 2008).

These are the ontological, epistemological, and methodological stances of the researcher based on which the latter selected the inquiry for the research. After the selection of the philosophical assumptions, the next step was to employ participants of the study. The next section will explain the selection of the sample in detail.

3.4 Selection and Employment of Sample

As discussed in the previous section, the current inquiry is based on an ontological assumption of subjectivity (multiple realities) and constructionist epistemology, these philosophical assumptions have implications for the selection and employment of samples. The process of selection and employment of the sample is given as under.

3.4.1 Sampling Strategy

In this study, a snowball sampling approach was used. This sampling approach is a strategy where preliminary interaction was completed by the researcher with bankers, who applied to the research area, and then these contributors were drawn upon to make connections with other bankers who virtually could be part of the research, using these recommendations (Creswell, 2012). The limitation to this strategy is a lack of unpredictability and depiction, but it was not the intention of the current research as it was based on the epistemological position of constructionism. Nevertheless, the researcher claims that these reflections are only pertinent to positivist positions and have no significance for the paradigm of the current research (Denzin and Lincoln, 2011; Bryman, 2012). Irrespective of the limitation of the sampling strategy, the goal of the snowball sampling was to select those individuals who could replicate their know-how so that familiarity with the phenomenon could be expanded (Creswell, 2012). There was also a lack of data availability related to the factors of NPLs, other than macroeconomic and bank-specific data, therefore, the researcher used personal linkage to classify the bankers using snowball sampling.

After selecting the sampling strategy, the next step was to define the number of participants needed to be interviewed to accomplish the research aims. As the research approach of the researcher is interpretivist, the researcher was conscious of the fact that the qualitative approach practices minor samples to produce dense and rich explanations (Miles and Huberman, 1994) as a substitute for big samples that intend to generalize the results (Bryman, 2012), which was not the objective of the study. The sample size of 25 met with Bryman's (2012) and Creswell's (2012) view that a decent sample should be about 20 to 30 interviews.

3.4.2 Employment of the Sample

To employ the potential participants, employment criteria were established to be elastic to obtain the richness of a varied sample. The targeted bankers were selected for the study on the following basis. The bank officials should have held their job for at least three years. The bankers must have a minimum of three years of experience. The bankers must belong to the credit department. They must have dealt with clients for all types of loans, especially in the consumer, agriculture, SME, and corporate sectors.

The motive to keep the criteria extensive and flexible was to obtain a variety of bankers' accounts and to obtain as many varied viewpoints as possible. The researcher succeeded to acquire the data of bankers from a colleague who is also a researcher in the finance and banking field. Primary contact with the participants of the study was made over the telephone to choose the day and time of the interview. All particulars were conversed, concerning the research, telephonically and a thorough email was directed to the participants comprising an information letter (see Appendix I), aims of the study, the role of the researcher, and the nature of the participation.

Those who acknowledged participating in the study were given a choice to select a venue. All of the interviews were conducted on the office premises. It is also important to mention that out of 25 bankers selected, 8 bankers were senior bank managers. The inclusion of these senior bankers improved the richness of the study in terms of providing dissimilar and conflicting views. There are currently 22 commercial banks working in the Pakistani banking sector out of which 5 conventional banks namely, ABL, MCB, Bank Alfalah Limited, Askari Bank Limited, HBL. It is imperative to mention that initially it was decided to conduct 30 interviews, but later these were shortlisted to 25, which is following the number of interviews conducted in the studies of Rehman, S. (2015), Negera (2012), and Zhang (2010). The availability of the interviewees and the rate of

knowledge attainment determined the number of interviewees, consistent with the doctrines of diminishing returns (Lewis, 1994).

3.5 Collection of Data

3.5.1 Semi-Structured Interviews

Qualitative interviewing (Bryman, 2012; Creswell, 2012) was selected to gather data regarding the factors influencing NPLs of commercial banks in the setting of Pakistan. It was beneficial to gather data through interviewing method because in this way the aims of the study could be met and it also allowed the bankers to spontaneously share their understandings (Gracia and Welter, 2011). The selection of qualitative interviews was made due to the philosophical assumptions made in the study. First of all, the ontological stance of the study involves that there is no such thing as unbiased reality and bankers' opinions, perceptions, information, understanding, and explanations are significant instances of the social reality which the present study aims to discover.

Secondly, the epistemological stance of the study guides that the appropriate method to produce data is to interrelate with people, be in dialogue with them, take note of them and advance admittance to their explanations (Denzin and Lincoln, 2011). The opinion of the researcher about the world is that communal phenomenon can be described through composite and exhaustive information rather than superficial data founded on surveys. In combination with the philosophical norms of the researcher, qualitative interviews were judged to be one of the best options available to attain the aims of the study (Kvale, 1996).

There are two main methods of qualitative interviewing, unstructured and semi-structured (Bryman, 2012). For this research, the semi-structured (Bryman, 2012; Creswell, 2012) type of interview was selected because an interview protocol was drafted to discover the banker's opinions

and experiences related to the various determinants of NPLs. A semi-structured interview is a method where the researcher has a themes-based list and practices an informal approach of inquiry to retain the conversation inside the space of the study (Bryman, 2012). This feature provided the researcher with the facility of not keeping questions in a pre-determined fashion as given in an interview protocol, but the latter could be used as a guide. Furthermore, this feature allowed the researcher to investigate those questions which were not part of the interview protocol but had the potential of being interesting and to make the data-rich (Bryman, 2012). Therefore, this enabled the bankers to share their banking experiences with the researcher under the critical review of the causes of the occurrence of NPLs and their various factors.

3.5.2 Stages in Steering of Interviews

The participants were first communicated about the interview through telephone. An interview agenda (Appendix I) was sent to the participants before the actual interviews so that they were mentally ready to organize their thoughts. After attaining the agreement of the participants, the interviews were recorded. The duration of the interviews varied between 30 and 40 minutes. Normally there is a disparity experienced in the length of time of interviews (Bryman, 2012). The researcher did not ask all the questions from the interview protocol due to the time constraint of the participants.

After attaining a well-versed agreement, the participants were heartened to give their opinions independently connected to the RQs established by the researcher for the interview protocol. These questions just presented a direction. The bankers were permitted to share their own opinions and experiences and the researcher was just an initiator. A good interviewing method guides an interviewer not to present his/her thoughts at the beginning of an interview to evade bias. The main role of the interviewer should be just to keep the conversation on a path (Kvale, 1996).

Since Urdu is the first language in Pakistan, the interviews were conducted in Urdu and English depending on the convenience of the participants. The researcher did ask the language choice of the participants before starting an interview. However, all the interviews (25) were conducted in the Urdu language. The interviews were translated into English with the help of an English expert.

3.5.3 Interview Guide/Interview Protocol/Interview Schedule

The interview schedule containing open-ended questions was used for data gathering. Due to the diverse and dynamic nature of people, as a qualitative researcher, one has to continuously advance the study instrument. Therefore, the collection of data was not done in the most dynamic and inventive ways (Creswell, 2012). Thus, due to this, the establishment of the data instrument was quite stimulating. The interview schedule was constantly changed because the aim was to contain the significant and applicable items even after the data was being gathered. This procedure admits the constant drive recessive and accelerative among the RQs to gather and analyze the data (Bryman and Bell, 2008). According to Easterby-Smith (2008, p. 424), the unambiguousness of the qualitative procedure of RQs, data collection, and research, which, over the life of the venture, are reiterative, depends on the sophisticated attention of the researcher.

There were several bases on which the interview schedule was founded. The original interview schedule was organized with the help of the research aims of the study after a thoroughly conducted review of the literature (Zhang, 2010; Negera, 2012; Rehman, S., 2015). The tools used by various researchers to conduct interviews were also analyzed. The primary draft of the interview schedule was debated with the research supervisor and the questions were further advanced and the reliability of the questions was improved. After establishing the interview guide a pilot examination of the tool was conducted. This testing was made to ensure the clarity, relevance, and avoidance of any ambiguity in the RQs. This pilot testing enabled the researcher to improve the

interview guide. The important suggestions and missing links as suggested by the participants of the pilot study were included.

The questions which were prepared for the interview guide were designed to be following their significance in the research being conducted. In addition, it was also ensured that these questions met the aims of the research and integrated the opinions of the bankers, how they felt about the social world and how they assigned meaning to it (Bryman, 2012). The questions included in the interview guide were about their opinions about NPLs, how they perceived the influence of factors other than macroeconomic and bank-specific factors in light of the theory of asymmetric information. These factors were: education, lifestyle, gender, age, religion, character, occupation of borrowers, and credit culture of a country. The questions can be seen in the interview protocol/guide in Appendix III. The use of an interview guide provided the researcher with the benefit of asking the same set of questions and inquiries from participant to the participant (Bryman and Bell, 2008).

The structure of the interview protocol was kept elastic to allow the researcher to collect rich information from the participants and to allow the participants to share their experiences in a relaxed way. As the motive of the research was to collect the experiences of the bankers, the interview guide was established to enable an unrestricted flow of experiences, but questions were not anticipated to follow a directed track. Only the section of the questions relating to the demographics of the bankers followed a linear track.

3.6 Data Analysis

3.6.1 Transcribing the Interviews

All the interviews were transcribed for analyzing the data. As per Oliver et al. (2005, p. 1287), transcription is that influential piece of representation that can mark the conceptualized process of the data. The basic aim of the transcription of qualitative data is to give a factual and precise representation of the interviewer's dialogue. There could be two selections in transcribing the qualitative information: de-naturalism and naturalism (Oliver et al., 2005). Both these methods are explained in the following paragraphs.

According to Schegloff (1997), language denotes the actual world through a naturalized methodology. Consequently, transcription mirrors a precise representation of communication. Denaturalized transcription, though, advocates that there are senses inside the dialog and observations that build reality (Cameron, 2001). Oliver et al. (2005, p. 1274) explained that among these two approaches are infinite differences via the essentials of each to attain definite logical aims and research areas.

The questions constituting an interview protocol decide which style is suitable for their analysis (Oliver et al., 2005). A qualitative transcript can aid a diversity of purposes from recording patterns and tools of dialog (naturalism) to catching denotations and insights (de-naturalism) (Oliver et al., 2005). As the main aim of the study is to explore the factors of NPLs in the light of the experiences of the commercial bankers, the contents of the interview protocol are more important for the RQs than the mechanisms of dialog. Yet, the style of the transcriptions is founded on de-naturalism. Furthermore, as previously discussed, Urdu was the first language of the researcher and the participants, therefore, a few English grammatical errors were rectified and the interviews were

transcribed in a denaturalized way. This choice was the personal concern of the researcher to denote the participants' accounts humbly.

3.6.2 Thematic Analysis

Thematic analysis was used to analyze the data after the transcription phase was completed. This form of analysis is very popular among qualitative researchers. Thematic analysis can be defined as a technique aimed at classifying, examining, and reporting arrangements (themes) inside qualitative records (Braun and Clarke, 2006, p. 79).

In this type of analysis, the researcher looks for patterns inside the data to reveal evolving themes that develop into sets of analysis. Unlike explanatory data analysis (Smith and Osborn, 2003), grounded theory (Strauss and Corbin, 1998), discourse analysis (Willing, 2001), or description analysis (Murray, 2003), thematic analysis is not theory destined; it can be used inside a range of theoretical backgrounds. Thus, it is quite an elastic tool of analysis that delivers rich, thorough and multifaceted accounts of data (Braun and Clarke, 2006).

Though elasticity is referred to as a crucial feature in thematic analysis, this feature can also become its drawback if the analysis is applied in an unreliable and poor way. A way of rectifying this issue is to craft the philosophical assumptions of ontology and epistemology under which a study is led, including the analysis of data (Denzin and Lincoln, 2011). As far as the epistemological and ontological stances of this study are concerned, content analysis was used inside the structure of constructionism. This admits that individuals ascribe meanings to their understandings implanted in a socio-cultural setting, which imposes on those senses (Braun and Clarke, 2006). The data of the transcribed interviews were preserved as co-construction among the researcher and the participants of the research. These co-constructions were established inside a

particular place and time, gathered by one-to-one semi-structured interviews. These co-constructions were tested for the sense the bankers assigned to their experiences of dealing with NPLs. The data analysis aimed to work in the direction of an explanatory explanation of the experiences of the bankers about their incentives and alterations into diverse characters, interferences, and obstacles and furthestmost in terms of dealing with the NPLs in their subjective explanations. Moreover, the researcher wanted to present the data in a manner that would produce the richest explanation of the information. Thus, thematic analysis was the most appropriate technique to attain the aims of the data analysis of the researcher.

To know the data is the first step of content analysis. For this, the researcher read and re-read the transcriptions of the interviews (Braun and Clarke, 2006). This procedure assisted the researcher to build a coding framework for the data of the interviews. The interview protocol helped as a means of coding framework development. Mostly, an interview protocol is an appropriate instrument that assists in designing a preliminary coding framework. The reason is that the interview protocol is constructed based on RQs, pertinent studies, and the private experiences of the researcher (King, 2004).

The interview protocol was used as a pattern of codes. The usage of a pattern aided the management of the data and shaping of the data for interpretations (Braun and Clarke, 2006). All the transcriptions were read and re-read to find any emerging subject in the interview manuscripts and for data that was judged to be vital to respond to an RQ; these were contained inside the coding framework. This led to broad codes which were presented as a code template: NPLs, sanctioning of loans, education, lifestyle, gender, age, religion, character, occupation of borrowers, and credit culture of a country. Some emergent codes contained: category of loans, residential areas of borrowers, inspiration, and category of defaulters.

After the development of the coding framework, the next step was to code the written material of each of the transcriptions. This procedure assisted the researcher to bring the data into expressive sections (Attride-Stirling, 2001). Then came the stage of classifying the themes by alignment of codes into groups. The procedures of classification and selection of themes were continually performed during the analysis phase. Once the manuscript was coded, themes were recognized from the coded data through reading and re-reading the sections of the coded manuscript. This procedure assisted in recognizing the original patterns and arrangements entrenched in participants' accounts. After the selection of themes, the researcher once more analyzed the selected themes for additional improvement to shape into more distinct procedures to reduce the data into further manageable data and to safeguard that they formed an adequately sized dataset (Attride-Stirling, 2001; Braun and Clarke, 2006). The themes that were developed from the data allowed the researcher to advance the analysis from an expressive stage to a more explanatory stage. It involved probing for expressive themes and giving them a more comprehensible interpretation of the RQs and crucial theoretical framework (Attride-Stirling, 2001).

3.7 Quality Concerns of the Study

After the selection of the method, the most complex goal was to select the suitable criteria to assess the quality of the study in terms of dependability and faithfulness. Representative quality in interpretivist research is frequently a problematic and stimulating goal when a variety of methods is accessible (Leitch Hill and Harrison, 2009). The main issue of qualitative research is genuineness rather than consistency (Silverman, 2001, p. 13). The main objective is to collect a genuine understanding of people's experience and it is thought that open-ended queries are a very effective way to achieve this end. Open-ended questions were used in this study along with the snowball sampling technique for gathering the data. Though by using this sampling technique,

generalization was not possible; however, this sampling technique assisted in ensuring reliability and validity. According to the suggestion of Patton (2002), an initial pilot study should be conducted to determine the suitability of the sampling technique. Thus, before conducting the main study, a pilot interview was held to augment the quality of the interview protocol. The questions of the interview protocol were revised based on proposals given by the participants of the pilot study and the research supervisor's response to the researcher.

The recommendations of Denzin and Lincoln (2003) were also used to refine the quality of the study. All the interviews were conducted with bankers in a face-to-face style which made the conversation more collaborative, which confirmed that the experiences of the bankers were taken by the researcher from the point of view of the bankers. Pre-established criteria for choosing the sample were used to select the participants in the research.

Furthermore, the opinions and experiences of the participants were expressed in their own words to augment the face validity and credibility of the study (Patton, 2002). The data analysis procedure also mirrored how the themes developed from the data reinforced by real accounts of the participants to certify that the data interpretation continued stranded in and was connected to the subjective explanations of the participants. A method known as "member checking", which authenticates the researcher's deductions about the phenomenon (Bryman and Bell, 2008), was used to ensure the adequacy of the study.

Describing the research procedure explicitly and in great detail is one of the most important indicators of quality in interpretive research. To address the quality concerns of the study, the methodology, suitable method selection, and the criteria of sample selection were thoroughly discussed. In addition, adequate information was given in respect of the purposes of the study and

the application of the research procedure to contribute to the integrity and precision of the research process.

3.8 Ethical Concerns

One of the main parts of the research procedure is ethical concerns (Guba and Lincoln, 1994). It is the prime responsibility of the researcher to be conscious of the ethical associations for the participants (Bryman, 2012). The following section explains the ethical concerns related to the present study.

Well-versed consent was acquired from participants after updating them of all the facets of the research before the start of data gathering; Creswell (2012) proposed that participants can only provide agreement if the full details of the study are specified. For the present study, all participants were informed about the essentials of the research in a preliminary telephonic contact. Later, a detailed email was directed to the participants, which included the consent letter and data on the study (see Appendix II), to obtain their consent through their signatures on the consent form. The participants were able to contact the researcher at any time to discuss their considerations about the research.

In the present study, safeguarding the participants' privacy and anonymity was given priority. All the participants were guaranteed that their identity would not be revealed to anyone other than the researcher. The researcher sensed the need to notify the participants about the treatment and management of the data attained from the logged interviews. The participants were told that the researcher would only share the data with the research supervisor because of the nature of the Ph.D. plan. In addition, the data would be used in the research dissertation of the researcher and

some publications of the research. Furthermore, to protect the identities of the participants, the participants were given aliases.

In any type of qualitative research, the possession and interpretation of the data are considered very important ethical concerns (Bryman, 2012; Creswell, 2012). As explained earlier, data is understood as a co-construction among the researcher and the participants, which involves that the participants mark senses of determinants of NPLs and the researcher's style sense out of their senses through personal and theoretic understandings and analysis. Thus, together the participants and the researcher can privilege the proprietorship of the data.

The obligation of the researcher was not to misapprehend participants' contextualized accounts, as a replacement to add to knowledge. In this regard, the researcher confirms that clarification and sense creation should be completed openly and truthfully. Participants were given the chance to review the transcriptions of the interviews; the results of the study can also be shared with them if they wish.

It was made clear to all participants that they had the right to pull out from the study at any time and they were guaranteed that their data would be demolished after extraction.

3.9 Reflexivity of Researcher

The reflexivity of the researcher in qualitative research is very noteworthy in the research procedure (King, 1994). It requires consideration on the part of the researcher of his/her understandings that may or may not inspire the research procedure (Bryman, 2012; Maxwell, 1996). Reflexivity is understood as self-awareness and consciousness of the connection of the researcher with the research setting (Denzin and Lincoln, 2012). This practice of reflexivity is

truthful and ethically advanced. In reflexivity, the researcher enters into a self-analysis mode and develops consciousness of their input to the study.

Furthermore, instinctively using research allows the researcher to protect and validate their inquiry setting, selected methodology, and methods (Creswell, 2012). It also gives the reader a chance to measure if the methods are engaged solicitously as a replacement for a rational basis (Stevenson and Cooper, 1997). The present literature has recognized two types of reflexivity which are personal and epistemological. As per Willing (2001),

Personal reflexivity involves reflecting upon how our values, expectations, interests, beliefs, political commitments, wider aims in life, and social identities have shaped the research. It also involves thinking about how the research may have affected and possibly changed us, as people and as a researcher.

Therefore, being a qualitative researcher, it is significant to identify and recognize the individual background, ethics, and understandings that have influenced the study.

I have always chosen research topic issues that have personal significance and which I need to explore in my own life.... This involvement provides the research energy, heightens my potential as a sense maker, and means that research has relevance to my life as a whole, not just my conceptual knowing (Marshall, 1986, p. 194).

One of the main reasons for the selection of factors other than macroeconomic and bank-specific factors of NPLs was that the researcher had been teaching the subjects of accounting, finance, banking, and taxation for the past 20 years and this topic gave an implication to the personal background of the researcher. In addition, the researcher had a noticeable number of students, friends, and family members working in the banking sector, which provided rich access to

contemporary issues relating to the banking sector. Moreover, the interest of the researcher developed when studying previous literature. There were several possible gaps located in the literature which were not given proper consideration in the area of research. The state of mind, background, and knowledge of the researcher are ironic, self-motivated, and environment-specific. These are replicated in the research being supported out on the aims, analysis, and explanations of the data.

As discussed above, at the beginning the researcher loomed the research based on personal interest and its significance to their personal life. In addition, the selected topic constantly changed as the researcher read previous studies, research procedures, and upon the advice of the research supervisor. In retrospect, when the topic was decided the researcher was not conscious of discussions involving ontology and epistemology.

Thus, the topic of the research is aimed at exploring the factors of NPLs of commercial banks in the setting of Pakistan and it has a serious radical constructionist stance. Nevertheless, the researcher senses that the way the findings of the study are presented is one of the numerous possibilities (Smithson, 2000).

Chapter Summary

This chapter has defined the research design, population, and sample of the study. It has explained the data collection method along with the data analysis method to be adopted for this study. Furthermore, this chapter has explained the research paradigms with details of the paradigm that has been selected for this study. In addition, the current chapter explains the selection and employment of a sample, the design of the questionnaire, interview guide along with their rationales. The quality and ethical concerns and strategy to coup up with these is also given. The

chapter is concluded by defining the challenges faced by the researcher during the study and the reflexivity of the researcher. Chapter 4 will describe qualitative data analysis in detail.

Chapter 4: Qualitative Data Analysis

This part of the dissertation analyzes the qualitative data collected through the semi-structured interviews of managers of selected commercial banks. The purpose of the data analysis is to provide rich and detailed insight into the factors of NPLs of the commercial banks of Pakistan. This analysis investigates the views of the senior managers and credit officials of commercial banks.

4.1 Qualitative Analysis of the Interviews of Bankers

This section of the analysis provides an exploratory overview of the responses of the commercial bankers. Senior bankers were interviewed to gain an understanding of the various factors of NPLs in Pakistan. Managers were asked about their understanding of NPLs, and the influence of education, lifestyle, gender, age, religion, character, occupation of borrowers, and credit culture of a country on NPLs of Pakistani commercial banks. A total of 22 themes emerged from the interviews, out of which 08 are used in this study.

4.1.1 NPLs

The first thing asked from the bankers was their understanding of the definition of NPLs. There were various answers given by the bankers. A banker explained NPLs as:

In my opinion, NPLs are those loans whether commercial loans or consumer loans or any other type of loans relating to export and import or industrial loan, or agricultural loan, when these are stuck up and when the mark-up is not paid and its due date is expired (Participant 3).

The aforementioned explained the types of loans along with explaining the definition of NPLs. According to this definition, loans are divided into commercial, consumer, industrial, or any other type related to imports and exports.

Some defined it in objective terms, which means in a period. As one of the bankers said:

If the principal amount or mark-up is not paid within a specified period, as stated in the State Bank regulations, it is converted into NPLs. There are different periods for different types of loans. The minimum period is 90 days. If a customer doesn't pay 90 days from the maturity, then that loan will be converted into a non-performing loan (Participant 6).

One of the bankers explained the categories of NPLs, given by the SBP, in the following way:

There are two kinds of NPLs. Firstly, there is categorization given by the State Bank of Pakistan about the NPLs. Then there are such accounts that face some issues and become problematic. We don't categorize such loans as NPLs but we indicate that these have the potential to become non-performing (Participant 7).

One of the bankers categorized bank loans in the following manner:

I think NPLs are those in which the borrower willfully defaults. In addition, NPLs can be conditional, which means that the business situation is against the business executive due to which he is suffering losses. So, we can classify the defaults as willful and non-willful (Participant 18).

The above definition gives a new concept about willful and non-willful defaulters. This definition has also explained that some defaulters have the intention to default and some others commit default due to business circumstances.

Another explained NPLs as:

Yes, if the loan or mark-up or both are overdue after 90 days, we consider it non-performing (Participant 19).

So, according to these bankers, NPLs are those which are not paid or are overdue after a particular time, which is 90 days.

Therefore, from the above, it can be inferred that bankers themselves consider it an impossible task to completely wipe out NPLs. This definition also uses an example of receivables in other businesses to make the concept of NPLs clear.

The next discussion will throw light on the consequences of NPLs. All the bankers agreed that NPLs are pretty dangerous for the survival of banks and they presented this concern in different ways. Almost all of the bankers were sure that NPLs are the chief reason behind the insolvency of any bank; therefore, in their discussions, they highlighted studying its various determinants with the utmost care. The views of one of the bankers were:

These directly hit the income of the bank. If a loan portfolio of Rs. 500 or 600 or 1,000 million has defaulted, then the whole bank can become insolvent ... So the income of the bank related to that year is disturbed. These severely hit the bank's income; so, making it difficult to accurately forecast future revenues and expenditures (Participant 8).

According to some bankers, NPLs harmed their balance sheets; therefore, they considered it crucial to study the factors of NPLs. A bank manager explained:

NPLs affect the balance sheet negatively. The reason is that banks have to keep a certain percentage of provision on the NPLs as this is one of the regulations of the State Bank of Pakistan. This can decrease the profitability as well as the amount of capital (Participant 14).

The bankers considered NPLs dangerous because revenues have been shrinking. The reason is that there is a regulation of SBP that requires a bank to set aside a certain amount as a provision for doubtful debts. Thus, the higher the NPLs, the greater the deduction required from revenues. The exact concept was explained by a banker in the following manner:

Certainly, they do significantly affect the performance of banks. The reason is that banks do not have their own money. They get it from people and invest it to earn profit. Obviously when this amount is not returned, on one side profit of banks is reduced, while on the other side customers can demand their deposits back which will lead to a potential loss to the banks (Participant 15).

NPLs are the main thing that makes the performance of a bank weak or strong. All bank managers agreed on this point and one of them pointed out this in the following manner:

Yes, certainly these do affect the performance of the banks. If the amount of NPLs is high in the balance sheet, then the investor may withdraw deposits from the bank. NPLs play a major role in portraying a bad financial picture of the bank (Participant 25).

From the above, it is concluded that NPLs can be defined objectively as well as subjectively. In the objective definition, we look at the time, whereas the subjective criterion considers things other than the period, such as the differentiation between willful and circumstantial defaulters. Furthermore, the aforementioned discussion also explained the need for studying the determinants of NPLs.

4.1.2 Sanctioning of Bank Loans

When the bankers were asked about the measures they take before sanctioning loans there were a variety of answers. The discussions revealed that there are quite several measures that bankers take while giving loans. Some bankers considered market reputation and willingness to pay back the loan, the basic things to see while sanctioning a loan. This was revealed by one of the bankers as:

There are so many things and aspects which a banker should see ... The first policy is to check the creditworthiness and cash flows of the borrower, which industry the borrower is working in, whether that industry is flourishing or facing problems at present. Secondly, to check the various credit lines of the borrower with other banks, his track record with other banks, his market reputation, his terms with his buyers and suppliers, the value of the collateral being given to the bank against the loan, whether that collateral can be easily realized in case of his default or there can be an issue related to it, what is his character (Participant 6).

One of the bankers agreed that the conventional five C's are still working as a lighthouse for bankers while sanctioning loans. This banker explained:

There are the same general rules which we already have studied during our education. These are the 5C's which include the client's character, capacity, condition, capital,

and collateral. These 5 C's are very important while sanctioning loans. If these five C's are appropriately verified, then there is nothing else to look around for (Participant 9).

The bankers were also interested to see the debt-equity balance of the borrower before lending their funds. In this respect, one of the bankers said:

The important thing which I am interested to see is the amount of fund the borrower is demanding and the amount of equity of the business. If the borrower has greater equity, then it shows that the borrower will show more interest in the flourishing of his business. Hence, I would prefer a borrower with a debt-equity ratio of at least 50%. I think that the debt-equity balance plays a very important role in the lending decision (Participant 13).

Some bankers considered determining the funded and non-funded facility before sanctioning loans. One of the bankers commented in this respect as:

There are funded and non-funded facilities provided by the banks. The bank estimates the value of security in the case of the funded facility as there is a requirement of collateral. However, in the case of a non-funded facility, the bank requires the borrower to have a stable cash flow. It is important to look after these facilities before sanctioning loans (Participant 14).

As per some of the bankers, ratio analysis is a tool that is used to calculate the creditworthiness of a loan candidate. These ratios helped the bankers to estimate the financial health of the business, but according to some bankers, these ratios are not effective. These bankers were of the view that

these ratios can help to some extent, but they could not make their loaning decision solely in light of the ratios. These views were expressed in the following way:

The ratio analysis of the financial statements is a tool that cannot improve the NPLs in the context of countries like Pakistan. Yes, these ratios can give us a summary of financial health, but these do not guarantee that a specific loan will be repaid. Some subjective things need to be looked at by the bank officials themselves (Participant 16).

One of the bankers considered the financial and business aspects of a loan along with the borrower's intentions to be the main factors to see before making loan decisions. The wording of that particular banker was as follows:

A banker looks after a lot of things. A sensible banker can guess the repayment capacity and intention of the borrowers. There are a lot of things that can be seen before the sanctioning of loans, but among all these, the most important factor is the assessment of repayment capacity. This includes the assessment of his intention of taking a loan (Participant 17).

Most of the bankers mentioned that there are also State Bank regulations relating to the sanctioning of loans. The exact wording about this was:

As per regulations of the State Bank of Pakistan, which are considered by us while sanctioning loans, there is a regulation of the State Bank that instructs banks to pledge the property in case of providing a running finance facility (Participant 20).

Some bankers thought that taking ownership of loaning decisions is one of the main features to avoid loan defaults. Other bankers said that government restrictions and international scenarios

were also important to look at while sanctioning loans. These were some of the views of the bankers:

The banker has to look into the investment project for which the borrower is asking for a loan, whether there are any government restrictions on it. For example, if the borrower is asking for a loan to import a certain item and the government has banned the import of that item, then the bank should be well informed about it (Participant 21).

However, almost all of the bankers gave less importance to collateral as security while deciding about giving loans. The reason was explained by one of the bankers in the following manner:

As bankers, we give secondary importance to collaterals. We know that if the borrower lacks creditworthiness, then collateral doesn't matter. Collateral is important, but we take it into account after verifying the creditworthiness and assessment of the need of the borrower (Participant 22).

The bank managers also revealed that if these steps to control NPLs are not taken, then the consequences can be very harmful. One of the bankers explained this in the following manner:

Certainly, in the case of relaxing any of these aspects of loan sanctioning rules, the chances of NPLs will increase (Participant 24).

From the above discussion, it can be inferred that there are a variety of steps being taken by the bankers while making loaning decisions. These include varying criteria for loan category, track record, financial aspects versus (v/s) business aspects, ownership of lender, government restrictions, international scenario, debt v/s equity finance, State Bank regulations, pledging of residential house v/s business property, checking of cash flows, sales and bank statements,

security, locating willful defaults, funded (collateral-based) v/s non-funded (cash flow based) facility and account turnover. These steps ensure that the NPLs remain under control, therefore, these do play a role in decreasing NPLs.

4.1.3 Education of Borrower and NPLs

The bankers were asked about the influence of the educated customer on NPLs. The bankers explained various situations and their experiences. Some of the bankers considered education an important factor that affected NPLs while others did not mention it as a significant factor. One of the bankers shared his opinion as:

Yes, in my opinion, education does play an important role in minimizing defaults because if a client is educated he/she will know about the consequences of not paying a loan and will not bother to harm his or her payment history for the future, whereas an uneducated borrower doesn't have such vision and will always think about the short-term benefit. I have observed many cases in my banking career about this issue
(Participant 2).

The above-mentioned comment by one of the bankers indicates that education plays a significant role in decreasing NPLs. The reason which has been given is that an educated client will know about the consequences of defaulting and this attitude will help the bank in recovering timely repayments of loans. Some bankers considered educated clients to be the safest borrowers. They thought that there are certain ins and outs in the dealings of banks, which an uneducated person often fails to understand and the banking staff cannot make them understand the entire banking system due to time and staff limitations. One of the bankers explained in this respect:

Yes, it has a great impact because knowledge matters a lot. If a customer does not know how to manage loan payment, when its mark-up will be due and how he has to handle this scenario, then he will never be able to cope with all this ... But at the branch level, the boys which are dealing with all this, already have a lot of burdens; so, they cannot devote the required time to the customers to explain to them every aspect.... So, a customer's knowledge matters a lot (Participant 8).

Education has helped clients to understand the business and the uneducated person takes a little time to gain experience to learn the terms of the trade. One of the bank managers considered the role of education in reducing NPLs in the following way:

Education plays a very important role in decreasing NPLs. In my opinion, an educated customer has better knowledge of banking dynamics than an uneducated one. The experience can create some difference, but we cannot deny the importance of education (Participant 11).

Some bankers considered an educated borrower helpful in decreasing NPLs but they also indicated that it is important to judge the will of the borrower, because when a borrower wants to commit default then the question of being educated or not becomes meaningless.

Loan defaulters can be categorized as willful and circumstantial. A person who has the intention to commit default is known as willful default and it doesn't matter whether he is educated or not ... However, if the business executive is educated, then obviously he can better understand the business; so, he will be able to manage the issues, whereas in the case of an uneducated person there are more chances of him making a default (Participant 17).

One of the bankers made the following comment in favor of education as a determinant of NPLs:

The educated clients can forecast incomes and profits and can manage the mark-up payments accordingly, so there is less likelihood of making default. Though, an uneducated person learns these things with experience (Participant 24).

The above comment also explains that an educated borrower knows the optimum use of funds taken from the bank which, in another way, ensures the timely repayment of a bank loan.

Some of the bankers were against this and considered education an insignificant predictor of NPLs.

One of the bankers of this school of thought said:

No, it doesn't work like that. There are business executives who are uneducated but we don't face any issue in the collection of loans from them. In my opinion, education doesn't play a major role in improving default (Participant 1).

The above comment indicates that the banker is of the view that there are practical examples of uneducated business executives who have a clear credit history and the bank does not face any payment delay issue from them. Another banker indicated that he did not find any difference between an educated and an uneducated customer. Both have the same characteristics and either could make a default. He acknowledged the fact that an uneducated client could get into trouble regarding his or her financial matters. The views of that banker were:

As per my thinking, being educated or uneducated doesn't matter. Yes, an educated client has fewer chances to default and an uneducated client has more chances of committing a default ... Yes, it is also a fact that an uneducated client is more easily

trapped due to his/her ignorance than an educated one, so his/her chances of default increase (Participant 3).

Other views of bankers who considered education an insignificant factor of NPLs were:

Yes, there are uneducated persons but their business dealings are extraordinary. They know the value of what they are giving and what they will get in exchange. While, in the case of an educated person, we have seen those committing willful default (Participant 4).

No, both the educated and uneducated customers can default loans. The reason is that the educated customer knows about everything. He knows about the litigation process of our country. He knows that if he makes a default, then how much time will be spent in checking in ECIB (Electronic Credit Information Bureau) and how much effect there will be through data verification. So he has all knowledge about these types of things.

Yes, I think to some extent it can have an impact (Participant 5).

The aforementioned comments have indicated that education has not been considered a significant factor of NPLs as some bankers are of the view that uneducated clients have extraordinary business skills due to which they never default. Some have pointed out that educated clients know about the weak links of banks and understand practices that can delay bank payments, like going into litigation, which can buy a lot of time for them.

Some bankers considered education to be a weak predictor of NPLs, for example, one of the bankers said:

Yes, education does impact up to some extent, but when we talk about loan defaults it has to do with some external factors as well (Participant 21).

A majority of bankers (20 out of 25) were strongly in favor of the concept that education plays a crucial role in bringing NPLs down because an educated borrower understands the consequences of default and is better at maintaining a smooth banker–customer relationship. However, some bankers considered education to be an insignificant factor of NPLs.

4.1.4 Lifestyle of Borrower and NPLs

The bankers were asked about the influence of the lifestyle of a borrower on NPLs. Some considered it a significant factor in determining NPLs, but there was an equal number of views against it. To have a deeper look into it, let us take a look at the words of the bankers themselves. A banker explained that a person having a lavish lifestyle can default as this shows their lack of interest in business, whereas real business executives do not bother with a lavish lifestyle. In this regard, he gave examples of some business families and said that these families have a simple life and have never committed a loan default. The wordings of this banker were:

I think that a person who is fond of showing off, whether or not they have the resources to spend on a lavish lifestyle ... such type of person is more likely to commit defaults ... On the other hand, a true business executive never spends too much on his personality and keeps himself simple. There are certain communities like Sheikh Families and Mammon families in Karachi who have so much money but lead a very simple life ... They hoard money but only to do business with it. They don't spend money on showing off (Participant 3).

Some bankers considered a person's lifestyle to be a predictor of lavish spending. They considered that this lavish spending could lead to willful default. Let us see some of the comments of the bankers:

Yes, it will have an impact. Look, there are two things, one is that we have to see whether one who is spending on a lavish lifestyle is making a willful default or not ... Second thing is problems in cash flows of the client and whenever he will get caught in that issue, he will at first make problems for the bank in making the loan payment ... If the lifestyle of someone is artificial then it can have an effect and that person has more chances of defaulting the bank loan (Participant 5).

Another banker was of the following opinion:

If the customer is spending more than his source of income, then definitely he will commit a default one day or another ... If a person's spending is matching his source of income and his lifestyle, then it is ok. We are also able to highlight and discuss these things with our branch managers. During bank training, our managers teach us that if the lifestyle of a customer is different from his profile, then it's a sign for you that this customer can default on the bank loan (Participant 8).

The above banker explained concerning the training he received from the bank and the experience of his senior teacher that one should look into the lifestyle of a borrower before making a lending decision. He also described that if the borrower's lifestyle varied from the profile, then surely it meant that he could spend more than his income and would be committing default in the future.

The paying capacity is also considered very important by bankers as it determined the status of a future loan. A banker explained this in the following manner:

A banker should verify the paying capacity of the customer before issuing a loan. Sometimes it happens that the repayment capacity is not given much importance by bankers and the borrower gets a loan from several banks. This will ultimately lead to default of loans as the borrower has not had the required funds to repay (Participant 11).

Some bankers explained, based on their practical experience with customers who have a lavish lifestyle, that lifestyle does not influence loan defaults. In this respect some of the views are:

We cannot predict that, as many well-off customers commit default and there are many average customers with loans who deal with the bank in a very satisfactory way. Therefore, you cannot say anything about this as there are certain internal and external factors involved in it (Participant 15).

Yes, lifestyle does affect NPLs. If the client has a lavish lifestyle then it shows that he must be spending a lot of money on himself. This spending on maintaining his lifestyle will be considered non-productive as it cannot generate any revenues. If the lifestyle of the client is pretty lavish, then there are more chances that he will default on the bank loan (Participant 16).

One of the bankers thought that a person with a lavish lifestyle could want to influence the lending decision through political pressure, but these things do not exist in the current time.

In my opinion, the lifestyle of a client doesn't affect their loan paying ability as we have seen many persons with lavish lifestyles defaulting their debts and persons with mere financial resources coming out clean from their payables (Participant 22).

So, as per above, the banker considered lifestyle a weak predictor of NPLs. One of the bankers relates lifestyle with education. According to him, an educated customer will consider the purpose of the loan and spend the loan amount on a productive venture and an uneducated customer would not do that. That banker explained his views in the following manner:

In my opinion, lifestyle relates to education. When the finances are available to an uneducated individual or consumer, then he might use these for his domestic needs. So he may use the finances in unproductive projects. The purpose of a loan is something else, but he uses it to improve his lifestyle, due to which he is overburdened and ultimately can commit default of that particular loan (Participant 25).

The researcher was given different opinions regarding the influence of the theme of lifestyle on NPLs. There were an almost equal number of opinions in favor and against the significance of lifestyle as a factor of NPLs.

4.1.5 Gender of Borrower and NPLs

In the case of gender, almost all of the bankers (24 out of 25) considered it an insignificant factor of NPLs. Some bankers gave the opinion that women are not ideal to handle Pakistani business environment; they need a man backing them in the shape of father, brother, husband, the son who can help them in dealing with the business conditions prevailing in Pakistan. The following were the comments of some bankers in this respect:

Women default much less than men. It may be due to the smaller number of female borrowers. Another reason may be that, in this society, a sole woman cannot handle business matters, therefore, there is always some men behind her in the shape of father,

brother or husband who draw loan in their names so, in case of default, the woman is hidden behind her guardian (Participant 2).

Some bankers considered female clients to be responsible but due to their small number, they do not consider gender to be a significant factor of NPLs. Some comments in this regard were:

You know that few female businesspersons are working in Pakistan. In my banking career, I can hardly remember any woman taking a loan from me. Yes, there are some consumer loans in which female clients are involved, for example, loans for cars against their salaries. But as far as business loans are concerned, female clients are rare; so, in my experience, there is no such instance (Participant 3).

Some bankers even considered female-owned businesses to be dummy businesses used to take out loans and nothing more than that. These were the comments made by bankers:

The ratio of female loans to total loans is very low ... The inside story is that there is a person who is doing business but in the name of his wife. Now, behind the decision making the mind is of the man, so we can't say anything definite about that (Participant 5).

Some of the bankers thought that this factor was not significant because the number of women in business is very low. This can be seen in the light of the following comments by one of the bankers:

We don't have many female borrowers ... Basically, women cannot handle the business dynamics prevailing in our country. They cannot handle the ups and downs of the business personally, they will always need a male partner in the form of a father, husband, son, or any other. So, we don't notice whether there are any female defaulters

as the male counterparts are always with women to handle various situations
(Participant 6).

Some bankers considered the environment of society that keeps women away from the necessary skills needed to operate a business. This can be seen from the following:

Gender can have an impact up to the extent of business knowledge. The women in our society have less knowledge than men. The reason is that men have an environment that helps them to have more information about the business than women (Participant 16).

One of the bankers was of the view that despite their few numbers, the loan repayment ratio of female borrowers in MFIs was very encouraging. The following comments were made by the banker:

I can say, that there are such types of trusts and organizations in existence that are running microfinance lending and these are engaged only with women. The repayment ratio of such organizations is very healthy and their default ratio is in decimals. In my opinion, this thing will not have too much impact on NPLs (Participant 19).

Yes, certainly female customers are more responsible, but they deal with the banks in a very small number which is ignorable (Participant 23).

The above results show that most of the bankers highlighted that gender is too insignificant to have any impact on NPLs due to various reasons as mentioned above.

4.1.6 Religion of Borrower and NPLs

The next question to the bankers was about the influence of a religious person on NPLs. Some bankers showed a sense of confusion regarding the concept of religion. They were of the view that the physical outlook cannot exactly predict the inner side of borrowers; so, as per their thinking, there are certain cases in which the borrowers look religious but they use that physical appearance to get loans and afterward commit default. The exact wording of one of the managers was:

Look, the thing is, that there is a lot of confusion in the name of religion. We consider such person religious who has grown a beard or has a praying symbol on the forehead or is reciting tasbeeh or has a religious outlook ... In fact, a person can never be judged religious from shaping his/her outlook, however, religion is in one's heart and one's inner side... A person who is clean shave can be very close to religion from that person who has an outlook of a true Muslim ... Religion is inside and you cannot stamp someone as religious or non-religious (Participant 3).

One of the bankers was of the view that some borrowers who through their physical appearance show themselves as religious acquire loans but afterward when the payment date approaches they claim it is against the teachings of their religion to pay interest. However, every borrower has to sign a contract with the bank which explains all the terms and conditions of the loan being offered. This banker explained his views in the following way:

To understand this I will share a practical example. There was a person who took 25 million as a loan from the bank. Then he went to perform Umrah (a religious visit to the Holy city of Mecca) ... When he gave back that loan after Umrah so he didn't default, he said that the mark-up which I will pay is Haram as per Islam's teachings

... The basic reason is the same that whenever this type of client faces cash flow issues or wants to default willfully, then they include religion in all this and commit ... The loan is defaulted only by the will and through wrong mentality (Participant 5).

Some of the bankers considered individual honesty more important than the religious outlook for timely payment of debts. Some of the views are:

I don't see it like this. I think that if as an individual you are honest, then you will fulfill your commitment. Now, if someone has a beard or has worn the Christ cross but does not fulfill his commitment honestly, then definitely he will default. If someone is fulfilling his commitment honestly, then we cannot judge that he is religious or not. Every person has his personality and lifestyle (Participant 7).

I also don't happen to see any impact of religion on loan defaults as dishonest persons can be seen in almost all religions (Participant 10).

No, I think that there is no measure to judge the religious views of someone. A person showing off religious background can default (Participant 11).

This means that due to the complexity of measuring the level of religiousness, it is not possible to consider it a significant determinant of NPLs.

The bankers were asked if they had experienced a religious person making timely payments (to check the significance of religion in improving the performance of banks as far as loan repayments were concerned). Different views were shared regarding this. One of the bankers responded in the following words:

During my banking career, I have experienced that religion does not affect the borrower's ability to repay loans. I have seen that the more religious ones normally commit more defaults. They only use religion as a tool to cheat others (Participant 14).

So, the above has revealed that religion is being used for personal gain. Some bankers considered personal honesty, not religion, to be the key element determining NPLs. They were of the view that dishonesty is not liked in any religion and anyone asking for a loan is not to be judged on his/her physical appearance. The comments in this regard are as follows:

The teachings of every religion require its followers to be honest. If someone has shaped him/herself as a religious person but is not fulfilling his/her commitment honestly, then definitely he/she will default. If someone is fulfilling his commitment honestly, then we cannot judge whether he is religious or not (Participant 18).

Based on my experience in the banking industry, I don't think religion can have any effect on the loan repayment ability of borrowers as I have seen clients who, by their physical outlook, looked very religious but they defaulted (Participant 20).

We cannot judge the religious condition through mere outlook. If I am wearing an Islamic dress, you cannot declare me as religious. Similarly, we cannot tag a person as non-religious only through his physical appearance. Therefore, it is very difficult to judge in this case (Participant 21).

The above are the comments made by the bankers to discuss the role of religion in influencing NPLs. Most of the bankers (24 out of 25) did not consider religion to be a significant factor of NPLs due to various issues like the complexity of measurement, confusion of defining and judging

a religious person through physical appearance. However, honesty is considered a stronger characteristic in a borrower than physical appearance in the repayment of loans.

4.1.7 Character of Borrower and NPLs

When the bankers were asked about the role of a character of a borrower in determining NPLs, all of the bankers acknowledged it as a strong factor. They shared different views which are shared in detail in the subsequent paragraphs. A banker said in this regard:

It all depends on the character of an individual. If he/she is dishonest he/she will not pay out the loan of the bank regardless of his/her lifestyle (Participant 2).

The behavior of a client matters a lot as it makes character. Only the personal will of any person can make him pay a bank without making any disturbance to banks (Participant 9).

From the above, it is clear that bank managers consider character as a feature that can make borrowers pay their obligations timely. The bankers considered dishonesty as one of the major threats to all systems of the country and especially the banking sector. A banker commented about this in the following manner:

The most important quality that builds up character is honesty. If a client is dishonest then all other things are secondary. That client will fulfill all the bank requirements to acquire a loan but in the future, he will make default. On the other hand, if a client is honest then all other things become just a kind of formality (Participant 12).

A question was raised about the evaluation of character for which the bank official answered as:

There are two things that I assess whenever I select a quality borrower. One is the need for a loan and the second one is creditworthiness. You may call creditworthiness as having good character. Creditworthiness is measured by investigating the track record of the borrower. If the borrower has paid his past obligations without any delay, then it means that he possesses a good moral character (Participant 18).

A strong character makes a person clear all obligations and therefore avoid willful default. One of the bankers during the interview pointed that out in the following way:

Some persons have the intention of making default. However, they have the resources to repay but don't pay only due to bad character. The key is to identify the character of a borrower (Participant 19).

One of the bankers explained the characteristics of good character:

There are internal and external factors that make a character. The internal factors relate to the environment which one gets from home. The internal factors are more important than the external factors. Once the character is built with good moral values, one doesn't need any influence from external factors. A person of good character will pay off his obligations (Participant 24).

From the discussion of the credit officials of the commercial banks, it can be inferred that character is an important factor for determining NPLs and it should be thoroughly checked before making lending decisions.

4.1.8 Credit Culture of the Country and NPLs

The remarks of managers about credit culture were very interesting. Almost all of the bankers considered it an important factor in influencing NPLs. Many reasons for this are presented in the subsequent lines. According to a banker, certain people with notorious family backgrounds usually commit defaults. They are not afraid of the consequences of making defaults. The banker mentioned this in the following manner:

In my opinion, yes, it does affect, as well as personal background. I think that the thing that matters is how one has been groomed by one's elders and whether one has the interest to keep one's ancestors' name in good books in society. Some people commit acts that shame their family name in society (Participant 1).

One of the bankers explained:

Yes, the credit culture of the country does matter as it can be seen that in our country there has been a trend to take a loan and commit willful default. In such practice, the matter is taken to court and the decision takes too much time; so, yes, the mindset and credit culture of a country does matter in affecting loan defaults (Participant 2).

So, as per the views of this manager, the credit culture nourishes willful defaults, which are very difficult to judge and this affects the mindset of others to commit defaults in the future as well.

Another banker thought that defaults made by the political figures are readily picked up by people and they take inspiration from these to commit defaults. The banker explained:

In our country, there is a type of culture flourishing that a person who is a big thief acts as a role model to others. Everyone knows about the persons who have taken loans

from banks and have had these written off by banks ... Whenever we take people into account for defaulting bank loan they give lame excuses like, you have caught poor persons like us and the big fishes who are in government you leave them clean as they are in power. So, things like these are observed by every person (Participant 3).

Another banker said during the interview that it had become the culture of the country that any loan scheme launched by the government to facilitate the common people had been wrongly understood. The people took loans from such schemes to make defaults and they did not bother that the funds they were getting, actually belonged to banks. The exact matter was explained by a banker in the following way:

There is a banner affixed right behind you, kindly look at it for a moment, which is Prime Minister Youth loan scheme ... A person came to me asking for that loan and he was of the intention of not returning it, without realizing that the fund is from the banks and not owned by the government. So this shows the mentality of the people taking loans. So, credit culture in a country does have an impact on loan defaults (Participant 5).

One of the managers was of the view that due to courts' slowness in making decisions, borrowers have been provoked to default loans. His views were as follows:

I think, as far as credit culture is concerned, it has been seen that in case of a loan default there is a practice in courts that the decisions take too much time. That provokes the clients to commit default as the case can be prolonged for 10 to 12 years; so, you will not have to pay the loan up till that time (Participant 6).

The defaulters in a specific area have also motivated other people belonging to the same area to take loans with the intention not to repay. These remarks were given by one of the bankers. He was of the view that defaulters living in an area become acquainted with other people residing there, and the others are motivated to do the same; so, that is why a culture to default loans starts to build up. In this respect the banker said:

Yes, culture matters a lot, it is very critical for banks and has an impact on loan defaults. If there is an area, let's say there is a business point where there are three to four defaulters and some others who know about their defaults, then they will also be encouraged to make a willful default ... This can have an impact on a particular scenario, that if three to four acquaintances of a borrower have made default in previous years, then this can induce him to commit default in this scenario (Participant 8).

Some bankers accepted the fact that some people commit willful defaults to take refuge behind religion. The bankers consider that it has become the culture that when the time to repay comes, such people refuse saying that this interest is against the will of their religion. This can be seen through the following comments of a bank manager:

There has been a culture developing in our country that certain persons, who consider interest illegal as per religion, think that they should not deal with banks. But, the fact is, that these persons deal with us and when the amount of loan installment is due they take refuge behind their religion. In this way, the culture of not paying back the bank loan is increasing day by day (Participant 13).

Some bankers also mentioned examples of developed countries where there is a system that whoever makes default of a bank loan is strictly handled and is not given a loan by any other financial institution; this results in a tailor-made culture that discourages committing default. However, this system is lacking in Pakistan which has made life miserable for the banks.

The views of one of the bankers were:

Certainly, credit culture has an impact on NPLs. In developed countries like the USA, if a person has made default of a bank loan, he/she will not be able to open his/her account in any other bank. Unfortunately, this doesn't happen in Pakistan (Participant 15).

One of the bankers considered it to be one of the most important factors. He explained:

In my opinion, credit culture and education are the most important and crucial social factors responsible for NPLs (Participant 16).

One of the bankers pointed out the culture in the case of defaults in agricultural loans as there are political factors involved in these which is one of the main reasons for the higher NPLs shown in that particular category. The banker's views were:

There is a culture in Pakistan that agricultural loans are given under political pressure and at that time no care was given to the preparation of documentation. When the issue of non-payment arises then there is a hustle and bustle to complete the documents, but it is too late to react and the default arises. That's the reason that agricultural loans are one of the most highlighted loan categories in which there are the maximum number of defaults reported (Participant 17).

Another interesting point was raised in the discussion about culture in Pakistan, which is that business executives never want to close their business at any cost due to their emotional attachment to their business and because continuity of their business gives them respect in society. The exact views of a banker were:

There is a culture in Pakistan that business executives are emotionally attached to their business. They prefer to die instead of closing their business as they have developed a mental attachment to it ... In foreign countries, there is a system if that someone commits a default, he can go to court to file insolvency (Participant 21).

According to the views of a manager, if the sponsor of the facility is outside the country then it can certainly increase the chances that the loan might have defaulted. The banker explained:

If the sponsor is outside the country then there is a culture to make default in our country. I have seen a practical case in this respect. One of our clients was often on foreign tours so he did not bother to pay any mark-up, nor the principal and committed default. Therefore, it has become a culture to default in cases where the owner of the facility remains out of the country (Participant 23).

From the above, it can be noted that almost all of the bank managers and credit officials pointed out that the credit culture of a country can have a crucial influence on the loan performance of the banking sector. There are some justifications given in this regard and various points were raised by the bankers.

4.1.9 Age of Borrower and NPLs

There were mixed responses when the bankers were asked about the influence of age on loan defaults. They explained certain points which are described in detail. One of the bankers did not

consider the age of borrowers to be much of an important factor to influence NPLs. The opinion of that banker was as follows:

I don't think that age has too much effect on loan defaults. We have not such instances where a client has a mature age didn't default and a client with younger age had defaulted. The only thing which matters is the personal character of the borrower (Participant 2).

According to one bank manager, age is not a thing that matters other than the limit which is prescribed under the regulations of the State Bank, otherwise, it is the willingness that should be considered. He explained:

Nope, I don't think that age can be a factor in all this. However, there is a regulation of State Bank that banks can give loans to a person between 25 and 70 years. A certain deviation in this is allowed, but in my opinion, the person who is willing to default will ultimately commit it (Participant 5).

Another banker straight away rejected the concept of age having any significance in the repayment of loans. The exact point of view was explained in the following wording:

No, age does not affect the occurrence of NPLs (Participant 13).

According to some bankers, age is an important factor to be considered because it determines the behavior of borrowers in making investment decisions with the bank's money. One of the bankers explained it like this:

I think age does matter, but, ultimately, I will again say that it is the person that matters in cases of return of a loan. A person, whether old, middle-aged, or young, or whatever

he is, the thing which matters is what he is feeling inside and what the condition of his business is, so these things depend a lot (Participant 4).

The above argument is strengthened by another banker who explained the significance of age in determining NPLs in the following manner:

Yes, age does matter as the young one is prospective, aggressive and he doesn't look at things from a broader perspective. On the other hand, the older ones have a proactive approach as they have a lot of experience, but they are conservative (Participant 7).

One of the bankers has suggested that when a borrower crosses a certain age, it is important to make succession planning otherwise with the death of the borrower, the loan can default. His views were:

As far as age is concerned, if a person is of mature age, then we recommend that person to add someone to form a partnership. If I tell you, as per my record, then you will come to know that all the big loans which have defaulted in previous years have this reason that the proprietor of the business died. So, we make proper succession planning with him about the future (Participant 17).

The significance of age as an important factor can be seen from the above discussion which shows comments that are both against and in favor of the theme. These varied responses make the entire discussion very interesting and informative.

4.1.10 Occupation of Borrower and NPLs

When the bank managers were asked to mention a factor other than macroeconomic and bank-specific factors that can affect NPLs, they mentioned occupation. According to the bank managers, certain occupations are one of the reasons for the high level of NPLs. The bank managers explained that there are certain communities to which they are not afraid to lend and they preferred these communities. One banker gave such instances during the interview. His wording was as follows:

These are the type of people who act on what they say. I will give you one example of a Habib bank executive who used to finance his Mammon community. In his tenure, there was no example of a loan that got defaulted and he used to finance the Mammon community even without any security (Participant 3).

The bank managers during their discussion revealed that they also avoid lending to borrowers who plan to start a new business. One of the managers said:

Some borrowers are newcomers in the business who want to play with the funds of the bank. Such borrowers are discouraged and are not provided funds. However, experienced borrowers are issued loans as their credit history is available and they can be tracked down in case if they have defaulted on any loan in the past (Participant 11).

The bankers also mentioned some businesses to which they avoid issuing loans. For example, one of the managers said:

There are certain borrowers to which we hesitate to issue loans ... The reason is that in a construction project, the amount of loan is used in purchasing material for the construction instead of using it on a productive venture. The result is that the revenue

on the acquired funds is blocked, so the payments of mark-up are disturbed. Eventually, this all leads to a default (Participant 16).

One of the bankers also indicated that they often avoided giving loans to female clients. The banker said:

We normally discourage issuing loans to women for the reason that without the support of any male counterpart they cannot handle the business by themselves. Unfortunately, the dynamics of Pakistani business do not support such type of dealing (Participant 19).

One of the bankers explained:

There are some professions to which we hesitate to issue loans like police, lawyers, etc. Our people do not want to put their careers at stake by giving loans to borrowers belonging to such an occupation. The reason is that such borrowers, e.g. lawyers, can exploit the loopholes in our law system to delay loan repayment (Participant 25).

The above discussion shows that bankers do make choices in the case of certain occupations and certain features of borrowers and consider that these could ensure low levels of NPLs.

4.2 Qualitative Analysis of Semi-structured Interviews

This section presents the details about the thematic analysis which has been conducted on the qualitative semi-structured interviews. The process of thematic analysis has already been described in detail in the Methodology chapter. The following shows the themes and sub-themes along with their description.

4.2.1

Bankers' Interview-based Themes and Thematic Analysis

Sr. No.	Themes	Description
1-	Banking Experience	a. Time period b. Quality of experience (versatile, excellent, good, bad) c. Limited job opportunities d. Acquiring skills
2-	Inspiration	a. Family attached to banking b. Accidental entry (by chance) c. Severe competition in other fields d. Project at the university level e. The job with matching qualification f. Interest in finance g. Reference h. Business-based family i. Growth
3-	Recruitment	a. Easy process b. Test and interview-based job c. Better opportunities in earlier times d. Nationalization v/s privatization of banks e. Post-recruitment issues

- f. Role of colleagues after recruitment
 - g. Formal education v/s practical field experience
- 4- Banking as Earning Source
 - a. Lucrative option (facilities like staff loans etc.)
 - b. Job insecurity and poor earnings
 - c. Average income
 - d. Nepotism
 - e. Qualified v/s unqualified
- 5- Job Requirement
 - a. Integrity
 - b. Interpersonal skills
 - c. Self-confidence
 - d. Good negotiation skills
 - e. Business-oriented mind
 - f. Higher education (specialization in finance)
 - g. Convincing style
 - h. Honesty
 - i. Varies with a specific department
 - j. Hard work
 - k. Hands-on knowledge of finance
 - l. Analytical skills
 - m. Demands late sitting
 - n. Patience

- | | | |
|----|-------------------------------|--|
| 6- | NPLs | <ul style="list-style-type: none"> a. State Bank regulations (time period based) b. Defaulted loans c. Categories of defaulted loans d. Subjective v/s objective criteria (time-based) |
| 7- | Effects of Defaulted
Loans | <ul style="list-style-type: none"> a. Negative effect on the balance sheet b. Bank performance c. Reason for adverse effect d. Reason of insolvency e. Provision for bad debts f. Restriction on credit extension by SBP g. Loss of income |
| 8- | Category of Loans | <ul style="list-style-type: none"> a. Worst category (unsecured/running finance and overdraft) b. Consumer loans v/s SMEs v/s corporate loans v/s
agricultural loans (mark-up very high/high
volatility/relaxation in mark-up in case of default) c. The defaulted category depends on the sector and its
situation |
| 9- | Category of
Defaulters | <ul style="list-style-type: none"> a. Willful v/s situational defaults (due to cyclical variations or
some catastrophe) b. Large firms v/s small firms c. Vulnerability of loan categories |

- d. Reasons of willful defaults (law system)
- 10- Conditions of
Sanctioning of Loans
- a. Varying criteria for loan category
 - b. Track record
 - c. Financial aspects (viability of loan) v/s business aspects
(requirement of the loan)
 - d. Ratio analysis (balance sheet ratios)
 - e. Effectiveness of ratio analysis
 - f. Ownership of lender
 - g. Government restrictions
 - h. International scenario
 - i. Debt v/s equity finance
 - j. State Bank regulations
 - k. Pledging of residential house v/s business property
 - l. Checking of cash flows, sales, and bank statements (window
dressing)
 - m. Security (given least importance)
 - n. Locating wilful defaults
 - o. Implementation of five C's
 - p. State Bank regulations v/s banks' internal policies
 - q. Surprise personal visit to the place of business of the
borrower
 - r. Result of compromising any condition

- s. Funded (collateral-based) v/s non-funded (cash flow based) facility
 - t. Account turnover (deposit statement, number of returned cheques)
- 11- Stage of Default
- a. Classification of loans
 - b. Provisioning for various categories of loans
 - c. Expiry of the due date
 - d. Visit the place of business
- 12- Education
- a. Practical experience v/s modern education
 - b. Significant or insignificant impact on loan defaults
 - c. Understanding of consequences of making loan defaults
 - d. Long-term benefit v/s short-term benefit
 - e. Enough knowledge to commit willful default
 - f. Uneducated can be trapped easily
 - g. Best dealing of uneducated persons
 - h. Responsibility of bankers to create understanding
 - i. Willful and circumstantial defaults
 - j. Forecasting of profits and revenues
 - k. Understanding of relationship with the bank
 - l. Meeting bank requirements
- 13- Lifestyle
- a. Non-productive spending

- b. Insignificant impact v/s significant impact
 - c. Matching of revenues with expenses
 - d. Bank training
 - e. Case of willful default
 - f. A lifestyle of certain business communities
 - g. Paying capacity
 - h. Interest in business
 - i. Political pressure
- 14- Gender
- a. The ratio of female borrowers to the total number of borrowers
 - b. Fewer defaults by female clients
 - c. Support from male counterparts
 - d. Consumer loans and female clients
 - e. Businesswomen as a showcase
 - f. The ratio of women's repayment to microfinancing lending institutes
 - g. Less information about business
 - h. Insignificant impact of female borrowers
 - i. Business environment suitability
- 15- Religion
- a. Insignificant role
 - b. Lack of interest of religious people
 - c. Physical appearance v/s inner honesty

- d. Difficult to judge how religious a person is
 - e. Usage of religion for personal benefits
 - f. Conventional v/s Islamic banks (defaults ratio)
- 16- Residential Area
- a. Underdeveloped v/s developed areas
 - b. Willingness to default
 - c. Relates to lifestyle
 - d. The mismatch between earning and spending
- 17- Credit Culture
- a. Significant effect on NPLs
 - b. Defects in the law system
 - c. Frozen mark-up
 - d. System of banks in foreign countries
 - e. Check and balance system prevailing in Pakistan regarding defaulters
 - f. Defaulters belonging to the same area
 - g. General public's lack of awareness about bank funding
 - h. Concept of interest
 - i. Wrong role models
 - j. A mindset to commit defaults intentionally
 - k. Personal background of clients
 - l. Foreign sponsor/owner
 - m. Political pressure on agricultural loans
 - n. The most important social factor

- o. Emotional attachment with the business
- 18- Character
 - a. Behavior of clients
 - b. Honesty
 - c. Willful defaults
 - d. Environment of home
 - e. Creditworthiness
- 19- Age
 - a. Insignificant influence on NPLs
 - b. Business conditions
 - c. State Bank regulation
 - d. Aggressiveness v/s maturity
 - e. Proactive v/s reactive approach
 - f. Succession planning in case of aged client
- 20- Reduction in NPLs
 - a. Concentration on social factors
 - b. Policies redefined
 - c. The efficiency of Risk departments
 - d. Scrutinizing willful defaults and situational defaults
 - e. Lack of data and authenticated research
 - f. The continuous danger of willful defaults
 - g. Credit extension pressure
 - h. Importance of other factors
 - i. Loans to certain reputable communities

- j. Verification of objective of the loan
-
- | | | |
|-----|------------------|--|
| 21- | Occupation | <ul style="list-style-type: none"> a. Avoiding loans to certain occupations b. Hesitation in issuing a loan to certain businesses c. Experienced and newcomer borrowers |
| 22- | Management Style | <ul style="list-style-type: none"> a. Target oriented b. Monitoring of staff and clients c. Cordial relationship |
-

1- Banking Experience

a. Time Period

As per views of the bankers, there are very limited job opportunities, so banking is a sector which offers a noticeable number of jobs for young people. Some bankers revealed that banking has been their family profession. One banker wanted to join the army but by chance applied for a banking job and was selected. The interviewed bankers had been working in the banking sector for 5 to over 30 years.

b. Quality of Experience

Work experience in a bank is varied because there is job rotation. The interviewed bankers had worked in operations, credit, and looking after NPLs and related compliances; so, overall, the bankers had broad experience. One banker complained that initially, he considered banking a good option but with time he realized that it is not a good occupation. He stated that there are certain

things in banking that honest people should not do. He had advised his relatives and friends to only have a client relationship with a bank and nothing more than that.

c. Limited Job Opportunities

Another reason to join banking is the availability of very limited job opportunities in the field of finance. In the market, chartered accountants compete for every job related to finance; so, that is why good options are not in abundance.

d. Acquiring Skills

Banking experience offers opportunities to work in more than one department. A young person when hired for a job finds a learning environment in which new things are not welcomed.

2- Inspiration

a. Family Link with Banking

Many bankers stated that they had no family members in the banking field. Some bankers said that they have close relatives in the banking field, like father, father-in-law, and brother-in-law.

b. Accidental Entry

Another reason for joining the banking line was accidental. The basic degree required for this field is a Master in Finance but in certain cases, education does not match the banking field. Some bankers have a Master's in subjects other than finance but, due to certain family issues, the banking field was chosen.

c. Severe Competition in Other Fields

There is a lot of competition for quality jobs, especially nowadays because not so many banks are being established; as soon as an opportunity to join the banking field is created it is grabbed.

d. Project at University Level

During a college project on finance, one banker explained that he was working in a private bank when he got the chance to work with a very learned and experienced banker. That experienced banker helped him in the financial analysis due to which he got hands-on experience of doing professional work.

e. A job with Matching Qualification

Education in finance is the basic requirement for getting a bank job; therefore, candidates with a qualification in finance are eligible to apply for bank jobs. So, as soon as there is news of a vacancy in a bank, these candidates immediately apply for it.

f. Interest in Finance

Those who have an interest in numbers are the most suitable candidates for a bank job because finance is a game of numbers. In college life, an interest in finance is the biggest inspiration for people to choose banking as a career.

g. Reference

Unfortunately, in recent times due to financial crunch, those who have completed their education have to face the issue of unemployment. But those who do not lose hope and keep on applying, get success. It has happened that someone while searching for a job has been referred to a bank

and, after the formal process of the selection is completed, he/she can start his/her career in banking.

h. Business-based Family

Before joining a bank an interviewee had a family-based business. Most of his family members were involved in the business so he is a business-minded person. Due to such a background, he had often been in communication with banks as a client. Banking is a sector that requires a person to have a business mind and this suited him. Eventually, he applied for a bank job and was lucky enough to be selected. Now, he has shifted his place to the other side of the table.

i. Growth

In earlier days, there was a lot of growth in the banking sector. In the period of nationalization, a banking job was very exciting. There was job security. There were small unions of lower rank employees. The great Bhutto gave many labor rights. So, due to this free economy, banks as well as other business sectors emerged from the adversities of the capitalist economy and employees had a feeling of independence. But, afterward, due to bad governance and some dishonest people, capitalism along with its evil effects bounced back and employees once again felt exploited.

Banking has changed with time. Previously, the banking field was in boom. When the industry grows, employee numbers also grow. But, with time, the banking industry has been squeezed, therefore, employees now have to work harder.

3- Recruitment

a. Easy Process

In the past, the banking sector had great scope as there were a lot of remittances, so, banks needed to hire efficient people. HBL was the largest bank at that time, having approximately more than 1800 branches all over Pakistan. A rule of the State Bank stated that a bank had to have at least three branches in a rural area to be operative as a bank. So HBL opened many branches in villages to meet that requirement. At that time, the people from those villages used to work outside the country, in countries like Dubai and England. They sent remittances, on which these branches managed to operate successfully.

In addition, at that time, the only business banks conducted was to receive deposits through remittances, and in that way, these branches flourished; this created many employment opportunities as the human resources requirement of HBL increased over this time. From 1975 to 1985, HBL used to recruit twice a year; so, employment opportunities tended to accelerate at that time. The educational requirement of HBL at that time was Bachelor's degree with no 3rd division along with an age below 25 years.

There were some difficulties because what students were taught was a little different from the practical work. There is no practical training available and there is a lack of quality institutes. Today, there are many quality institutes, like Punjab University, but in old times there were no quality institutes. Most employees are BCOM (Bachelor of Commerce) degree holders, which have no relation to hands-on banking. No difficulties are joining a bank and entry in the banking sector is very smooth.

b. Test and Interview-based Job

There is a test in which combined types of questions are asked relating to general knowledge, mathematics, and so on. In some cases, a CV has been dropped for the first time at various banks for a walk-in interview and a call from them on the very next day. From this, one gets motivation as well as interest in the banking field. Bankers are hired through a batch system of the bank after passing a test and training from the bank.

c. Better Opportunities in Earlier Times

At present, the banking sector is growing by leaps and bounds. Earlier, there were a few banks and the economy was growing at a phenomenal pace. At that time, there was a need for additional staff who could share the work. With time, the State Bank exercised such steps which encouraged new banks, due to which the market share began to shrink. Due to this shrinkage, the income of banks started to suffer and as a result, the growth in the number of bankers slowed down.

d. Nationalization V/s Privatization of Banks

There was a phase in the Pakistani banking sector when it was growing at an appreciable rate but then came the nationalization process. All the banks of the country were nationalized and were taken under government control. A council was made to make important decisions regarding the banking needs of the country. The role of the SBP was marginalized. All these harmed growth, but there were certain advantages to bank employees. Job security was the biggest advantage that bank officials enjoyed in those days. Afterward, came the era of privatization which resulted in the opening of new commercial banks. The State Bank was again given the role to monitor the banking sector.

Presently, there is an increased number of banks that are working under the regulations of SBP but this growth in the banking sector has slowed down the personal development of bank employees. The reasons are that there is job insecurity, late sittings, and laborious work. Because of this, bankers are a little disappointed.

e. Post-recruitment Issues

The recruitment phase is not very difficult: you have to pass a test and after a set of interviews the selection process is complete. But the real challenge begins here. The practical field is quite different from the education which is given in colleges and universities. There is added benefit to learning things more quickly than a layperson, but there are challenges to counter. Certain things can only be learned when one enters a professional field. It is quite obvious that one has to face that issue in banks after recruitment. Also, banks run training sessions to teach newcomers how to work in a professional environment.

f. Role of Colleagues after Recruitment

The role of colleagues is very important after an appointment to banking. Such colleagues help a lot with their experience and teach the work by hand. There is little difference between traditional education and practical work. Therefore, one needs supportive colleagues who help; so, over time, things get smooth.

g. Formal Education V/s Practical Field Experience

Formal education differs a lot from practical field experience. When students study in universities they must learn those methods which will be applied when they join some organization in the future. Education has its importance and practical experience has its own. These students can learn

things through experience, but this will require quite a long time. However, through education, students can have a clear and early understanding of the practical conditions.

4- Banking As Earning Source

a. Lucrative Option

Banking has changed with time. Earlier in the banking field, there was a boom and when the industry grows, the number of employees also grows. But, with time, the banking industry was squeezed; therefore, employees now have to work harder.

The bankers had differing views about their earnings. They thought their earnings enabled a steady life. One cannot spend lavishly but only routinely. A banker knows what is the exact amount he will receive at the end of the month and he has to spend within that. One banker said it is not a very lucrative job. Some bankers shared that banking is a lucrative job and that is why people are coming to this sector. As far as pay scale is concerned, it is not very lucrative, it is just a reasonable occupation. As per the situation of the economy, the banking sector is a very good option. Banking is a whole sum job, which means that it is a good job as far as earning is concerned. In this job, one can make both ends meet very comfortably if compared with jobs in other private sectors. The banking job gives a handsome amount.

b. Job Insecurity and Poor Earnings

As far as job security is concerned, yes there is a lot. It is bad as far as earning is concerned. Most bankers feel insecure and depend on credit cards. This is due to the shrinking volume of business of the banks.

c. Average Income

The income which employees earn from the bank is average. Considering the market situation, it is just ok. There is another factor, which is that bankers have no other source of income. The reason is that banks have late working hours and, after work, bank employees do not have much time to generate other income. In other occupations, one can engage in other revenue-earning prospects after the working hours of your morning job.

d. Nepotism

Candidates with a low profile are hired at a very low rate of pay of Rs. 25,000. This is an immense matter: a person highly recommended by an army general can get the job at Rs. 150,000 to Rs. 200,000, whereas another person with the same skills can get only Rs. 25,000. The situation is not as good as in HBL; the capitalist system is back with the same feeling of exploitation. For example, some people are very talented and they have an excellent educational background, like an MBA, but they do not have any PR or relations with the top management, so they are hired on a very low pay scale; the reason is that the bank has a huge number of candidates from which to select. But, if a candidate has qualities, such as strong relations with management and recommendations, then that candidate gets a job at a high pay scale of Rs. 150,000 to Rs. 200,000.

e. Qualified V/s Unqualified

There is a myth in the banking field that this field offers a poor income. The real picture is that some persons in the banking sector get a job in the bank because of some reference. The reference can put someone in a job, but it can never assure growth. Growth in the banking sector is conditional on expertise and knowledge-related skills. Thus, those who lack these capabilities consider banks responsible for their low earnings instead of increasing their skills. This is a

personal experience, if one has the required skills and knowledge, one can go very far in the banking field.

5- Job Requirement

a. Integrity

One should be a person of integrity. In banking, it is not just how clever and active one is because the job demands personal integrity. The reason for this is that bankers deal in money and it is a big test. Anyone can lose their values at the spur of a moment; so, as a banker, it is important to keep moral values.

b. Interpersonal Skills

Communication skills matter a lot. One should know how to present oneself. One must have excellent communication skills and be confident. Interpersonal skills must be very good. A banker should know how to deal with people. The banking industry has revolutionized itself into a very demanding job and it requires a mixture of soft and hard skills.

c. Self-confidence

The main qualities that a good banker must possess include self-confidence and that is very important. It has been experienced that candidates who have all the desired skills cannot do well if they lack confidence. A bank job is a very demanding one and it requires its officers to be confident enough to represent its products anywhere it wants them to be. Therefore, the key factor is self-confidence.

d. Good Negotiation Skills

Bankers must have good negotiation skills and due to competition, there is a lot of pressure on banks. A banker should know the things to offer and the trade-off against these. A banker must be of that mindset that he may deal in a win-win situation so that future business prospects are created.

e. Business-oriented Mind

A good business executive has very good bargaining quality and banking is also a kind of business, so, all those qualities which a business executive possesses must be included in a banker. It has been observed that there is a banker who can only sit in the office and there is another who can go outside and bring some business; the second one is preferred. In other words, a banker must be business-oriented. In the present world, a business-oriented person is very valuable. If a banker can bring business then no one can stop him/her from becoming an excellent banker and his/her value will increase as well. And a strong recommendation will not matter in his/her progress if he/she can bring business to the bank. On the other hand, if someone has a lot of degrees but cannot bring business, then he/she will not become a successful banker. As the number of banks has increased, competition has become fierce; thus, leaving no option but for the banker to be target-oriented.

f. Higher Education

Bankers should have focus, should have basic education and if they have higher education then this will be an added quality. Their numerical skills must be excellent. Books do not help as much as a study for up to 16 years and there are only 6 to 7 things which are similar to bookish knowledge, otherwise one needs practical knowledge. The candidate must have at least a Master level degree in finance. The candidate must have some experience in the shape of an internship in

a reputable institution. The candidate should have a professional degree along with formal education such as ACMA or C.A.

g. Convincing Style

A banker should have an influencing style that can bring business. The banker must be active and a little clever. If someone is a manager of HBL and there is another bank adjacent to it, for example, Meezan Bank, that manager should have the convincing power to induce a customer to deposit their money in HBL instead of Meezan Bank. Yes, the institute will support the manager, but that manager should have the ability to convince a customer that he is the best option available.

h. Honesty

Above all, there is a need for hard work and after that honesty is required. In the banking field, at whatever post one is working, there is risk attached to it. Acts of bankers, whether they are social or other, determine the profitability of the bank. So, the two main things needed are honesty and hard work. One should consider the bank's money as personal money that one is dealing in. This will enable the banker to be honest while using the funds.

i. Varies with Specific Department

There are so many branches and departments in banks so education depends on which field of banking they want to join. For example, if somebody belongs to the advances department, then formal education is very important because he/she will have to deal with commercial loans and macroeconomic things. If someone wants to join the selling department, then he/she should have marketing education and skills. Hence, the job skills vary with the nature of the department.

j. Hard Work

Hard work is the basic element in the success of any business. The banking industry considers this feature as vital in any candidate.

k. Hands-on Knowledge in Finance

Finance is a game of numbers so one should have good command and knowledge of finance. The rest is learned by in-hand practice. Practical knowledge is important but understanding basic financial information is crucial as well.

l. Analytical Skills

First of all, it can be said that academic qualification matters a lot. Then, there are analytical skills, and the person must be active as these are the basic requirements for this job. Analytical skills help a person in decision-making. Right decision-making comes from a proper assessment of the matter and that assessment can be achieved through analytical skills. The candidates should establish appropriate analytical skills to make timely and prudent decisions.

m. Demands Late Sitting

The contemporary banking industry has changed a lot with time. Timing has now increased very much, competition has become cut-throat, the banks have grown to a great extent and there are now a large number of banks; so, the main factor is the timing issue as there are often late sittings. So, the first thing is to cope with the timing hazard.

n. Patience

In the past, about 8 to 10 years back, the banking industry was quite different. As the banking industry has grown massively and there are so many products, so bank officers should have the capacity to handle this pressure. Another important feature is the capacity and willingness to handle the target-oriented challenges which need skills as well as time. All these features can only be acquired through patience. Youth are keen to get early promotions but the thing is that these things require time and patience.

6- NPLs

a. State Bank Regulations (period Based)

If the principal amount or mark-up is not paid within a specified period, as per State Bank regulations, then it is converted into NPLs. There are different periods for different types of loans. The minimum period is 90 days. If a customer does not pay within 90 days from the maturity, then that loan will be converted into an NPL.

b. Defaulted Loans

NPLs are those loans, whether commercial loans or consumer loans or any other type of loan relating to export and import or industrial loan or agricultural loan; when these are stuck up and when the mark-up is not paid and its due date is expired. NPLs are loans that are not being paid or the mark-up due on a loan is not being paid or both. In either case, the loan will come into the category of defaults. Those loans which are directed towards default are known as defaulted loans. NPLs are those which are not performing and normally they are classified as defaults.

c. Categories of Defaulted Loans

There are two kinds of NPLs. Firstly, there is the categorization given by the SBP about NPLs. Then some accounts have faced some issues and become problematic. The banks do not categorize such loans as NPLs, but it indicates that these have the potential to become NPLs. The bank issues loans and advances to customers and it is not possible that 100% of borrowers meet the expectations of the bank. Therefore, sometimes, some loans got stuck up or sick, then these are categorized as NPLs, which means that they are not performing for the bank. So those loans which become bad debts like there are receivables in business that turn into bad debts are called NPLs. NPLs are of two types. Firstly, those in which the borrower willfully defaults as the former has decided not to repay it. Secondly, it can be conditional, which means that the situation is not favoring the business executive and the business executive is suffering losses. In other words, defaults can be classified as willful and non-willful.

d. Subjective V/s Objective Criteria (Time Based)

There are two criteria available to identify NPLs. The first is the objective criterion and the second one is subjective. The objective criterion is a time frame given by the SBP. This time frame varies with the type of loan. For example, if a loan taken from a microfinance bank is overdue for more than 30 days, it will be considered an NPL, but in the case of SMEs, the overdue period is 90 days. However, there is also a subjective criterion that considers certain things, including investigating business capacity to make future payments through analysis of financial statements, monitoring of delay in payments of mark-up, and so on. If a borrower's activities are directing towards NPLs, then he is included in a watch list instead of being classified as a defaulted loan.

7- Effects of Defaulted Loans

a. Negative Effect on Balance Sheet

NPLs harm the balance sheet of a bank. As per State Bank regulations, a bank has to keep a certain percentage of provision on NPLs and that provision is subtracted from the capital; so, this will have an impact on profitability and will erode the amount of capital in the balance sheet.

b. Bank Performance

NPLs affect the performance of banks. NPLs in the balance sheet are a big indicator of a bank's goodwill. If the amount of NPLs is high in the balance sheet, then the investor may lose trust and may withdraw deposits from the bank. NPLs present a bad financial picture.

c. Reason for Adverse Effect

The prime objective of a bank is to accept deposits for lending. Deposits are the main source of income of banks and if that portfolio weakens then from where will the bank earn its income?

d. Reason of Insolvency

NPLs directly hit the income of a bank. If a loan portfolio of Rs. 500 or 600 or 1,000 million has defaulted then the whole bank can become insolvent. As soon as there is a default, NPLs will be subtracted from the income; so, the income of the bank related to that year is disturbed. NPLs severely hit a bank's income making it difficult to forecast accurate future revenues and expenditures.

e. Provision for Bad Debts

Defaulted loans affect the performance of a bank. Banks make provisions against bad debts which directly affect their profitability. As the provision is taken from the profit it ultimately affects the balance sheet. There are different stages of making provision for bad debts, such as 25% for a substandard loan, 50% for doubtful, and 100% for loss.

f. Restriction on Credit Extension by SBP

There is also a regulation from the State Bank that if banks cannot maintain the desired level of NPLs then a restriction can be levied on the loan issuing power of commercial banks. This step is taken to avoid future losses as the funds of the banks are invested in by the public, and the government is the custodian of the deposits of the general population. Therefore, there are a variety of issues for a bank if this restriction is implemented: old funds are not generating revenues due to NPLs and there is no chance of receiving deposits in the future until the restriction on the credit-issuing power is lifted.

g. Loss of Income

When there are NPLs then it means that these particular funds are not performing. In other words, they are not generating revenues for the bank. In this way, a bank loses a major portion of its revenue due to disturbance in receiving mark-up. Along with mark-up, the principal amount is also in danger of being defaulted. Therefore, these are two big financial blows which the banks will have to face in the case of NPLs.

8- Category of Loans

a. Worst Category (Unsecured/Running Finance & Overdraft)

There are more defaults in the case of small loans. Normally, these clients have one source of cash inflow and when there is a problem with this, then they face a challenge in making timely payments as they have no alternative source. Secondly, large companies have strong financial health that can sustain them through a financial crunch. But small sector cannot handle financial pressure generated from an upper level. If the supply chain is analyzed, then it will be known whether the large industry is facing financial issues in payments, which it can sustain, but its supplier will get into financial problems. Therefore, SMEs face more issues like that.

Usually, consumer loans are small and tend to default because they are not backed by securities. In other categories of loans, there are two types of scenarios. Firstly, some willful defaulters take a loan thinking of not repaying it. Banks try to scrutinize this type of person at the beginning, but out of 100%, there are 3 to 4% of such people who want to commit willful default. Moreover, there are 2 to 3% of people who have genuine issues regarding their business due to one factor or another.

There are some seasonal businesses, for example, a business related to a certain crop and if that crop is damaged then they cannot pay it back. Such a problem was seen recently in the rice crop; so, all rice dealers were in a financial crunch. That was an example of a genuine cause of failure to pay back the bank loan. Normally, loans related to running finance tend to default as the other loans are backed up by solid security. So, if a secured loan has defaulted then we immediately try to realize the security to get our loan back. Clean loans have a greater chance of default. Unsecured personal loans have a greater chance of default. Most defaults occur in running finance and

overdrafts. The reason is that these make up the majority of loans; so, they have a big share in NPLs. There are two types of loans, one is structural and the other is non-structural. Most defaults occur in non-structural loans, which is the category of running finance, as the user fund cannot be 100% gaged by banks. Clients use loans for purposes other than specified so in that condition, there are more defaults.

b. Consumer Loans V/s SMEs V/s Corporate Loans V/s Agricultural Loans

There are more defaults in consumer loans for the reason that these are relatively small in amount and time but high in a mark-up. In the last 5 to 10 years, banks had foreseen load shedding as the major issue confronted by SMEs. These SMEs could not afford generators or, in the case of small shops, these could not afford UPS (Uninterruptible Power Supply); so, in that case, they could not fulfill the orders of customers and, ultimately, committed default of bank loan.

SMEs have high volatility; therefore, more defaults are seen in this category. There may be defaults in any category of loans. Receiving and paying back a loan varies from individual to individual. The defaults in the corporate category might be less in number but in volume, these can be huge. For example, a default in two to three portfolios can cause insolvency of banks as these portfolios may contain amounts more than the entire amount of consumer loans.

c. Defaulted Category Depends on Sector and its Situation

There are two categories of defaults. First, there is willful default, in which the borrower decides that he will not pay the loan in any case. And there is a second category, which is situational. Such a category of loans should be restructured by the bank. But, in normal practice, this does not happen in the case of SMEs or commercial loans. There is a higher ratio of restructuring agricultural loans

than commercial loans as, in the case of the latter, approval of the loan is required from the top business head and they do not bother about it.

NPLs can also occur due to flood or due to fire in the factory of a person; so, this is a genuine case and a default was not willfully committed. In most loans, the default is not willful. Some get trapped in a business that is environment-dependent, like in the case of UPS business; for example, if there is enough electricity in the country then there is no need for UPS, then the stock of UPS will get stuck; so, this situation will lead to worse conditions for paying off debt.

Even secured loans which are mortgaged against some property do tend to stick up but normally clean loans are mostly stuck up; for example, the Prime Minister once declared that everyone can get a loan for the yellow taxi scheme and a large portion of that portfolio got stuck up. The reason is that the people who once took loans did not bother to repay them. Even if a loan is given on security, the law system is so slow that a loan default requires a long time and resources to liquidate the property mortgaged against it to collect the amount of loan. The reason is that the litigation process is very time-consuming, which is a major defect in the legal system.

It is very difficult if a property is auctioned and a bank has rarely seen a property being auctioned. The reason is that the defaulter goes on appealing against the auction at various forums; for example, if the decision goes against him in the High Court then he will go to the Supreme Court and if his appeal is rejected by the Supreme Court then he may give application through one of his relatives filing a claim for the ownership of the property. So, this appeal takes one to two years to get rejected and afterward another person files the same case of ownership. In this way, the decision is never made. The decision is only made if the owner is near to death. The owner before his death thinks that after his death his children will be in trouble so it is better to clear my property by paying out the bank loan. In another situation, if the owner dies and his children quarrel with

each other over their share of the property, then they might think that first the loan should be paid so that afterward the remaining asset can be distributed. So, due to these flaws in the law system, every loan has equal chances of being stuck up.

9- Category of Defaulters

a. Willful V/s Situational Defaults (Due to Cyclical Variations or Some Catastrophe)

Certain defaulters take loans with the intention of not repaying them. These types of defaulters are termed willful defaulters by bankers. In addition, certain borrowers default due to cyclical or circumstantial variations. These borrowers default due to genuine reasons. Banks should deal strictly with willful defaulters, whereas the loans of cyclical or circumstantial defaulters should be restructured.

b. Large Firms V/s Small Firms

Certain large firms have good financials that can handle the pressure of a financial crunch and can make loan payments, but that is not the case with small firms. Firms with a low amount of funds cannot survive financial disasters and commit defaults in such situations.

c. Vulnerability of Loan Categories

Loans to SMEs are the most vulnerable and there are more defaults in this category. Consumer loans are for small amounts and a short time but contain high mark-up. Corporate loans are big, but their mark-up can be adjusted and these can be rescheduled. There is a high number of NPLs in agricultural loans due to less educated clients and catastrophes.

d. Reasons of Willful Defaults (Law System)

Borrowers are encouraged to commit willful defaults by our legal system because it is so slow and it takes a lot of time and money to arrive at a decision. Ultimately, banks have to adjust their mark-ups to get the return of total payment. Willful defaulters know this weak point of their bank. It has been seen that willful defaulters understand a bank's limitations as the latter can charge only a limited period mark-up.

10- Conditions of Sanctioning of Loans

a. Varying Criteria for Loan Category

There are so many things and aspects which a banker should see. The criteria to check borrowers vary from case to case. The main things include, first of all, market credibility, whether the borrower has the repayment capacity, and the willingness to return the loan. There are two key components to whether the borrower has the willingness to pay the loan: will he be able to pay the installments and does he possess the capability to run the project for which he is demanding a loan. So these are the key components.

The bank will see the reputation of the client in the market. It often happens that the papers give a clear picture about the client, but when the market is accessed, then due to his notorious dealing with previous banks, his request is rejected. This type of loan carries a very high mark-up. Then there are commercial loans, but these are issued at a relatively lower mark-up rate against the Karachi Interbank Offered Rate. One has to look into the credibility and background of the prospective borrower. Moreover, bankers have to see the financial status of the borrower.

b. Track Record

If the borrower is a salaried person, banks have his/her track record, in cases in which banks are issuing a loan based on salary. The first thing to look at is the person to whom the loan is being given. Who is the borrower? How is his repo in the market? What is the worth of the borrower in the market? What is the business of the borrower? There are so many things to see, for instance, how much money is being invested by the borrower himself into the business and how much he is demanding from the bank?

If the borrower has invested 10 to 20 million in the business and he is demanding 3 to 4 million then it does not matter that if the loan is given to him to meet the working capital requirements. And if he has a very small amount invested in his business and he demands 5 million then how can the bank meet his demand? Where is the business place, in a village or somewhere else? What is the business product? Do bankers have to see whether there is any demand in the market for their products? Is there an alternative to the product he is selling? All of these things are very important to see before sanctioning any type of loan.

c. Financial Aspects (Viability of Loan) V/s Business Aspects

While sanctioning loans, the bank will have to see the financial and business aspects. The financial aspects will clarify the viability of the loan, whereas the business aspect will evaluate whether a loan in this particular business is required or not. If the client wants to import, the bank will see all the aspects of imports. A banker looks after a lot of things. A prudent banker can guess the repayment capacity and intention of borrowers. This is a very calculated game. Banks have to calculate a lot of things; to assess the history and intention of the borrower before considering him suitable for a loan in the future. But among all these, the most important factor is the assessment

of repayment capacity. This includes the assessment of his intention of taking a loan: whether he needs the loan or not or he is just taking a loan for some unproductive venture.

d. Ratio Analysis

Under the modern school of thought of banking, there are various techniques to sanction loans, for example, financial analysis is conducted on the balance sheet. Various ratios, like the current ratio and liquid ratio, are calculated and looked upon. The balance sheets are analyzed and many analyses and things like that are conducted. After calculating these ratios the lending decision is made.

e. Effectiveness of Ratio Analysis

In a society like Pakistan, all modern techniques to predict NPLs are useless. These things do not have even a minor impact on NPLs. The ratios give a summary of financial health but these do not guarantee that a specific loan will be repaid. For this, some subjective things are required by the bank officials themselves.

f. Ownership of Lender

In this society, NPLs can only be improved if a banker goes into the field and issues loans while thinking of the bank's money as his/her own. The banker should consider the same precautions as he/she would consider while giving a loan personally to someone.

g. Government Restrictions

The banker has to look into the investment project for which the borrower is asking for a loan to check if there are any government restrictions on it. For example, if the borrower is asking for a

loan to import a certain item and the government has banned the import of that item, then the bank should be well informed about it.

h. International Scenario

A prudent banker always has updated information about the international scenario. There are times when there are global situations that directly or indirectly affect the local environment, like the financial crisis of 2007-08 which started in the USA and spread across almost the entire world. Those banks that realized this global crisis survived, the rest are a part of history now.

i. Debt V/s Equity Finance

A bank will be most interested in knowing how much the borrower has invested in the business from his resources. The reason is that the greater the equity of the business, the more interested the owner will be to make it profitable. Therefore, a bank would prefer a borrower with at least a debt-equity ratio of 50%. The debt-equity balance plays a very important role in the lending decision.

j. State Bank Regulations

Certain regulations of the State Bank are to be kept in consideration while making a lending decision, for example, there are regulations from the State Bank according to which in the case of a running finance facility banks have to pledge a property.

k. Pledging of Residential House V/s Business Property

There are two types of properties: one is residential and the other is commercial. Bankers prefer to pledge the residential property so that if there is willful default, then the client can be pressurized

based on his residence. And there is handsome exposure on a residential house which is 70%, whereas in the case of commercial and industrial property the exposure is only 50%. So, in the case of residential property, if the value of the property is Rs. 100, the bank can get Rs. 70 and Rs. 50 in the case of industrial and commercial property.

I. Checking of Cash Flows, Sales and Bank Statements

Banks look into a business, its cash flows, which is the basic thing. The sales are monitored if the borrower is applying for a commercial loan. Banks do not need audited financials, for example, banks can check accounts for previous years, and then the bank statements are analyzed. For example, if the borrower is saying that he is engaged in business for the previous 7 to 8 years, then banks can look into the transactions of at least the previous 2 years or they can find out if there is window dressing in the accounts in the shape of certain amounts like 1 million coming in and at the same time going out. There must be a proper transaction cycle, for example, 2 million comes into account and then amounts like Rs. 30,000, Rs. 100,000 and Rs. 150,000 going out; so, we need to check that. Sometimes a person says that he has a statement of Rs. 10 crore and the actual thing is that this statement is made up by making 20 entries of Rs. 50,00,000 each, however, the government has applied tax to discourage this practice. So, now through NTN (National Tax Number), the FBR (Federal Board of Revenue) can investigate the source of the money.

m. Security

Although lending banks do consider collateral, it is not as important as other things. The more important things to watch out for are creditworthiness and assessment of the requirement of a loan. After these comes the turn to see the collateral. Bankers are not property dealers. If the quality of the borrower is good, then there is no issue of collateral.

n. Locating Willful Defaults

The first check is to identify the willful defaults as these have the highest share in NPLs. In the initial scrutiny, banks have to investigate the market, the borrower's previous record, to find out about any loan defaults in the past committed by him as the borrower may be engaged in purchasing material from somebody without making the payment, so, now if he asks a bank for a loan then he will certainly commit default. First of all, banks will look at the financial health of the business, that it has the potential for the bank to induct capital in it. Then the prospects are seen: If banks induct their money in this business, can it be beneficial in the future? In other words, banks will see what the borrower will do with their money. If the borrower says about purchasing raw material on credit or cash, then there will be a difference in pricing.

Banks analyze the need of the borrower: Do his needs match the amount for which he is asking? So, first of all, a decision about giving a loan to a borrower is made, then the cash flow of the business, which is necessary to pay back the loan, is analyzed. In addition, if the borrower is asked to clear the loan, will he possess enough cash flows to meet our demand? Or does he have the income to repay the loan? Then, after analyzing that his cash flows are ok, his financial health is good and his turnovers are satisfactory, banks look at the security against the loan. People think that banks look at security first, but security is a secondary issue. The first issue is: How is his business? How is his market reputation, his record? Banks check whether the borrower has already committed a default against another bank loan or has payables in the market: a market check is conducted to see if the customer has a demand of over Rs. 5 million. The customer's reputation at the association where he belongs is checked.

o. Implementation of five C's

The 5 C's are the same general rules which have been taught during studies: client's character, capacity, condition, capital, and collateral. These 5 C's are very important while sanctioning loans. If these five C's are appropriately verified then there is nothing else to look at.

p. State Bank Regulations V/s Banks' Internal Policies

There are so many things and aspects which a banker should see. There are the policies of the State Bank which are small in number, and then there is the internal handbook of the bank in which a large number of policies are given. The first policy is to check the creditworthiness and cash flows of the borrower, which industry the borrower is working in, and whether that industry is flourishing or facing problems at present. Secondly, to check the various credit lines of the borrower with other banks, his track record with other banks, his market reputation, his terms with his buyers and suppliers, the value of the collateral being given to the bank against the loan, whether that collateral can be easily realized in case of his default or an issue related to it, and his character. Along with a mixture of all these things, there are also a lot of other things which have to be verified by the banker before sanctioning a loan.

q. Surprise Personal Visit at the Place of Business of the Borrower

After analyzing the statements, banks need to investigate the business activity. So, a personal visit to the place of verification business is imperative and that visit must be a surprise. It should not be like this, that, when bankers visit the store everything is in place but the next time, on a surprise visit, the store is empty. Thus, these are the basic things which one should check in the beginning and there are some things that bankers verify afterward.

r. Result of Compromising Any Condition

If a banker has given a loan to a cheater then whatever securities may be received, that loan will be stuck up. Certainly, the loan can get defaulted but there are other factors as well. There are some things on which banks may compromise, but the major things on which banks never compromise are the value of collateral, creditworthiness of the borrower, and the repayment track of the borrower because if any of these are compromised, the chances of NPLs will increase by a great deal. Thus, missing any one of the checks can have an impact on loan defaults. Definitely, under scrutiny, a problematic borrower will be found. Let us say that if the market check is ignored in a case of willful default and his reputation was not good, then it is 100% sure that he will commit default in the future. The default will happen if any of these are ignored. After a lot of research, these 5C's have been introduced by someone. If bankers will ignore the basics, then NPLs will increase.

s. Funded V/s Non-Funded Facility

There are two types of requirements for various facilities offered by banks. For a funded facility there is a requirement of collateral and for a non-funded facility, banks demand a stable cash flow. In the case of funded, bankers estimate the value of security, whereas, in a case of a non-funded facility, the borrower has to make payment out of his daily cash flows, therefore, it is important to look into these.

t. Account Turnover

Banks will analyze the account turnover of a borrower through his deposit statement. This statement will tell two things: one, how many transactions there are for withdrawing and depositing

amounts; two, the number of returned cheques. This will give a picture of the previous credit track record with other parties. These things help a lot in evaluating the quality of borrowers.

11- Stage of Default

a. Classification of Loans

In this regard, all banks work under the regulations of the State Bank and these are considered as Bible. Banks have to work within these regulations. Banks cannot breach these regulations. These regulations explain that if a loan or mark-up or both have not been paid within 90 days, then it will be classified as NPL. The first classification is sub-standard which is if the loan is not paid within three months. If the loan is still not paid within the next three months (after 6 months), it will be classified as doubtful and if after a year the amount is not paid then banks classify it as a loss. There are various stages for different products. As far as commercial loans are concerned, the deadline for repayment of a loan is about 3 months. If banks do not receive the amount of loan within the period mentioned above, then this loan will be written in the category of NPL.

There is quarterly mark-up in cases of running finance, whereas in cases of consumer loans there is installment, so the mark-up which is due in December must be paid within 15 days of January. When these payments are delayed and a bank thinks that the client is now creating hurdles in making payments, then the banker must be vigilant and immediately inform the borrower about this, that he is not making in-time payments, or he should inform the collection team about the delayed payments. So this is the basic thing from which a banker can learn that the borrower does not have the money to repay the loan. For example, in cases of running finance the limit of the borrower is Rs. 5 million and if a banker sees that the limit is fully utilized in five to six months

and there are transactions in this respect which show that he is not paying back the amount, then where is he utilizing this amount?

b. Provisioning for Various Categories of Loans

When loans are classified, banks simultaneously make provisions against the classified loans. If a loan is classified as sub-standard, then bankers make a 25% provision and at that time banks are thinking that the loan might be returned hence deducting 25% of the amount from income. Similarly, after passing of 6 months, banks deduct 50% of the amount from the income and consider that its default chances have now increased. And if the amount is not paid up to a year, then banks subtract 100% amount from the income considering that banks will never receive the amount of loan. The criteria regarding this are defined by the SBP, if a borrower does not pay the loan installment or mark-up for 90 days then this will be considered an NPL.

All NPLs are categorized as doubtful or substandard or total loss. A bank mobilizes the funds of the public and NPLs are a liability on the part of the bank, which is why banks position NPLs so if there is a loss, there should be a certain amount of reserve against these. The reserves are maintained out of profit and all the provisioning or classification will affect the profitability of the bank.

c. Expiry of Due Date

Banks consider a loan as non-performing when the mark-up is not received. If the loan or mark-up or both are overdue after 90 days, banks consider it an NPL. There exists a regulation of the State Bank about the declaration of loan as NPL. As per this regulation, if the mark-up on the loan is not received for up to 60 days, then that loan is classified as sub-standard. Banks receive a

parameter from the State Bank for whatever they are lending. Banks have to work within that parameter.

A bank also defines a policy within the parameter given by the State Bank. If a loan is overdue for 90 days, then banks classify it as NPL. In banking, a loan cannot be renewed for a certain number of reasons. This includes if the borrower did not follow the commitment made with the bank if he did not provide the financials to the bank, and so on. There is a period after expiry from which it goes into the overdue category of NPLs. The State Bank has defined criteria comprising 90, 180, and 360 days.

d. Visit Place of Business

Banks may visit the place of business to note down a few things which give an idea of whether this particular client is going to make a default in the future or not. The things which banks look at include the business being operated, the status of the business place (whether it is closed or not), the status of the store, and so on. If these things are found to be normal, then banks consider that loan safe.

12- Education

a. Practical Experience V/s Modern Education

Education has a very strong influence on the reduction of NPLs because an educated client knows the value of making timely payments. However, there are instances where an uneducated person has an extraordinary understanding of business and banking matters. The basic reason is that an uneducated person learns through experience, but it does not lessen the importance of education.

b. Significant or Insignificant Impact on Loan Defaults

There are business executives who are uneducated but banks do not face any issue in the collection of loans from them. Education does not play a major role in improving defaults. Education does play an important role in minimizing defaults because if a client is educated, he/she will know about the consequences of not paying a loan and will not bother to harm his/her payment history for the future, whereas an uneducated borrower does not have such vision and will always think about short-term benefits. There are many cases in a banking career about this issue.

Being educated or uneducated does not matter. An educated client is less likely to default and an uneducated client is more likely to commit a default. Education does impact up to some extent, but loan defaults are to do with external factors.

c. Understanding Consequences of Making Loan Defaults

It is more difficult to make the terms of a loan understandable to an uneducated person than an educated person because an educated person knows about the consequences of loan defaults.

d. Long-term Benefit V/s Short-term Benefit

The educated person knows that if he/she makes a default he will have to suffer quite some disadvantages and one of those is a bad repo in the circle of credit institutions. Therefore, instead of having a short-term benefit, he will go for long-term benefits. However, an uneducated person may not have that vision to see so far.

Both educated and uneducated customers can default on loans. The reason is that the educated customer knows about each thing. He knows about the litigation process of a country. He/she knows that if he/she makes a default then the ECIB (ECIB (Electronic Credit Information Bureau))

will be checked and it can harm his/ her repo as well as can put restrictions on the borrowing options. So the educated borrower knows these types of things. As far as education is concerned, to some extent, it can have an impact.

e. Enough Knowledge to Commit Willful Default

The amount of NPLs depends on the nature of business being conducted and some are willful defaulters. Banks have seen educated persons committing willful default.

f. Uneducated can be Trapped Easily

Often it has been seen that both educated and uneducated clients commit defaults. It is also a fact that an uneducated client is more easily trapped due to his/her ignorance than the educated one, so his/her chances of default increase.

g. Best Dealing of Uneducated Persons

Uneducated persons can have extraordinary business knowledge. They know the value of what they are giving and what they will get in exchange.

h. Responsibility of Bankers to Create Understanding

If a customer does not know how to manage the loan payment, when its mark-up will be due and how he/she has to handle this entire scenario, then he/she will not be able to cope. However, it is the responsibility of the bankers who are sitting in the bank branches to deal with this by making their customers thoroughly understand the complications of the entire loan process. But, at the branch level, the staff dealing with this already have a lot of burdens so they cannot devote the required time to customers to explain each aspect. Therefore, if the customer does not personally

know about the whole scenario, then he will get caught at some stage and this will lead to his loan joining the list of NPLs. So, a customer's knowledge matters a lot.

i. Willful and Circumstantial Defaults

There are two types of NPLs, one is willful default and the other one is circumstantial. Willful default can be committed by any person who has made up his/her mind to make a default and it does not matter whether he/she is educated or not. In the case of circumstantial default, if the business executive is educated then obviously he/she can better understand the business so he/she will be able to manage the issues, whereas in the case of an uneducated person there are more chances of him/her making a default.

j. Forecasting of Profits and Revenues

Educated clients can forecast the revenues and profits in a calculated way and can accordingly manage the mark-up payments, so there are fewer chances of making default. However, an uneducated person learns these things with experience.

k. Understanding of Relationship with Bank

The understanding of an educated borrower is very good, knows how to deal with the bank, knows his business very well, knows the industry, understands the worldwide changes, can expand his business from the funds provided by the bank. He utilizes the amount on those ventures where there are fewer chances of default, whereas these things are missing in an illiterate person.

I. Meeting Bank Requirements

A bank has some criteria and policies, there are also some monitoring policies and the borrower has to comply with these. So the first thing is that the borrower must have an understanding of the regulations of the bank loan.

13- Lifestyle

a. Non-productive Spending

Lifestyle does affect NPLs. In fact, after taking a loan, the lifestyle of a client changes a lot. If the existing lifestyle of a client is lavish, then it means that he spends a lot on himself out of the earnings from his business. Personal spending is considered non-productive as spending on personal needs does not generate revenue. If the lifestyle of the client is pretty lavish, then there are more chances that he will default on the bank loan.

Lifestyle relates to education. Take an example of a consumer whose lifestyle is not very good, so when finances are available to this consumer, then he will fulfill his hunger by using the loan for his domestic needs. In other words, he uses the finances in unproductive projects. The purpose of the loan is not for his domestic and personal needs, but that type of borrower has the hunger to improve his lifestyle due to which he is over-burdened.

b. Insignificant Impact V/s Significant Impact

The lifestyle of a client does not affect their loan paying ability as banks have seen many persons with a lavish lifestyle defaulting their debts and persons with few financial resources coming out clean from their payables. It all depends on the character of an individual. If he/she is dishonest,

then they will not pay the loan of the bank regardless of their lifestyle. If the lifestyle of someone is artificial, then it can have an effect and that person has more chances of defaulting a bank loan.

Banks analyze at the very beginning the lifestyle condition of the client. Banks have experienced that many well-off customers commit default and many customers have average income who deal with a bank loan in a very satisfactory way. So one cannot say anything about lifestyle as certain internal and external factors are involved in NPLs.

c. Matching of Revenues and Expenses

If the customer is spending more than his source of income, then definitely he will commit a default one day. If a person's spending matches his source of income and his lifestyle, then it's ok.

People who are fond of showing off, whether or not they have the resources to spend on a lavish lifestyle (e.g. wearing gold ornaments, an expensive dress, keeping an expensive car through a loan), type of persons are more likely to commit defaults. A person who is spending more than his/her resources will certainly commit a default.

d. Bank Training

Bankers can highlight factors like lifestyle and discuss these things with branch managers. During bank training, managers teach that if the lifestyle of a customer differs from his profile, then it is a sign to look for because this customer could default the bank loan. However, lifestyle is not a major factor of NPLs.

e. Case of Willful Default

There are two things, one is that banks have to see who is spending on a lavish lifestyle and whether he is making a willful default or not. For example, a person who has a limit of 20 million and has savings up to 100 million should not commit default and is in a position to pay the bank. If that person defaults, then there must be some other reasons behind his default. The second is problems in the cash flows of the client; if the client gets caught in this issue, then he will at first make problems for the bank in making loan payments. That kind of client will first try to meet his family's needs rather than paying a bank loan.

f. A lifestyle of Certain Business Communities

True business executives never spend too much on their personality and keep their lifestyles simple. There are certain communities like Sheikh Families and Mammon families in Karachi who have so much money but lead a very simple life. They wear simple dresses, keep a small car and a small shop; in each thing there is simplicity. They hoard money but only to do business with. They do not spend money on showing off.

g. Paying Capacity

Instead of looking for a lifestyle, a banker should consider the paying capacity of the customer before issuing the loan. For example, in cases of issuing a personal loan, which is also called a clean loan, sometimes the repayment capacity is not considered and the borrower gets a loan from several banks, then there comes a stage when the borrower is not in a position to repay all the loans as he/she cannot pay, and ultimately such a person will default.

h. Interest in Business

The lifestyle of a client describes his level of interest in the business. There are certain communities like Mammon who do not seem to have a lavish life as they spend very little on showing off and take much interest in their business. Therefore, through this point, banks can predict the level of interest of the borrower in business and in making the payments of mark-up and principal amounts of the bank.

i. Political Pressure

Nowadays there is no political pressure on banks. As most banks are privatized due to the privatization policy of the Shareef government, these types of things have finished. Therefore, persons having a lavish lifestyle cannot influence the bank's lending decision through the involvement of political pressure.

14- Gender

a. Female Ratio in Total Number of Borrowers

Borrowers are mostly male, therefore most of the defaulters are male. Women default much less than men but this may be due to fewer female borrowers. If it is assumed that there are 100 clients of our bank then there will not be even 10 female clients.

b. Fewer Defaults by Female Clients

Bankers dealing with consumer loans have seen very few female borrowers committing a default. It is a personal observation that female clients are more responsible than males, but it cannot be

said that they never default. The ratio of female loans to total loans is very low and out of these, there is hardly a chance of default.

c. Support from Male Counterparts

A reason for low numbers of female borrowers may be that in this society a sole woman cannot handle business matters, therefore, there is always some man behind her in the shape of father, brother, or husband who draws a loan in their names; so, in case of default, the woman is hidden behind the latter.

d. Consumer Loans and Female Clients

It has been known that there are very few female businesspersons working in Pakistan. The number of female borrowers is very low and bankers have seen a poor percentage of female borrowers in the context of Pakistani banking. There are some consumer loans in which female clients are involved, for example, a loan for a car against their salaries. But, as far as business loans are concerned, female clients are in a very small number; as per bankers' experience, there is no such instance. Such type of relationship has not been seen as yet in corporate and commercial loans. It can happen in cases of individual or consumer loans.

e. Business Women as Showcase

In Pakistan, almost all female companies are dummy companies because someone else is working behind them and someone else is on the front. The reason is that there is a man behind this type of company who has a political background or has committed a default. The inside story is that there is a person who is doing business but in the name of his wife. Behind the decision-making is the mind of a male, so bankers cannot say anything definite about that. If there is a sole proprietorship,

then loan default is so small that it becomes irrelevant to discuss. In the case of a partnership, the husband has given 99% shares to his wife and the remaining 1% has been kept by him; so, he will be using his mind in taking loans as well as all other decisions.

f. Female Repayment of Microfinancing Lending Institutes

Some trusts and organizations run microfinance lending and these are engaged only with women. The repayment ratio of such organizations is very healthy and their default ratio is in decimals. They do not have much impact on NPLs.

g. Less Information about Business

Women tend to have less business knowledge than men because men have access to an environment that helps them to have greater information about the business.

h. Insignificant Impact of Female Borrowers

Gender has no influence on NPLs except women's lack of business knowledge can be a factor, but nothing else. Someone else (a man) works behind female companies.

i. Business Environment Suitability

Women cannot handle the business dynamics prevailing in our country. They cannot handle the ups and downs of the business personally; they will always need a male partner in the form of a father, husband, son, or any other. So banks do not notice whether there are any female defaulters as the male counterparts are always with the women to handle various situations. And if a woman is solely handling the business, then banks discourage this for the reason that she could not control this.

15- Religion

a. Insignificant Role

Religion does not influence NPLs. For example, a party that was very religious and all the family members had learned the Holy Quran by heart but they defaulted. The loan is defaulted only by the will and through the wrong mentality. Bankers do not see any impact of religion on loan defaults as dishonest persons can be seen in almost all religions. It depends on the person and what type of business he is engaged in.

b. Lack of Interest of Religious People

Some religious people, for example as in Islam, do not deal in commercial banking products because they consider it a sin. Those who do, already know that they have to deal with interest.

c. Physical Appearance V/s Inner Honesty

There is a lot of confusion in the name of religion. A person is considered religious who has grown a beard or has a praying symbol on his forehead or is reciting ‘tasbeeh’ or has a religious outlook. Normally, a person having such characteristics is only a fraud. A person can never be judged religious from his/her outlook; however, religion is in one’s heart and inner side.

One cannot say about a person that he is religious as he has grown a beard. Similarly, one cannot say that a clean-shaven person has nothing to do with religion. Therefore, to judge the religiousness of a person merely on his/her appearance is wrong. Religion is inside and one cannot stamp someone as religious or non-religious.

d. Difficult to Judge How Religious a Person is

There is no measure to judge the religious views of someone. A person showing off a religious background can default and vice versa. The teachings of every religion demand one to be honest, but even then people do default. Banks do not see religion as having any impact on NPLs. If an individual is honest, then the individual will fulfill commitments. Every person has his personality and lifestyle. The religiousness of a person cannot be judged.

e. Usage of Religion for Personal Benefits

As per experience, there is no such effect that those persons who show themselves to be more religious normally commit more defaults. People use religion and do not act upon it. The religious ones are mostly defaulters. Those persons who have a beard and have Islamic business names like, “MashAllah Traders” or “InshAllah Traders” often default loans. There is a practical example seen by a banker. A person took 25 million as a loan from the bank. Then that customer went to perform Umrah (a religious visit to the Holy city of Mecca). Previously, that customer had visited the Model Town branch and asked the bank to release the loan as soon as possible as there was a dire need of funds. After performing Umrah, that customer refused to pay back the amount of the loan. The reason was that the mark-up on the loan was ‘Haram’ as per Islam’s teachings. So it sometimes happens that when the amount of loan is due, then these so-called Islamic scholars suddenly remember Islamic teachings about loans and their interest; however, they did not consider it when they were taking a loan from the bank. The basic reason is the same, whenever these types of clients face cash flow issues or want to default willfully, then they use religion and commit default and use such phrases as “this amount is against the teachings of Islam” and they are near to bankruptcy since they have used up this evil money of the bank.

f. Conventional V/s Islamic Banks

Religion does not have any influence on better payments of the loan. If this was not the case, the default ratio of Islamic banks would be zero. The default ratio of Islamic banks is more than that of conventional banks.

16- Residential Area

a. Underdeveloped V/s Developed Areas

The residential area does affect loan repayment. There are several default cases in underdeveloped areas like the interior old areas of Lahore. A foreign bank gave extensive loans to the people of such an area and it faced difficulties in its collection. That bank had to bear heavy losses in the shape of loan defaults from that area. It has been experienced that a person belonging to a well-off residential area defaults less than those living in an underdeveloped area. Persons living inside old cities are doing good dealings as well as those who live outside. There is a great difference between a borrower living in Shahdara and a borrower living in Model Town.

b. Willingness to Default

The residential area does not affect the occurrence of NPLs. It depends on the person and not the residential area. The main reason for default is will.

c. Relates with Lifestyle

As far as the geographical area is concerned then there are industrial areas but as a geographical area is being defined as living in Defense then the answer is the same that this relates with the lifestyle and education. There is a habit among some people to improve their lifestyle.

If the lifestyle of a customer is higher than his/ her source of income, then it will hurt the repayment of the loan. For example, if a person takes a loan from the bank to invest it in the business, but instead diverts this amount to the construction of his house in Defense, then ultimately his business will collapse.

If the spending of a borrower is more than their source of income or if he has spent the amount on something other than its purpose, then this can have an impact otherwise area does not have a great impact on loan defaults.

d. A mismatch between Earning and Spending

It has practically been observed that a person having a poor cash flow who belongs to a low class than of a person belonging to high class as the latter knows that in future he might be going towards corporate or commercial dealing or he might be engaged in signing a tender.

17- Credit Culture

a. Significant Effect on NPLs

Credit culture has an impact on NPLs. Culture matters a lot; it is very critical for the banks and has an impact on loan defaults.

b. Defects in Law System

As far as credit culture is concerned, it has been seen that in cases of a loan default, court decisions take too much time. This provokes clients to commit default as the case can be prolonged for 10 to 12 years, so the loan will not have to be paid until that period.

c. Frozen Mark-up

Whenever the loan of a client is restructured, the mark-up rate, which will be paid on the principal amount, is also frozen; so, the recovery process through courts has a big impact.

d. System of Banks in Foreign Countries

In developed countries like England, if a person has made default of a bank loan his name will be included in ECIB and he will not be able to open his account in any other banks. Thus, there is a culture in foreign countries that willful default is discouraged and defaulters are forced to leave the business industry for a certain period.

e. Check and Balance System Prevailing in Pakistan Regarding Defaulters

The culture of check and balance is prevailing only in foreign countries and does not happen in Pakistan; for example, if one had defaulted the loan of a bank, then one may take a loan from any other bank by changing the name of the company.

f. Defaulters Belonging to Same Area

If there are many defaulters in a specific area, then others in that area also think that they should take a loan and make a willful default. People telling each other that banks can do nothing in cases of loan defaults is a big factor of loan defaults. The only thing a bank can do is go into litigation and due to the slowness of the judicial system, the matter can take several years to resolve. This can have an impact in a particular scenario: if three to four acquaintances of a borrower have made default in previous years, then this can induce that borrower to commit default.

g. Lack of Awareness about Bank Funding in General Public

There is an example that there is a flex affixed in the banks, which is about Prime Minister Youth loan scheme. Instead of any interest shown by the banks in this scheme, there was pressure from the government on the banks to give loans. The people came asking for that loan and had no intention of returning it; they did not realize that the fund belonged to the banks and was not issued by the government. So, this shows the mentality of the people taking loans. So, the credit culture in a country does have an impact on loan defaults.

h. Concept of Interest

Credit culture matters. Certain persons consider interest illegal as per religion but deal with banks. So the culture can be considered as a hindrance.

i. Wrong Role Models

In Pakistan, a type of culture is flourishing in which a person who is a big thief is a role model for others. Everyone knows about the persons who have taken loans from banks and banks have written these off these loans. When such a type of culture is promoted, then every person would like to adopt it. Whenever banks make people account for defaulting a loan, they give lame excuses like banks have caught poor persons like them and the big fishes who are in government are left alone because they are in power. So things like these are observed by every person. Sorry to say that in Pakistan, such a culture is in existence where everyone thinks that might be right.

j. The mindset to Commit Defaults Intentionally

Pakistan is still in the developing phase and there is a culture to take out a loan without thinking of returning it. The credit culture of the country does matter as it can be seen that in our country there has been a trend to take a loan and commit willful default. In such instances, the matter is

taken to court and the decision takes too much time; so, the mindset and credit culture of a country does affect loan defaults.

k. Personal Background of Clients

The personal background affects NPLs. How one has been groomed by one's elders and whether one is interested to keep one's ancestors' name in good books in society, matters. Some people commit such acts that shame their family name in society.

l. Foreign Sponsor/Owner

If the sponsor is outside the country then there is a culture to make default in our country. Bankers have seen a practical case in this respect. A banker's client was often on foreign tours so he did not bother to pay any mark-up or the principal and committed default. Therefore, according to that banker, it has become a culture to default if the owner of the facility remains out of the country.

m. Political Pressure in Agricultural Loans

There is a culture in Pakistan that agricultural loans are given under political pressure and at that time no care is vested in the preparation of documentation. When the issue of non-payment arises, then there is a hustle and bustle to complete the documents but it is too late to react and the default arises. That is the reason why agricultural loans are one of the most highlighted loan categories in which the majority of defaults are reported.

n. Most Important Factor

There may be many factors other than macroeconomic and bank-specific factors, but credit culture and education may be considered the most crucial factors responsible for NPLs.

o. Emotional Attachment to Business

There is a culture in Pakistan that business executives are emotionally attached to their businesses. They prefer to die instead of closing their business as they have developed a mental attachment to it. Besides, the continuity of their business also becomes a symbol of respect in society. Therefore, if they cannot pay the bank loan, they may access private borrowers from the market, but will never close their business. In foreign countries, there is a system that if someone commits default he can go to court to file insolvency. But this does not happen in Pakistan as business executives will ignore the bank loan payments and will consider other options to run their business, thinking to repay the bank in the future when they have funds.

18- Character

a. Behavior of Clients

The behavior of clients matters a lot as it makes character. Only the personal will of any person can make him pay a bank without making any disturbance to banks.

b. Honesty

The most important quality that builds up character is honesty. If a client is dishonest, then all other things are secondary. A dishonest client will fulfill all the bank requirements to acquire a loan but in the future, he will make default. On the other hand, if a client is honest then all other things become just a kind of formality.

c. Willful Defaults

Some persons have the will to make defaults. They have the resources to repay but do not pay due to bad character. The key is to identify the character of a borrower.

d. Environment of Home

Character is made from internal and external factors. The internal factors which relate to home are more important than the external environment. Once the character is built with good moral values, one does not need any influence from external factors. A person having good character will pay off his obligations.

e. Creditworthiness

Two things are assessed by banks whenever they select a quality borrower. One is the need for the loan and the second is creditworthiness. One may call creditworthiness as having good character. The creditworthiness is measured by investigating the track record of the borrower. If the borrower has paid his past obligations without making any delays, then it means that he possesses a good moral character.

19- Age

a. Insignificant Influence on NPLs

It has not been seen that age has much of an effect on loan defaults. The thing which only matters is the personal character of the borrower. Age does not affect the occurrence of NPLs.

b. Business Conditions

Age matters a bit, ultimately, but it is the person that matters in the case of the return of the loan. A person whether old, middle-aged, or young, or whatever he is, the thing which matters is what he is feeling inside and what is his business condition.

c. State Bank Regulation

Age can hardly be considered a factor in NPLs. However, there is a regulation of State Bank that the banks can give loan to a person between 25 and 70 years. A certain deviation in this is allowed, but the person who is willing to default will ultimately commit it.

d. Aggressiveness V/s Maturity

Age matters as the young one are prospective, aggressive, and does not look at things in a broad perspective, whereas an older client will show maturity while using the bank's funds.

e. Proactive vs Reactive Approach

Younger borrowers have energy but they lack experience, so they have a reactive approach in the beginning; on the other hand, the older ones have a proactive approach as they have a lot of experience, but they are conservative.

f. Succession Planning in Case of Aged Client

As far as age is concerned, if a person is of more than 60 years of age then bankers advise that person to add someone to form a partnership because in Pakistan the average age is 58 to 59 years. Bankers consider people over 60 years to be vulnerable: if a person dies, his business will collapse in absence of any succession planning. As per the record, all big loans which have defaulted in

previous years have this reason: the proprietor of the business died. So, when the age of a borrower is above the danger limit, then bankers make proper succession planning with him about who will handle the business after him. If bankers see that there is a son behind them to look after affairs, then bankers are satisfied, but if he has no son or any other mature person, then bankers will immediately not give him any type of loan.

20- Reduction in NPLs

a. Concentration on Factors other than Macroeconomic and Bank-specific

All these factors (Macro-Economic and Micro Economic) along with other factors of NPLs should be carefully looked upon before issuing a loan. Bankers have to see personal integrity, background, and all the factors mentioned above while sanctioning a loan. Indeed, these factors will matter and bankers do take into consideration most of the matters discussed in this interview while sanctioning loans.

b. Policies Redefined

NPLs can be reduced by considering these factors. There was a time during which banks faced the global issue of the liquidity crunch and NPLs increased to a great extent. After that, banks redefined their policies and they look closely into such kinds of situations. So these factors along with other factors are being looked after now.

c. The efficiency of Risk Departments

If a bank does not support the customer at any stage or is unjust or sends his name to be written in the list of defaulters, then the whole business of the customer can collapse. Because when one

bank makes a customer a defaulter, then all other banks finish their business relationship with him as well. So if a customer is educated, he never does such practices.

The infrastructure of a bank is very important and especially the strength of its risk department. How well does it scrutinize loans? If you take data from some banks, then you will see that there are banks where the NPL ratio is 1% and there are banks whose NPL ratio is 6%. This means that the risk department in certain banks has some problems. This problem could be that the risk department is not properly scrutinizing loans. The customer is not a big problem because if the initial scrutiny is proper, then the customers will never make a default.

d. Scrutinizing Willful Defaults and Situational Defaults

Bankers can only scrutinize willful defaulters because if the business of a person is affected by natural calamity or any other genuine reason, then in such conditions what can we do? So, bankers can do nothing in this case.

e. Lack of Data and Authenticated Research

These factors are already considered by the banks. Bankers cannot predict how much these factors will influence NPLs as there are multiple factors. Bankers do not have the data to prove that these factors are very important. There are mainly two bases on which an individual is verified, like his credit standing and his thoughts and philosophy through an interview. Based on these a judgment is made.

f. Continuous Danger of Willful Defaults

The business conditions of the borrower matter a lot in defaulting a loan. And some willful defaults have every resource to repay but they keep on pending the loan payments.

g. Credit Extension Pressure

There are lots of pressures placed on bankers. One of the pressures being faced today is to acquire more and more business, which means to obtain more and more projects and increase issuance of loans. A relationship manager is often questioned about the issuance of loans in meetings with high-ups, so he/she cannot give a simple answer like that there is a lack of suitable persons for giving a loan as this answer is not acceptable. Therefore, in this situation, bad loans will occur.

h. Importance of Other Factors

There are many factors involved in the occurrence of NPLs. Banks try to control these factors through various strategies (e.g. in the case of personal loans, there is a data check through which the payment history of the customer is obtained). There is ECIB provided by State Bank which gives the credit history of every individual who has taken a loan in the past, whether he/she had defaulted previously or not and the amount. These can cover some aspects which can help. However, bankers would like to say that these factors are already being considered by them. Whenever one goes to a bank to open an account, then an application form is given to fill in. This form includes various details which have to be ticked, like age, father's name, business place and so on. So, these factors will not directly decrease NPLs rather these can play a supporting role as far bankers' experience is concerned. Other bankers like Kashmiri sb might have some other views.

The thing that matters the most is the creditworthiness of the customer and there are some other things, such as is he spending on a lavish lifestyle and so on; if bankers consider these, then NPLs can be controlled. If bankers educate their customers about all these things, then unquestionably this can have a positive impact on improving loan defaults. For example, if any borrower is not educated enough to know that if he commits a default then that can affect his ECIB, ultimately

damaging his business, then he will take this lightly. But bankers can properly educate the client, that if his name comes in ECIB then no bank will give him any kind of facility in the future, he/she will be unable to export or import and the business will ultimately collapse. There are remedial measures available to deal with these factors.

i. Loans to Certain Reputable Communities

Bankers have experienced that there are certain communities that rarely ever make a default. Bankers have practical examples of this. As per one banker, his previous vice president had good relations with one of the Pakistani business Sheikh family and he used to issue them loans regularly. In those days, we had never seen even a single default. Therefore, if selected reputable communities are targeted, then NPLs can come down drastically.

j. Verification of Objective of Loan

The most important thing to consider is to assess the objective of the loan of a borrower because this can avoid the issuance of a problematic loan at the start. This needs assessment which is the most crucial factor.

21- Occupation

a. Avoiding Giving Loans to Certain Occupations

There are some occupations to which bankers avoid issuing loans. These include lawyers and police. It had been observed that whenever a loan was issued to these, it ultimately disturbed the bank. The lawyers knew how to use delay tactics to prolong the payment. As far as the police are concerned, credit officers are reluctant to even visit to inform about the due date as there were

cases reported that some of the officers were treated pretty badly in police stations. The result is that a certain bank has finished its contract with the police to issue further loans.

b. Hesitation in Issuing Loan to Certain Businesses

There are certain borrowers to which bankers personally hesitate to issue loans. Such borrowers are those willing to use the funds in construction projects. The reason is that in a construction project, the loan is used to purchase material for the construction instead of using it in a productive venture. The result is that the revenue on the acquired funds is blocked; so, the payments of mark-up are disturbed. Eventually, this all leads to default.

c. Experienced and Newcomer Borrowers

Some borrowers are newcomers to the business. They want to play with the money of the bank. Therefore, such borrowers are discouraged and are not provided funds. However, those borrowers who have experience, are issued loans as their credit history is available and they can be tracked down in cases where they have defaulted on any loan in the past.

22- Management Style

a. Target Oriented

A banker's job is target-oriented; so all staff is well informed. Bankers keep strong communication with each other; so, in case of any issue with any team members, it can be timely resolved.

b. Monitoring of Staff and Clients

Well, there are policies for monitoring the staff. Bankers do visit their clients with their staff. So there is a system in place and bankers interact with staff daily and bankers are taking the reflection of loans that how these are going.

c. Cordial Relationship

Bankers suggest that there must be lenient behavior with the staff and juniors and a cordial relation must be established. Yes, a bank job is target-oriented but one still needs friendly relations with the team members so that they can share their issues without any hesitation.

Figure 4.2.1 Factors Influencing NPLs

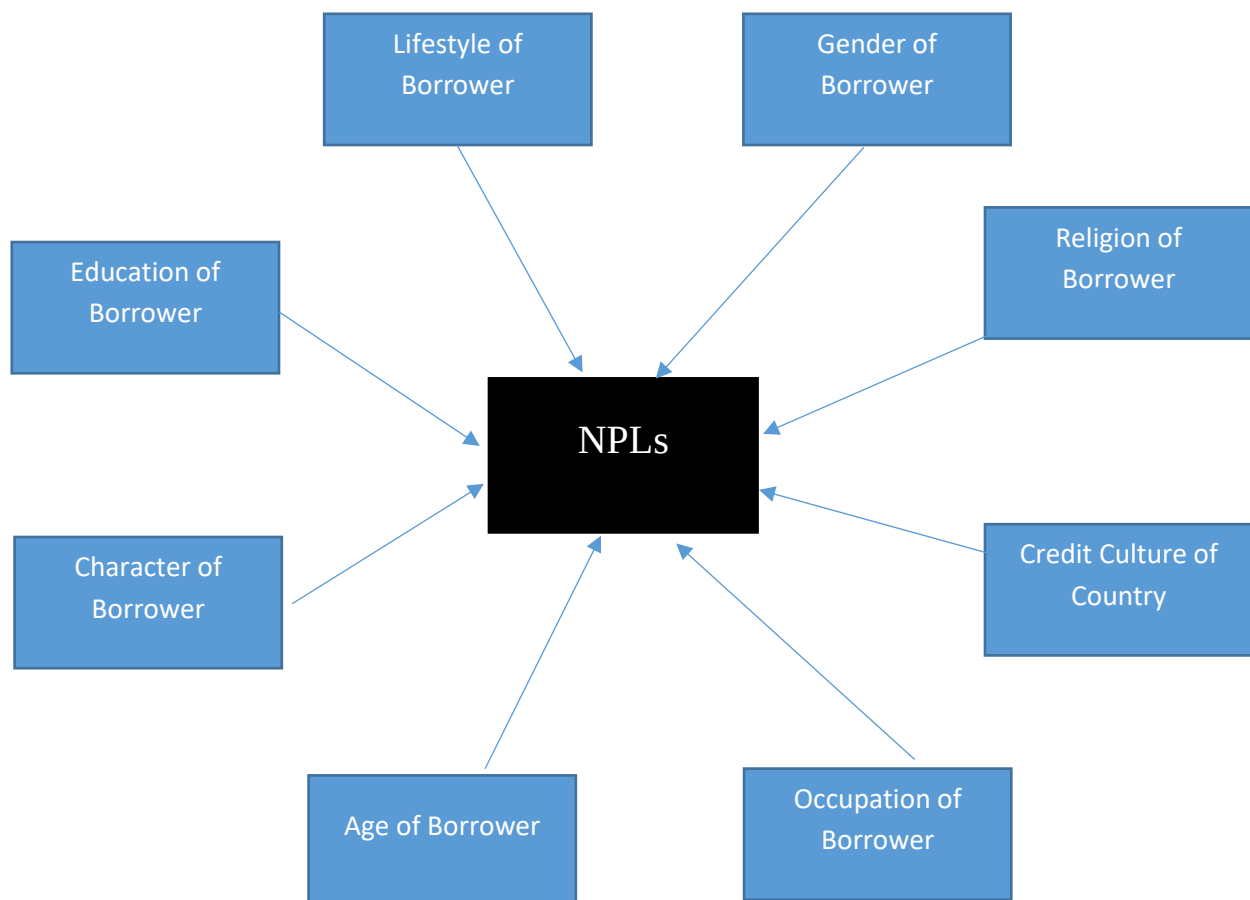


Figure 4.2.1 shows the themes which represent the social factors influencing NPLs: education of borrower, the lifestyle of the borrower, gender of the borrower, religion of borrower, character of the borrower, credit culture of the country, age of the borrower, and occupation of the borrower. However, the answer to the question of which of these themes significantly influence NPLs is quite tricky. The discussion with bank managers revealed that the themes titled education of borrowers, credit culture of the country, age of the borrower, and occupation of borrower significantly influence NPLS. Then there are other themes on which some bank managers showed confidence in considering them significant but there were almost equal numbers of views against these. So, it can be said that the role of these themes – the lifestyle of borrower and age of borrower – in influencing NPLs is questionable. Furthermore, the managers showed consensus in declaring the themes of the gender of borrower and religion of borrower as having an insignificant relationship with NPLs. Lastly, the bank managers agreed that failure to take certain steps before the sanctioning of loans can increase the level of NPLs.

Chapter Summary

This chapter explained the qualitative data analysis of the semi-structured interviews. The themes which were derived through thematic analysis are presented in this chapter. These themes are explained through the discussion of the bank managers. This chapter closes with the presentation and conduct of thematic analysis, the process of which has been discussed earlier in Chapter 3. The next chapter will portray the discussion on the thematic analysis conducted in Chapter 4 and will be synthesized with the previous literature.

Chapter 5: Discussion

The previous chapter provided the results and analysis of the interviews. This part of the dissertation discusses the findings of the research and synthesizes the results with the findings of the literature. In this chapter, the researcher discusses the role of factors, other than macroeconomic and bank-specific, in influencing NPLs which emerged in the shape of themes as explained in the previous chapter. These factors, namely education, lifestyle, gender, age, religion, character, occupation of borrowers, and credit culture of a country, are discussed in the light of previous research explaining their role in determining the NPLs of Pakistani commercial banks. The themes, including NPLs and sanctioning of loans, also help to understand how the bank managers perceive NPLs and the steps they consider most important while sanctioning loans. Afterward, the findings along with the literature are synthesized to conclude whether these themes significantly or insignificantly influence the NPLs of Pakistani commercial banks. In the end, to summarize the discussion, an overall view is presented. Moreover, this chapter will answer the following research objectives and questions of the study.

Research Objectives

1. To explore the factors of NPLs in the context of the banking sector of Pakistan.
2. To propose a conceptual model that explores factors of NPLs and to test this model in the context of the Pakistani banking sector.
3. To assist bankers in identifying or executing necessary steps concerning factors of NPLs in the banking sector of Pakistan.

RQs

1. How are the factors of education, lifestyle, gender, religion, character, credit culture of the country, age, and occupation related to NPLs?
2. What are the perceptions of bankers about the NPLs and what measures are taken by bankers before sanctioning loans?

5.1 Orientation of the Chapter

First of all, this chapter presents a detailed overlook of the demographic profiles of the participants. Afterward, the importance of studying NPLs is analyzed in the context of previous literature. Then, the effects of each of the factors on NPLs are explored and RQs are answered. This analysis includes the synthesis of preceding studies along with a discussion on the impact of each of the factors.

5.2 Demographic Profile of the Bankers

As briefed in the previous chapter, for this study 25 bankers were selected for interviews. Their demographics are presented in the next lines. All of the bankers are related to the loan and advances department as that particular department deals with NPLs. Appendix IV depicts an age comparison of the bankers. The majority of bankers (i.e. 68%) were in the age group of ‘31–40’ years. This shows that mature-aged persons are appointed in the loans and advances department as this section is the most critical department in the bank. The reason is that a substantial part of banks’ revenue depends on loans and advances issued to clients. Moreover, only 12% of the participants (3) were in the age span of ‘21–30’ years. Another thing to note is that only 12% of the participants (3) were in the age range of ‘51–60’ years, which shows that as the age goes up the banks are not interested to keep aged people in the loans and advances department.

Analysis of the marital status (Appendix IV) reveals that almost all the bankers are married (96%). A bank job is considered a secure job in Pakistani society and a person who gets that job is assumed to have joined a healthy career. That is the reason for a high marriage percentage.

Furthermore, Appendix IV reveals the educational qualifications of the participants. The analysis shows that all of the participants have taken a Bachelor's degree and all have a Master's degree. This proves that higher education is thought to be a minimum qualification for a banker who wants to join the loan and advances department. The reason is that a lot of financial calculation is required before issuing loans and any person belonging to that department should have high knowledge of finance so that he/she might be able to assess the credit risk appropriately.

In addition, analysis of demographics reveals the experience of the bankers involved in the loan and advances department. It can be seen that this department involves persons with vast experience. Of the bankers, 52% have 11–15 years of experience, whereas 20% of the bankers have experience of more than 15 years. This information proves that the bank prefers to include officers in the loans and advances department who are senior in experience.

Moreover, the demographic profiles show the salary scale of the bankers as well. Banking is one of the better-paid jobs in Pakistan. During interviews, most of the bankers considered banking a profession with an above-average salary. This feature is also revealed in the data given in Appendix IV. A majority of the bankers (88%) are earning a handsome amount in this profession.

5.3 Presentation of Qualitative Findings

5.3.1 NPLs

The bankers were asked questions relating to a definition of NPLs. They all gave their understanding of the meaning of NPLs. The understanding of bankers about NPLs is following

previous studies as Rose (2002) defined NPLs as, “A loan is placed in the NPLs category when any scheduled loan repayment is past due for more than 90 days”. The definitions given by Saad Siddiqui (2012) and Negera (2012) are also under this definition. Therefore, it can be concluded that there is no ambiguity in defining NPLs among the previous literature and the Pakistani bankers.

The next question is regarding the study of NPLs. In other words, what is the reason to study this concept in detail? This question was answered during the interviews by various senior bankers. They all considered that NPLs threatened the survival of commercial banks.

The comments by the bankers give a brief look into the sensitivity of studying the determinants or factors of NPLs. These comments matched those of previous studies; countless studies considered NPLs the most dangerous factor affecting the financial performance and solvency of banks. NPLs are a global threat and the US financial crisis is the greatest example (Adebola, Wan Yousaff and Dahalan, 2011). Therefore, the need to identify these factors is very important for any country.

Even in developed countries, the financial crisis negatively affected the payment capability of debtors, and some defaulted (Sonali, 2001). NPLs were described as the main factor of the financial crisis in the studies of Djogap and Ngomsi (2012) and Gonzalez-Hermosillo (1999) and other literature. Sorge (2004) considered NPLs to be the major cause of the US financial crisis of 2007. The NPLs are that type of threatening syndrome which can badly hurt the profitability and solvency of any financial organization.

According to Haneef et al. (2012), Pakistani banks are confronting various risks which are liquidity risk, operational risk, market risk, and credit risk, and all of these risks are directly or indirectly influenced by NPLs, due to which the profitability margin of banks is decreasing.

The above discussion shows that bankers who relate to the credit department do have the required knowledge and understanding of NPLs. In addition, it can be inferred from the above that it is crucial to study NPLs and to determine their factors. The performance of banks is negatively associated with NPLs because as the number of NPLs grows higher, the performance of banks will decline.

5.3.2 Sanctioning of Loans

The bankers described several measures which are taken before the decision to issue a particular loan is made and the avoidance of these can increase the amount of NPLs. These measures include various criteria for loan category, track record, financial aspects, and business aspects, ownership of lender, government restrictions, international scenario, debt v/s equity finance, State Bank regulations, pledging of residential house v/s business property, checking of cash flows, sales and bank statement, collateral security, locating willful defaults, banks' internal policies, surprise personal visit to the place of business of the borrower, funded v/s non-funded facility and account turnover.

The literature divides these measures for sanctioning loans into transaction-based and relationship-based. Transaction-based measures include asset-based, credit scoring, financial statement, and relationship lending. These technologies can help to solve issues like credit rationing or unnecessary credit extension (Stiglitz and Weiss, 1981; De Meza and Webb, 1987; De Meza, 2002). The financial statement lending method helps in making loaning decisions after looking closely at the strengths of balance sheets and other financial statements. Asset-based lending tests the quality of the collateral being provided by the borrower. This method of verification is very expensive and needs very close monitoring. The credit scoring method is generally used in consumer lending. In this method, the borrower is looked upon in terms of financial health and

past track record of the business. In the relationship lending methodology, the bank makes a loaning decision based on the information collected through a variety of acquaintances during a wide course of time. This data is gathered from various financial products and requirements of loans and deposits (Petersen and Rajan, 1994; Berger and Udell, 1995; Nakamura, 1993; Cole et al, 2004; Mester et al., 1998; Degryse and van Cayseele, 2000).

Through transaction-based lending, hard data can be gathered and used at the time of initiation of the loan. This hard data is based on objective criteria, such as analysis of financial health of the business through financial ratio analysis of financial statements. However, relationship lending is normally linked with obtaining soft information through building relationships with the potential borrowers whether they are firms or sole traders. This soft data may not be confirmed or communicated to others.

Therefore, it can be concluded that the measures explained by the bankers during interviews do match with the steps for loaning decisions described in the literature. However, the interviews highlighted the real-time approach used by the bankers of Pakistani commercial banks.

5.3.3 Education of Borrower and NPLs

Most of the bankers were of the view that education plays a significant role in influencing NPLs. The reason given is that if a client is educated, he/she will know about the consequences of defaulting and this attitude will help the bank in timely repayment of the loan. In addition, education helps clients to understand the business, whereas the uneducated person takes a little time to gain experience to learn the terms of the trade.

One banker considered education an effective tool in creating an understanding of the banker–customer relationship which is missing in the case of an uneducated borrower. The bankers also

explained that an educated borrower knows the optimum use of funds taken from the bank, which in another way ensures the timely repayment of the bank loan.

Some bankers considered education to be a weak predictor of NPLs. Some of the bankers were of the view that as educated customers have a better understanding of the terms and conditions of the loan it is easier to deal with them than uneducated customers.

Some bankers considered educated clients to be the safest borrowers. They thought that there are certain ins and outs in the dealings of a bank that an uneducated person often fails to understand and the banking staff cannot make them understand the entire banking system due to time and staff limitations. Some bankers considered an educated borrower helpful in decreasing NPLs, but they also indicated that it is very important to judge the will of the borrower because when a borrower wants to commit default then the question of whether he is educated or not becomes baseless.

Some bankers were against this view and considered education an insignificant predictor of NPLs. They supported their point of view with practical examples of uneducated business executives who have a clear credit history and do not delay payments to a bank. Another banker indicated that he did not find any difference between an educated and an uneducated customer. Both are the same as far as their characteristics are concerned and any one of them can make a default. Although, that banker did acknowledge the fact that an educated client can get into trouble regarding his financial matters.

Some bankers were of the view that some uneducated clients have extraordinary business skills due to which they never default. Some pointed out that educated clients know the weak links of banks and understand practices that can delay bank payments, like going into litigation, which can buy a lot of time for them.

From the above, it can be seen that some bankers are strongly in favor of the concept that education plays a crucial role in bringing the number of NPLs down because an educated borrower understands the consequences of default and is better at maintaining a smooth banker–customer relationship. However, some bankers consider that the education level of a borrower does not predict NPLs.

When the researcher studied the literature, the education of borrowers was found to be a strong predictor of NPLs and it helped bankers to improve the performance of their banks. The studies of Eze and Ibekwe (2007), Nawai and Shariff (2013a) and Roslan and Mohd Zaini (2009) analyzed the characteristics of borrowers. These characteristics included level of education. These studies showed a significant and positive impact of the level of education on NPLs. Borrowers with a high level of education will be able to understand the terms and conditions of loans better than uneducated borrowers.

This characteristic of borrowers will enable the banker to avoid the issue of adverse selection. The banker will have the option of selecting safe borrowers instead of risky ones, thus reducing the level of NPLs. It may be noted that certain findings are not indicated by previous studies and these raised points against the role of education in influencing NPLs. These points include willful defaults and uneducated borrowers learning through experience. Therefore, it can be concluded that the education of a borrower can play a significant role in influencing NPLs but there are some situations when it becomes meaningless.

5.3.4 Lifestyle of Borrower and NPLs

Some bankers considered lifestyle a significant factor in determining NPLs but there was an equal number of views against it. Some bankers declared that lifestyle is not a strong factor influencing

NPLs; they were of the view that lifestyle is a personal thing and it is difficult to know whether a person is living a lavish lifestyle or not.

Some bankers stated that in the training they received from a senior banker, they were advised to look into the lifestyle of a borrower before making a lending decision. In addition, if a borrower's lifestyle does not match their profile, then surely it means they might spend more than their income and might commit default in the future. Some bankers considered a person's lifestyle to be a predictor of lavish spending. They considered that this lavish spending could lead to willful default. A banker explained that a person having a lavish lifestyle can default as this shows a lack of interest in business, whereas real business executives do not bother about a lavish lifestyle. In this regard, he gave examples of some business families that have a simple life and have never committed a loan default.

Paying capacity is considered very important by bankers as it determines the status of future loans. The bankers thought that a person with a lavish lifestyle could want to influence a lending decision through political pressure, but these things do not exist in the current time.

Another banker considered lifestyle a weak predictor of NPLs. One of the bankers related lifestyle with education. According to him, an educated customer takes into account the purpose of the loan and spends the loan on a productive venture whereas an uneducated customer does not.

From the above, the researcher got different opinions regarding the influence of the theme of lifestyle on NPLs. There were almost an equal number of opinions in favor and against the significance of lifestyle as a factor of NPLs. The literature had limited material on lifestyle. Previous studies indicated opinions that differed from the findings of this study. According to the studies of Sinkey and Greenwalt (1991), Jimenez and Saurina (2006), Tarron and Sukrishnalall

(2009), and Ahmad et al. (2013), when interest rates are high, especially in the period of boom, normal borrowers wait for the interest rate to come down; however, other borrowers who have risky and non-productive investment projects in hand to maintain their lifestyles are willing to pay a high rate of interest, this indicates a higher likelihood of loan default. In this background, the issue of adverse selection takes place. Through addressing this feature of a borrower, it is possible that loan performance can be improved, thus, resulting in fewer NPLs.

Therefore, from the synthesis of the results of this study and the previous literature, it can be seen that there is literature available that only supports the concept that lifestyle has a significant association with NPLs. However, the findings of this study also highlight that there are situations where lifestyle becomes irrelevant in the context of NPLs.

5.3.5 Gender of Borrower and NPLs

Gender is another theme that emerged from the interviews with bank managers. However, almost all of the bankers considered gender an insignificant factor of NPLs.

Some of the bankers thought that gender is not significant because the number of women in business is very low. Some bankers held the opinion that women are not ideal to handle Pakistani business environment; they need male backing in the shape of father, brother, husband, or son who can help them deal with the business conditions prevailing in Pakistan.

One of the bankers was of the view that despite the small number, the loan repayment ratio of female borrowers in MFIs is very encouraging. Some bankers considered female-owned businesses to be dummy businesses used to take out loans and nothing more than that. Some bankers considered the unfavorable environment of society prevented women from obtaining the necessary skills needed to operate a business.

The above findings from the interviews suggest that gender does not matter in the case of lending and does not affect NPLs. The previous literature showed mixed opinions. There are studies available both in favor and against the view of considering gender a significant factor in explaining NPLs. The study of Ogeisia et al. (2014) showed that loan size has a positive impact on loan repayments whereas location and gender have insignificant relation with loan repayments. The results of this study matched Magali's (2013) findings that there is an insignificant relationship between gender and loan repayments.

On the other hand, the study of Roslan and Mohd Zaini (2009) examined the impact of three types of features, including gender, of the borrower on the performance of loans. The results of the study revealed that there is a positive relationship between gender and loan performance. These results are supported by the study of Gonzalez-Hermosillo (1999) which revealed that age of gender and attractiveness of borrowers influence the decision of money lenders, thus influencing their lending decisions, which can result in loan defaults.

Therefore, as per the findings of this study, it can be inferred that gender is not significant in explaining NPLs and the same is shown in previous literature as well.

5.3.6 Religion of Borrower and NPLs

Most of the bankers said that religion is being used for personal gains. Some bankers declared that religion is complex to measure and some perceived it as confusing. It is not possible to consider the religion of a borrower a significant determinant of NPLs due to the complexity of measuring the level of religiousness. The bankers were of the view that physical outlook cannot exactly predict the inner side of borrowers. For example, borrowers use their physical appearance to look religious to get loans and afterward commit default. One of the bankers was of the view that some

borrowers through their physical appearance show themselves to be religious and acquire loans, but afterward when the payment date approaches they claim it is against the teachings of their religion to pay interest; however, every borrower has to sign a contract with the bank which explains all the terms and conditions of the loan being offered.

Some bankers considered personal honesty to be the key element, not religion, of determining NPLs. They were of the view that dishonesty is not liked in any religion and anyone asking for a loan is not to be judged on their physical appearance. Most of the bankers did not consider religion to be a significant factor of NPLs due to various issues like the complexity of measurement and confusion of defining and judging a religious person through physical appearance. Honesty is considered a stronger characteristic in a borrower than physical appearance about repayment of loans.

There are very limited studies available related to the impact of religion on NPLs. The available studies showed a significant effect of religion on NPLs. The study of Nawai and Shariff (2012) investigated the factors determining repayment performance in microfinance programs in Malaysia. The results showed that formal religious education along with other factors significantly affected the loan repayment performance of the borrowers. But this study did not explain directly the role of religion in NPLs. However, through the findings of the research, religion is considered to be an insignificant factor of NPLs.

5.3.7 Character of Borrower and NPLs

The bankers consider dishonesty one of the major threats to all systems of the country and especially the banking sector. When the bankers were asked about the role of the character of a borrower in determining NPLs, most of the bankers acknowledged it as a strong factor. The bank

managers explained character as the feature which can make the borrower pay their obligations timely. The bankers also gave the process of evaluating the character of any borrower. The method to evaluate character is to look into the credit history of the borrower. If he/she holds a clean history, they can be granted a loan.

The previous literature supports character as a significant factor of NPLs. The study of McGoven (1993) reported that character is a dominant factor when it comes to issuing loans. The empirical study of Das and Ghosh (2003) investigated the determinants of bank defaults. These studies give weight to credit culture and lending behavior to control NPLs. From this, it can be inferred from the discussion of the credit officials of commercial banks that character is an important factor for determining NPLs and it should be thoroughly checked before lending decisions are made.

5.3.8 Credit Culture of Country and NPLs

The theme of credit culture has been indicated as a very strong factor in determining NPLs by the bank managers. The remarks by managers for credit culture are very interesting. Almost all of the bankers considered it an important factor in influencing NPLs. There are many reasons regarding this, which are presented here in the subsequent lines.

As per the views of some of the managers, a bad credit culture nourishes the ground for willful defaults, which are very difficult to judge, and this changes the mindset of others to commit defaults in the future. Another banker thought that defaults by political figures are readily picked up by people and they consider these practices of the big guns to be their reason to commit defaults.

According to another banker, certain people have a notorious family background who usually commit defaults. They do not find it embarrassing to face any negative consequences due to defaults. Some bankers accept the fact that certain people commit willful defaults to take refuge

behind religion. The bankers considered that it has become the culture that when the time to repay comes, such people refuse to pay saying that interest is against the will of their religion.

Another banker explained during the interview that it has become the culture of the country that any loan scheme which has been launched by the government to facilitate the common people has been wrongly understood. The people take loans from such schemes to make defaults and they do not care that the funds they are getting belong to banks.

One of the bank managers was of the view that due to the slowness of decision-making in courts, borrowers are provoked to default loans. Defaulters in an area motivate other people to take loans with the intention not to repay. Furthermore, the defaulters living in an area become familiar with other people residing there and they motivate others to do the same; so, a culture to default loans is initiated.

Some bankers mentioned examples of developed countries where there is a system in which a person who makes default of bank loan is strictly handled and is not given a loan by any other financial institution; so, a culture has developed there not to commit default. However, this thing is lacking in Pakistan, which has made life miserable for the banks. In addition, if the sponsor of a facility is outside the country, then it increases the chances that the loan taken might have defaulted.

One of the bankers pointed out the culture in the case of agricultural loans, there are political factors involved in these which is one of the main reasons for higher NPLs in that particular category. One of the bankers considered political factors to be one of the most important factors among others. Another interesting point is that there is a culture in Pakistan that business

executives do not want to close their business at any cost due to their emotional attachment to their business and because continuity of their business gives them respect in society.

From the above, it can be noted that as per the bank managers and credit officials, the credit culture of a country can influence the loan performance of the banking sector. There are some justifications given in this regard and various points are raised by the bankers.

The previous studies are in agreement with the views of the bankers: they consider credit culture a vital element in affecting NPLs. For example, the point of view presented in an Indian study is in agreement with the concept of “credit culture” given in Reddy (2004) and “risk pricing” in Mohan (2003) and several other studies discussed above. These studies give weight to credit culture and lending behavior as factors affecting NPLs. Therefore, it can be concluded that credit culture is a significant factor of NPLs.

5.3.9 Age of Borrower and NPLs

The bankers gave varied responses, as per their experience, when asked about the influence of age on loan defaults. They explained certain points in detail. Several of the bankers did not consider the age of borrowers to be an important factor to influence NPLs. According to one bank manager, age is not a thing that matters other than the limit prescribed under the regulations of the State Bank, otherwise, it is the willingness that should be considered. Some bankers declared age was an important factor that can determine the behavior of borrowers in making investment decisions with the bank’s money.

One of the bankers suggested that when a borrower crosses a certain age it is important to make succession planning otherwise with the death of the borrower the loan can default. The significance of age, as an important factor, can be seen from the above discussion, which shows comments

which are both against and in favor of the theme. These varied responses make the entire discussion very stimulating and enlightening.

However, previous studies proposed that there is a significant relationship between age and NPLs. The study of Nguyen (2007) reported that lifestyle along with age, personality, and self-concept have a noticeable influence on character, which ultimately determines loan defaults for a bank. The study of Roslan and Mohd Zaini (2009) examined the significance of three types of features, including gender, on the performance of loans. The results of the study indicated that formal religious education, total income, age, and business formality are negatively associated with loan repayment performance.

Synthesis of the findings of this study and the previous literature shows different types of conclusions: the previous literature found that age is a significant factor but the bankers in this research were both for and against this view, the against view has not been seen in the past literature as yet.

5.3.10 Occupation of Borrower and NPLs

The theme “occupation of the borrower” emerged when the bank managers were asked to mention any other factor that can affect NPLs. The bank managers were of the view that certain occupations are one of the reasons for a high level of NPLs. They also considered that certain communities have an almost 0% default risk.

The bankers also mentioned that they avoid issuing loans to some businesses, such as construction businesses. The bank managers during their discussion explained that they also avoid lending to borrowers who are starting a new business. However, only one banker was of the view that they often avoid giving loans to female clients.

When the researcher searched the previous literature about the relationship between occupation and NPLs, there were very few studies. As per previous literature, the loan repayment rate is better with customers who have a sound occupation, lifestyle, and self-concept. The study of Khieu et al. (2012) showed that there is a strong relationship of occupation of the borrower, location of collateral, and others with loan defaults. So the literature supports the occupation of borrowers affecting NPLs. Thus, the previous studies and the finding of the studies conducted in the Pakistani banking context consider the occupation of the borrower as a significant factor of NPLs.

Chapter Summary

This chapter includes a discussion on the results of semi-structured interviews conducted with bankers of commercial banks in Pakistan. The above discussion investigates the significance of factors on NPLs. In this regard, first of all, the perception of Pakistani bankers about the definition of NPLs and how they make loaning decisions are discussed. In addition, the discussion throws light on the significance of borrowers' characteristics on NPLs as well. Twenty-two themes emerged from the interviews out of which eight factors were found to help explain NPLs. These factors are education, lifestyle, gender, age, religion, character, occupation of borrowers, and credit culture of a country. The findings of the study are compared with the previous literature and the results are very interesting.

Certain themes are considered significant factors of NPLs but the previous literature did not support the findings. Similarly, other themes were declared important in influencing NPLs in the literature but are not considered significant under the research conducted: education, lifestyle, and age. Some themes were found to be significant by the literature and by the current study: credit culture, occupation, and character. The themes of gender and religion were considered insignificant by the findings of this research as well as by the previous literature.

Chapter 6: Findings and Conclusion

6.1 Findings

Chapter 5 threw light on the discussion of the findings of the study. This chapter is the most important as it explains the outcomes of the research. Before discussing the findings of the study, it is important to revisit the RQs of the study which is as follows:

- 1) How are the factors of education, lifestyle, gender, religion, character, credit culture of the country, age, and occupation related to NPLs?
- 2) What are the perceptions of bankers about the NPLs and what measures are taken by bankers before sanctioning loans?

These questions are answered in Chapter 5. From the discussion of the bankers, it is clear that all bankers have clarity about the definition of NPLs. They all understand about explaining NPLs objectively as well as subjectively. The objective definition takes into account the time whereas the subjective criteria consider things other than the time. These other things include the distinction between willful and circumstantial defaulters (RQ-1). The bankers also explained various precautions which they take while making lending decisions in the context of Pakistani commercial banks. These are varying criteria for loan category, track record, financial aspects, and business aspects, ownership of lender, government restrictions, international scenario, debt v/s equity finance, State Bank regulations, pledging of residential house v/s business property, checking of cash flows, sales and bank statement, security, locating willful defaults, funded v/s non-funded facility and account turnover (RQ-2).

The researcher now gives a summary of the findings of the borrowers' characteristics and NPLs presented in Chapter 5. Interviews were conducted with bankers about the significant

characteristics of borrowers on NPLs: education, lifestyle, gender, religion, character, occupation, and age of borrowers.

In the case of education, most of the participants accepted that education had a significant effect on the performance of NPLs. The supporters of the aforementioned school of thought considered education very important because educated borrowers had a better understanding of the bank's rules and regulations for loans than uneducated borrowers. An educated borrower also knew the importance of keeping their bank history clean, which was good for future business dealings with banks. This point of view was also favored by previous studies. However, a minority of participants considered that education did not impact NPLs. They thought that an uneducated client could also deal with a bank in the same manner as an educated one. Some participants responded that an educated client knew various ways to manage defaults due to knowledge about flaws in banking and law systems. But the researcher could not find any mention of this in the literature. Therefore, the education level of borrowers should be keenly observed by bankers while evaluating borrowers for lending decisions (RQ-1).

Lifestyle received an equal number of comments for and against its significance to NPLs; out of 25 bankers, 12 were of the view that lifestyle should be considered an important factor in influencing NPLs. This point of view considered lifestyle to be a personal thing, therefore, it was difficult to predict whether a person living a lavish lifestyle could pay his/her obligations or not. However, the bankers who voted in favor to consider the lifestyle a strong predictor of NPLs, opined that a borrower who has a lavish lifestyle could spend more on non-productive ventures, thus, a default could be expected from such a borrower. Another point of view was that a person's lifestyle could be a predictor of his lavish spending. They considered that this lavish spending could lead to willful default. A banker explained that a person having a lavish lifestyle could

default as this showed his lack of interest in business, whereas real business executives did not bother with a lavish lifestyle. Some bankers explained that in the training they received from the bank and the experience of their senior teacher, they were told to look into the lifestyle of a borrower before making a lending decision. In addition, if a borrower's lifestyle varied in comparison to their profile, then it meant the borrower would spend more than his income and would commit default in the future. This clarified that there existed both points of view regarding the important role of lifestyle as a factor of NPLs. In the literature, the researcher could only find studies that reported lifestyle as a strong factor of NPLs. According to these studies, addressing this factor could improve the performance of NPLs.

Thus, banks should consider the importance of lifestyle, however, this study does not consider it a strong factor influencing default loans (RQ-1).

As far as the character of borrowers was concerned, almost all of the bankers showed their consent on declaring it a significant factor of NPLs. The bankers explained character as the feature which could make borrowers pay their obligations promptly. The previous studies also supported the views of the bankers in the present study and showed a strong association of the character of borrowers with NPLs.

Thus, bankers should attach vital importance to the character of borrowers while issuing loans (RQ-1). The character can be measured by the banker by looking into the credit history of borrowers.

In the case of the age of borrowers, there were varied responses given by different bankers as per their experience. They explained certain points in detail. Some bankers rejected the concept of age having any significance in repayment of loans for the reason that age was not a thing that mattered

other than the limit prescribed under the regulations of the State Bank. Some bankers considered that age determined the behavior of the borrowers in making investment decisions.

Previous studies reported a significant relationship between age and NPLs. However, some bankers in this research considered age an insignificant factor (RQ-1); this view has not been seen in the past literature as yet.

Almost all of the bankers (25) considered gender an insignificant factor of NPLs. In the literature, there was support regarding the importance of gender in influencing NPLs. There were various reasons given about this by bankers. Some of the bankers believed that this issue was not significant as the numbers of women in business were very small. Some bankers provided the view that women were not perfectly suited to the gripping Pakistani business environment; women required male support in the form of a father, brother, husband, or son who could aid them in dealing with the business circumstances prevailing in Pakistan. One of the bankers was of the view that despite small numbers, the loan reimbursement percentage of female borrowers in MFIs was very heartening.

From this debate, it can be inferred that gender does not influence NPLs significantly in the settings of Pakistani business conditions (RQ-1).

In the case of the occupation of borrowers, the bank managers were of the view that certain occupations were considered one of the reasons for a high level of NPLs. They also considered that certain communities carried almost 0% default risk. The bankers also mentioned some businesses to which they avoided issuing loans, such as construction businesses. The bank managers during their discussion said that they also avoided lending to borrowers starting a new business. However, only one banker was of the view that they often avoided giving loans to female

clients. When the researcher searched in the previous literature about the relationship between occupation and NPLs, very few studies were found.

This limited literature supports the views of the bankers and considers the occupation of borrowers as a significant factor affecting NPLs (RQ-1).

The bankers unanimously declared that religion was insignificant in explaining NPLs. There were numerous reasons given in this respect. According to some bankers, religion was being used for personal gains and it was also very difficult to measure it. In addition, it was inferred that the level of religiousness of clients could not be ascertained from their physical appearance. One of the bankers, while sharing his experience, explained that a borrower after signing the contract of the loan at a time of need refused to give back the amount of interest proclaiming it violated the rules of his religion. Furthermore, it was also revealed that personal honesty, instead of religion, should be the key element influencing NPLs. There was limited literature available on religion's influence on NPLs. The available studies showed a significant impact of religion on NPLs.

However, as per the current research, it can be concluded that religion is an insignificant factor in the setting of the Pakistani banking sector, therefore, bankers should not consider it while issuing loans (RQ-1).

Now comes the turn of analyzing the results of the study about the significance of the credit culture of a country on NPLs. Credit culture was indicated as a very strong factor in determining NPLs by the bank managers. The reasons were various, such as defaults made by political figures became the culture. Similarly, practices were seen in Pakistan in which people used the plea of religion to refuse to pay, saying that interest was against the will of the teaching of their religion. In addition, loan schemes launched by the government to facilitate the common people had been wrongly

understood; it became the culture in Pakistan that people took loans from such schemes to make defaults. Furthermore, due to the slowness of courts in making decisions, borrowers were provoked to default loans. Another interesting point noted was that Pakistan had a culture in which business executives did not want to close their business at any cost due to emotional attachment to their business and because continuity of their business gave them respect in society. Thus, such business executives committed defaults of bank loans and kept their businesses running through private borrowing practices.

The previous studies are in agreement with the views of the bankers and consider credit culture a vital element in affecting NPLs (RQ-1); therefore, banks should look after this factor to control NPLs.

From the above, it is clear that as far as the factors of NPLs are considered, there is a need for commercial banks to look into these factors while making their lending decisions. Other factors influence NPLs, like macroeconomic and bank-specific but these factors are already given too much attention.

6.2 Limitations of the Study

There is a detailed analysis using interviews, however, there are some limitations of this study which are indicated in the next lines.

- a. This dissertation is limited to the extent of Pakistani commercial banks and ignores other categories of the financial sector.
- b. This study only deals with the factors of NPLs related to the loans and advances of commercial banks and disregards other factors like bank-specific and macroeconomic factors.

- c. This study is limited to the study of conventional banks.
- d. The interviews were held with the managers of five banks; however, other banks can be part of a future study.
- e. As the methodology of the dissertation is qualitative, there may be some researcher bias and interviewee bias.
- f. The views of higher education institutes, teachers, and students are ignored which can be conducted in the follow-up of this study.
- g. This study only uses qualitative methodology; therefore, its results are not validated which can be done by using a quantitative methodology in the future.
- h. This study uses a qualitative methodology; therefore, its results cannot be generalized.

6.3 Conclusion

To address the chief objectives of the research, it is imperative to build up a background of the research. Chapter 1 to Chapter 3 set the platform for the research. Chapter 3 discussed the methodology and Chapter 4 and Chapter 5 presented the analysis and discussion of the results. This chapter aims to clarify the context of the dissertation to the reader through an outline of the previous chapters and the foundation of research methods and afterward restate the basic research objectives and convey the main research findings. The rest of this chapter presents key recommendations, implications, limitations, and conclusions by explaining several future research prospects.

To conclude the research, it is important that, first of all, a summary of each chapter is given to recollect one's thoughts. The study started in Chapter 1 by introducing the background of the study.

That was followed by the problem statement and rationale for conducting the study. Afterward, objectives were discussed, and to complete these objectives, some RQs were developed. Then the scope and significance of the research were highlighted. The chapter was concluded by a discussion on the explanation of the orientation of the entire study.

Chapter 2 paved the way for finalizing the topic of the research by highlighting the potential research gaps of the previous literature. Afterward, a rich collection of studies on the determinants of NPLs was reviewed which resulted in the conceptual framework described at the end of the chapter. The research gaps highlighted the need for a qualitative study theorized as the factors of NPLs namely education, lifestyle, gender, religion, character, occupation, age, and credit culture.

The research methodology was discussed in Chapter 3 which threw light on the selection of the paradigm for the study. Then the philosophical assumptions of the study, including the ontological stance, epistemological stance, and methodological stance of the researcher, were explained. After this, the selection and employment of sample processes were discussed in detail. The selection and employment of the sample were followed by a discussion on the collection of data. Afterward, a brief explanation was given of the method of interviews and the preparation of the interview protocol. Subsequently, the data analysis technique was introduced, and the quality and ethical concerns of the research were addressed. Lastly, the personal reflexivity of the researcher on the study was explained.

The details about results and data analysis were provided in Chapter 4. The interviews of the participants were qualitatively analyzed and presented in this chapter. This chapter included a discussion on the themes highlighted during the thematic analysis. This discussion involves extracts from the interviews, taken from the participants, and they were conjugated with a commentary by the researcher for clarity of the context of the dialogues.

In Chapter 5, findings from the results and analysis of the interviews were discussed. The factors of the NPLs were discussed one by one. In the last chapter, the outcomes of the research were explained. In this chapter, the answers to the RQs stated in Chapter 1 were answered through the lens of the analysis done in Chapter 4, so making it the most interesting and important chapter. This chapter gives the research implications, future research directions, and concluding remarks at the end.

6.4 Implications and Recommendations of the Study

The following section provides implications and recommendations in the light of the findings of the study:

- 1) The research has numerous theoretical implications for the banking industry. This study contributes to the little literature currently available on factors of NPLs other than macroeconomic and bank-specific factors in the Pakistani commercial bank's context. This study gives valuable knowledge about borrowers' characteristics, loan sanctioning strategies, and the credit culture of the Pakistani banking sector. Furthermore, this study has explained not only macroeconomic and bank-specific factors but also the factors of education, lifestyle, gender, religion, occupation, character, age of the borrower, and credit culture of the country in the light of the theory of asymmetric information. This study has also explained macroeconomic, bank-specific, and other factors through the lenses of two further theories: theory of adverse selection and theory of moral hazard. These two theories emerged from the theory of asymmetric information. The previous literature has not explained these factors through the aforementioned theories to date.

- 2) The findings of this study have various implications for commercial banks in Pakistan. The discussion on the numerous factors of NPLs other than macroeconomic and bank-specific factors enhances the ability of Pakistani commercial bankers to track down and analyze their NPLs more successfully and accurately in the future. The study stresses the importance of looking into the characteristics of borrowers while advancing loans, for example, the importance of education, character, and occupation cannot be ignored while making loaning decisions. Similarly, the credit culture of the country is important as well. Therefore, the practical implication of this study for banks is to monitor the performance of the economy while providing loans. So, in times of boom and recession, the bank policy should be changed accordingly.
- 3) As per the current study, there is a need to develop a promising credit culture in the country. Commercial banks are vital to the development of the economy of any country. The main source of revenues of banks is earning through advancing loans. Therefore, the government needs to create proper awareness among the masses before announcing any credit scheme. The public should be asked to use the money of banks with utmost care in productive projects. Severe penalties must be imposed on defaulters and no political pressure must be tolerated in this regard. In this way, the culture of defaulting on bank loans under government policy can be altered.
- 4) The banks should set a secured credit procedure that deals with the determinants of NPLs, mentioned in this study, relating to borrowers. If factors such as education and the character of borrowers are kept in consideration while making lending decisions, the bank performance regarding loans and advances will improve.

- 5) Banks should amend their internal client selection, monitoring, and follow-up processes in light of the factors considered significant in this study.
- 6) As per the findings of this study, to educate the borrowers, Commercial banks should make special help desks for public awareness regarding the use of loans and advances. These help desks can be operated on a weekly or monthly basis. The advantage of this activity will be that the issues of defaulting loans can be addressed by creating awareness about the consequences of committing defaults. Moreover, the bankers can discuss the positives of investing in production as well as profitable avenues with potential borrowers.
- 7) The banks should arrange training and seminars especially for their credit departments, which can guide these officials in making error-free decisions in issuing loans to potential clients.
- 8) Commercial banks should launch awareness campaigns regarding “Usage of loans in developing the economy” in schools, colleges, and universities. In this way, teenagers will learn at an early age to have an entrepreneurial mindset. In addition, in these campaigns, youth can be encouraged to use banks’ money responsibly and ultimately ensure its repayment.
- 9) As this study shows credit culture to be a significant factor contributing to NPLs, SBP must continuously watch the working of commercial banks and restrict the government from taking unnecessary loans from commercial banks. The State Bank should work autonomously and discourage any government scheme started in the political context for prospective voters. This will help in creating a desirable credit culture in the country.

- 10) The banks should give more care to uneducated borrowers than educated ones. Potential borrowers must be properly scrutinized and five C's can be of great help in this respect. After the scrutiny process, these types of borrowers must be promptly guided about the bank's policies regarding the payment of interest and principal amounts.
- 11) There must be a system of the banks, based especially on the factors highlighted in the study, in which those customers judged during monitoring to be likely to commit a default in the future are highlighted. Such customers should be dealt with in a supportive way and they should be frequently guided about the due dates of the payment of their installments. To lessen the level of NPLs, bank officials have the option of restructuring borrowers' loans instead of reporting them on the list of NPLs.
- 12) Clients with age above the average (i.e. 60 years) in Pakistan must be dealt with very carefully. Such aged clients should be treated separately and succession planning should be made. One of the dependents of such borrowers can be instructed by the bankers to visit the bank frequently to get to know the terms of the game. Therefore, in the case of death or any mishap, that dependent can play an effective role in dealing with the bank about the loan taken.
- 13) The study shows that due to overburdening or some other reason, bankers are sometimes not able to guide the borrower about the terms and conditions of the loan. This results in non-payment of interest or principal amount or even both of the amounts. The social reasons for not paying are that it is religiously sinful or lack of information of terms due to lack of education. Thus, bankers must be extra careful in dealing with such clients.

- 14) There are certain occupations in our society with which people hesitate to deal, like police and lawyers. The study shows that bankers avoid giving loans to such professions. In this way, a prospective client is lost who may be honest and accept all terms of the bank. Thus, a person also loses his right to get a loan to meet his financial needs. In this case, if banks give proper security to their credit department while dealing with such professions, no banker will avoid the business opportunities, and the deserving person will not be deprived of his lawful right.
- 15) The study reveals that banks normally discourage women from getting loans and they are left to apply to NGOs and MFIs as last resort. This attitude of banks does not encourage women; women make up more than 50% of the population in Pakistan, therefore, such steps should be taken by the SBP that can change the attitude of banks regarding lending decisions for women.
- 16) This study shows that there is a need of educating about the importance of spending the amount of loan taken from the bank so the credit officers must work in line with other departments of the bank, especially the marketing department as this department is responsible for creating awareness about any credit or any other scheme of the bank among the general public. Therefore, there should be complete harmony among all departments. In this way, people can have a better understanding of the terms of loans and their needs and this will help them to select the right borrowing option.
- 17) This study reveals that despite knowing about the loan sanctioning regulations, their compliance is being compromised. In this regard, the State Bank should take certain steps in respect of defaulters without accepting any government and non-government pressures. It must be ensured that a person who has defaulted should not get the opportunity to take

loans from any source for at least 3 years. However, there are certain rules currently available in the State Bank policy draft but, unfortunately, these are not being implemented with true spirit. Presently, a person, in the case of default, takes a loan in a different name with a changed identity. To achieve this, the State Bank has to work in conjunction with NADRA (National Database and Registration Authority) and all commercial banks. In this way, defaulters will be discouraged a great deal and NPLs will improve to a large extent.

- 18) As this study indicates age to be a significant factor, Commercial banks should only recruit bank officers who have the professional qualification to do the job appropriately. Older bank officials must be directed to do refresher courses to upgrade their knowledge to deal with the contemporary challenges of banks.
- 19) As this study takes into account the character of the borrower to be looked upon while issuing loans, therefore, the government should address the issues which build the character of the borrowers to make willful defaults. For example, due to the slowness of our law system, willful defaulters often take pleas behind the veil of banking courts. In banking courts especially, decision-making takes a very long time and the effectiveness of the case almost becomes outdated.
- 20) This dissertation has adopted a qualitative methodology. Future research can verify the results of this study by applying a quantitative approach. In this way, there is scope to not only add knowledge to the literature but the results can also be generalized.

6.4 Future Research Directions

The following are the areas that have the potential to be studied in detail in the future:

- The impact of the factors concerning various types of loans which are issued by banks, such as consumer, business, and mortgage loans. This has not been done to date in previous studies related to commercial banks of Pakistan.
- The literature review points out certain factors of loan defaults on which research is required to be conducted in the setting of developing countries like Pakistan. These factors include macroeconomic (saving, political instability, assets quality), bank-specific (corporate governance, regulatory environment), and social (war on terror, corruption) (Saad Siddiqui, 2012; Tarron and Sukrishnalall, 2009; Boudriga et al., 2009b).
- Furthermore, some studies have identified the determinants of NPLs in three phases such as pre-crisis, during the crisis, and post-crisis (Louzis et al., 2012; Park and Zhang, 2012). This angle has been ignored in previous studies in the background of the Pakistani banking sector.
- A future study can amalgamate the bank-specific factors and the determinants of NPLs found in this study using a mixed methodology.
- A future study can be initiated to study the reasons for defaults from the point of view of loanees (borrowers).

In the light of the above, it can be concluded that the findings of this study show that it is essential for the commercial banks in Pakistan to carefully monitor their loans and advances keeping in view the factors considered significant in this study: education, occupation, character. Moreover, those factors which are not considered important in defining NPLs, such as gender, religion, age, should be viewed with care as these have shown significance in foreign environments.

References

- Aballey, F.B. (2009). Bad loans portfolio: The Case of Agricultural Development Bank, Unpublished Dissertation.
- Abdelbaki, H.H. (2019). Macroeconomic determinants of non-performing loans in GCC economies: Does the global financial crisis matter? *International Journal of Economics and Business Research*, Vol. 17(4), pp. 433–447.
- Abdul Rehman, Azira Abdul Adzis, Shamsul Bahrain & Mohamed-Arshad (2020). The Relationship between Corruption and Credit Risk in Commercial Banks of Pakistan. *International Journal of Innovation, Creativity, and Change*. www.ijicc.net Volume 11, Issue 1.
- Abdul, Nasir & Falak (2015). Causes of loan defaults in Pakistani banks: A case study of District D. G. Khan. *Sci. Int. Lahore*. Vol. 27(3), 2593-2597. ISSN: 1013-5316.
- Abid, Mohmad & Alias (2019a). A Conceptual Paper for Macroeconomic Determinants of Non-Performing Loans (NPLs) In Banking Sector of Pakistan. *Asian Journal of Multidisciplinary Studies*, ISSN: 2321-8819 (Online) 2348-7186 (Print) Impact Factor: 1.498 Vol. 7(3).
- Abid, Mohmad & Alias (2019b). The impact of external factors on stressed Banking Assets: An evidence from Pakistan conventional banks. *Journal of Economics and Sustainability (JES)*, Vol. 1(2).
- Abraham, G. (2002). Loan repayment and its determinants in small-scale enterprise financing in Ethiopia, Addis Ababa, University Ethiopia.

- Achou, F.T. & Tenguh, C.N. (2008). Bank performance and credit risk management, M.A. Degree Project in Finance, Skovode University.
- Adebola, S. S., Wan Yusoff, S. b., & Dahalan, D. J. (2011). An ARDL approach to the determinants of Non-Performing Loans: *Kuwait Chapter of Arabian Journal of Business and Management Review*, Vol. 1(2).
- Ahmed, Majeed, E. Thalassinios and Y. Thalassinios (2021). The Impact of Bank Specific and Macro-Economic Factors on Non-Performing Loans in the Banking Sector: Evidence from an Emerging Economy. *Journal of Risk and Financial Management* 2021, 14, 217.
- Alamelumangai, D. R., Sudha, D. B., & Nagamuthu, T, (2017). NPA Crisis in IDBI Bank-An analysis. *International Research Journal of Management Science and Technology*, Vol.8(11), 337-345.
- Akerlof, G.A. (1971). The Market for Lemons: Quality Uncertainty and the Market Mechanism; *The Quarterly Journal of Economics* Vol.84(3).
- Al-Ghamdi, M., & Rhodes, M. (2015). Family ownership, corporate governance, and performance: Evidence from Saudi Arabia. *International Journal of Economics and Finance*, 7(2), 78.
- Ali, A., & Khan, A. (2019). Impact of Macro-economic factors on credit risk. The moderating effect of market concentration: An evidence from Pakistan. *Paradigms*, Vol.13(2), 170-176.
- Amir, M.K. (2019). Does excess bank liquidity impact non-performing loans? A study on the Bangladeshi economy. *Int. J. Bus. Technopreneurship* 2019, Vol.9, 287–298.

Andrew Beattie (2018): The Evolution of Banking.
<https://www.investopedia.com/articles/07/banking.asp>

Angelini, P., Di Salvo, R. & Ferri, G. (1998). Availability and cost for small businesses: customer relationships and credit cooperatives, *Journal of Banking and Finance*, Vol. 22, pp. 925-54.

Annells, M. (1996). Grounded Theory Method: Philosophical Perspectives, Paradigm of Inquiry, and Postmodernism. *Qualitative Health Research*, Vol.6(3), 379-393.

Arestis, P. & Sawyer, M.C. (2001). *A Handbook of Alternative Monetary Economics*, Cheltenham, Edward Elgar Publishing Ltd.

Armendariz de Aghion, B. & Murdoch, B. (2005). *The Economics of Microfinance*, MIT Press.

Arora, N., Arora, N. G., & Kanwar, K. (2018). Non-performing assets and technical efficiency of Indian Banks: A meta-frontier analysis. Vol.25(7).

Ashraf, B. N., Arshad, S., & Hu, Y. (2016). Capital regulation and bank risk-taking behavior: evidence from Pakistan. *International Journal of Financial Studies*, 4(3), 16.

Asari, F.F.A.H., Muhamad, N.A., Ahmad, W., Latif, N.I.A., Abdullah, N. & Jusoff, K. (2011). An Analysis of Non-Performing Loan, Interest Rate and Inflation Rate Using Stata Software. *World Applied Sciences Journal*, Vol.12, 41-48.

Attride-Stirling, J. (2001). Thematic networks, An analytical tool for qualitative research. *Qualitative Research*, Vol.3(1), 385-405.

- Bag, S., & Islam, S. (2017). Non-Performing Assets The biggest challenge in the banking sector - A Comparative study between India and Bangladesh Banking Sector. *ICTACT Journal on Management Studies*, Vol.3(4), 620-624.
- Bagehot, W. (1962). *Lombard Street: A Description of the Money Market*. Homewood; IL: Richard D. Irwin. Reprint of the 1873 edition.
- Balango, T.K. & Rao K.M. (2017). The effect of NPL on the profitability of banks with reference to commercial banks of Ethiopia. *Business and Management Research Journal*, Vol.7(5), pp. 45-50.
- Bandyopadhyay, A. & Saha, A. (2009). Factors Driving and Default Risk in Residential Housing Loans: Indian Evidence. National Institute of Bank Managenent (NIBM).
- Banerjee, R., Verma, D., & Jaiswal, D. B. (2018). Non-Performing Assets: A Comparative Study of the Indian Commercial Banks. *International Journal of Social Relevance & Concern*, Vol.6(2), 5-21.
- Bangladesh Bank (2010). Annual Report 2009-2010. Available at: <http://www.bangladeshbank.org/pub/annual/anreport/ar0910/index0910.php> [Accessed 31 October 2011].
- Barrickman, J.R. (1990). Successful commercial lending from the ground up. *Bottom line*, Vol.7(2): 12-14.
- Barth, J., Lin, C., Lin, P. & Song, F. (2008). Corruption in bank lending to firms: cross country micro evidence on the beneficial role of competition and information sharing. *Journal of Financial Economics*, Vol.91: 361-388.

Basel Committee (1999). Principles for the Management of Credit Risk. Consultative paper prepared by the Basel Committee on Banking Supervision.

Basel Committee (2001). Sound Practices for the Management and Supervision of Operational Risk. Basel Committee on Banking Supervision.

Basu, S. (2003). Why do Banks Fail?, *International Review of Applied Economics*, Vol. 17, pp. 231-248.

Bayar, Y. (2019). Macroeconomic, Institutional and Bank-Specific Determinants of Non-Performing Loans in Emerging Market Economies: A Dynamic Panel Regression Analysis. *Journal of Central Banking Theory and Practice*, 8(3):95-110

Beckman, T.N. & Bartels, R. (1955). Credits and Collections in Theory and Practice. 6th edition. New York: McGraw-Hill.

Bercoff, Jose, Julian, Giovanni & Franque (2002). Argentinean Banks, Credit Growth and the Tequila Crisis: A Duration Analysis (Unpublished).

Berger, A. & Udell, G. (1995). Relationship lending and lines of credit in small firm finance, *Journal of Business*, Vol. 68, pp. 351-82.

Berger, N.A. & Udell, D. (2004). The Institutional Memory hypothesis and the procyclicality of bank lending behaviour, *Journal of Financial Intermediation*, Vol.13(4) PP. 458-495.

Berger, N.A. & DeYoung, R. (1997). Problem Loans and Cost Efficiency in Commercial Banks, *Journal of Banking and Finance*, Vol. XV(21) pp. 849-870.

- Berlin, M. & Mester, L. (1998). On the probability and cost of relationship lending, *Journal of Banking and Finance*, Vol. 22, pp. 873-97.
- Besmir Çollaku and Muhamet Aliu (2021). Impact of Non-Performing Loans on Bank's Profitability: Empirical Evidence from Commercial Banks in Kosovo. *Journal of Accounting, Finance and Auditing Studies* 7/3 (2021): 226-242.
- Bessis J. (2002). Risk Management in Banking. 2nd edition. London: John Wiley & Sons Ltd.
- Bhatt, N., & Tang, S. Y. (2002). Determinants of repayment in microcredit: Evidence from programs in the United States. *International Journal of Urban and Regional Research*, Vol.26(6), 360-376.
- Biabani, S., Shahram, G. & Hossein, M. (2012). Assessment of Effective Factors on Non-Performing Loans (NPLs) Creation: Empirical Evidence from Iran (2006-2011). *Journal of Basic and Applied Scientific Research*. 2(10)10589-10597, ISSN 2090-4304.
- BIS (2017). Resolution of non-performing loans-policy options, FSI Insights on policy implementation, No. 3, Financial Stability Institute, Bank of International Settlement, Working Paper. October, Brussels. Available at: <https://www.bis.org/fsi/publ/insights3.pdf>.
- Bitzenis A. & Misic A. (2008). Evaluating the banking reforms in Serbia using survey results, *Journal of economics and finance*, Vol 25(1), 2008, pp 49-71.
- Blanco, R. & Gimeno, R. (2012). Determinants of Default Ratios in the Segment of Loans to Households in Spain.

- Bloem, A.M & Freeman, R. (2005). The Treatment of Nonperforming Loans in Macroeconomic Statistics, IMF Working Paper WP/01/209, International Monetary Fund.
- Bluhm, Overbeck & Wagner (2003). National bank Credit Approval Process and Credit Risk Management.
- Bouchet and Michel (2021). Financial institutions and developing countries' debt cancellations: How to get rid of moral hazard? *Journal of Risk Management in Financial Institutions*, Volume 14, Number 2, Spring 2021, PP. 131-147(17).
- Boudriga, A. & Taktak, N.B. (2009). ERF 16th Annual Conference. Cairo.
- Boudriga, A., Taktak N.B. & Jellouli, S. (2009a). Bank Specific, Business, and Institutional, Environment Determinants of Nonperforming Loans: Evidence from MENA Countries, *Journal of Financial Economic Policy*, Vol. 1(4), Pp. 286-318.
- Boudriga, A., Taktak, N. & Jellouli, S. (2009b). Does bank supervision impact nonperforming loans: Cross-country determinants using aggregate data, Munich Personal RePEc Archive (MPRA), No. 18068, pp. 1-28.
- Boyatzis, R. E. (1998). Transforming Qualitative Information: Thematic Analysis and Code Development. Thousand Oaks, CA, Sage Publications.
- Braun, V. & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, Vol.3(2), 77-101.
- Breuer, J.B. (2006). Problem bank loans, conflicts of interest and institutions, *Journal of Financial Stability*, Vol.2(3), pp. 226–285.

- Brevoort, K.P., & Hannan, T.H. (2004). Commercial Lending and Distance: Evidence from Community Reinvestment Act Data, Federal Reserve System Board of Governors, FEDS working paper 200424.
- Brown, M. & Zehnder, C. (2008). The Emergence of Information Sharing in Credit Markets. Zurich, Switzerland: Swiss National Bank.
- Brownbridge, M. (1998a). Implications for Prudential Policy: Discussion Paper, in Local Banks in Africa No. 132.
- Brownbridge, M (1998b). The Cause of Financial Distress in Local Banks in Africa and Implications for Prudential Policy. UNCTAD/OSG/DP/132.
- Bryman, A. (2012). Social research methods. (4th ed.), Oxford University Press.
- Bryman, A. A. & Bell, E. (2008). Business research methods. (2nd ed.), Oxford University Press, Oxford.
- Burrell, G. & Morgan, G. (1985). Sociological Paradigms and Organisational Analysis: Elements of the Sociology Corporate Life. England: Gower Publishing Company Limited.
- Cade, E. (1999). Managing Banking Risks. Chicago: Glenlake Publishing Company, Ltd.
- Calice, P. (2012). Resolving Nonperforming Loans in Tunisia: Coordinated Private Sector Approach; *Journal of African Economic* Brief Vol 3 American Psychologist, Vol.59(4), 214-223.
- Cameron, A. F. (2001). Issues in entrepreneurship: study guide. Palmerston North, Massey University.

- Caouette, J.B., Altman, E.I. & Narayanan, P. (1998). *Managing Credit Risk: The Next Great Financial Challenge*. New York: John Wiley & Sons, Inc.
- Caprio, G. & Kilnigebiel, D. (2002). *Episodes of Systemic and Borderline Financial Crisis*, World Bank (Unpublished).
- Castro, V. (2012). *Macroeconomic determinants of the credit risk in the banking system: The case of the GIPSI*, University of Coimbra and NIPE, Portugal.
- Casu, B., Girardone, C. & Olyneux, P. (2006). *Introduction to Banking*, Harlow Financial Times.
- Changjun, Probir and Niluthpaul (2020). Industry-Specific and Macroeconomic Determinants of Non-Performing Loans: A Comparative Analysis of ARDL and VECM. *Sustainability* 2020, Vol.12, 325; doi:10.3390/su12010325.
- Chong, F., Morni, F., & Suhaimi, R. (2010). Demographic factors and repayment performance of NBFIs customers in Kuching. 2010 International Conference on Science and Social Research (CSSR 2010) (Csr), 1340-1345.
- Cole, R. A., Goldberg, L. G., & White, L. J. (2004). Cookie-cutter versus character: The micro structure of small business lending by large and small banks. *Journal of Financial and Quantitative Analysis*, Vol.39(2), 227–251.
- Cortawarria, L., Dziobek, C.H., Kanya, A. & Song, (2000). *Loan Review, Provisioning, and Macroeconomic Linkages*, IMF Working Paper, Washington Dc.
- Creswell, J. (1994). *Research design: Qualitative and quantitative approaches*. Thousand Oaks, CA: Sage.

- Creswell, J. (2009). *Research Design: Qualitative, Quantitative and Mixed Methods Approaches* (3 ed.). Thousand Oaks, California: Sage Publications.
- Creswell, J.W. (2012). *Qualitative inquiry and research design: Choosing among five approaches*. (3rd Ed.) Sage Publications, New Delhi.
- Creswell, J. & Clark, V. (2011). *Designing and Conducting Mixed Methods Research* (2 ed.). California: Sage Publications Ltd.
- Cucinelli, D. (2015). The impact of non-performing loans on bank lending behavior: Evidence from the Italian banking sector, *Eurasian Journal of Business and Economics*, 8: 59-71.
- Cucinelli, D., Gai, L., Ielasi, F., & Patarnello, A. (2018). The determinants of the unlikely-to-pay and the flows towards performing and bad loans. In *European Financial Management Association*. Milan.
- Duminda Silva and Nilshan Perera (2021). A Case Study on Strategies to Deal with the Impacts of COVID-19 Pandemic in The Banking Industry in Sri Lanka. *GSJ*: Volume 9, Issue 7, July 2021, Online: ISSN 2320-9186.
- Daniel & Wandera (2013). Effects of Credit Information Sharing on Nonperforming Loans. *European Scientific Journal*, Vol.9, No.13 ISSN: 1857 – 7881.
- Das, A., & Ghosh, S. (2003). Determinants of Credit Risk: Paper presented at the Conference on Money, Risk and Investment held at Nottingham Trent University in November 2003.

- Davis, J. B. (2005). Heterodox economics, the fragmentation of the mainstream and embedded individual analyses: In Garnett, R. and Harvey, J., editors, *The Future of Heterodox Economic*. University of Michigan Press, Ann Arbor.
- De Bock, R. & Demyanets, A. (2012). Bank Asset Quality in Emerging Markets: Determinants and Spillovers Vitor, IMF Working Paper WP/12/71, International Monetary Fund.
- Degryse, H., & Van Cayseele, P. (2000). Relationship lending within a bank-based system: evidence from European small business data, *Journal of Financial Intermediation*, Vol. 9, pp. 90-109.
- De Lucia, R. & Peters, J. (1998). *Commercial Bank Management*. 4th Edition. Sydney, Country: LBC Information Services.
- De Meza, D. (2002). Overlending, *Economic Journal*, Vol. 102(2), pp. F17-31.
- De Meza, D. & Webb, D. (1987). Too much investment: a problem of asymmetric information, *Quarterly Journal of Economics*, Vol. 102, pp. 281-92.
- Demiroglu, Cem, Ozbas, Oguzhan, Silva, Rui, Ulu & Fatih (2019). Do Physiological and Spiritual Factors Affect Economic Decisions? (April 2019). Marshall School of Business Working Paper No. 17-22. Available at SSRN: <https://ssrn.com/abstract=2933328> or <http://dx.doi.org/10.2139/ssrn.2933328>.
- Denzin, N. K. & Lincoln, Y. S. (2003). Introduction: The discipline and practice of qualitative research. In Denzin, N. K. and Lincoln, Y. S. (Eds.), *The Landscape of qualitative research: Theories and Issues*, Sage Publications, California, pp. 1-45.

- Denzin, N. K. & Lincoln, Y. S. (2011). *The SAGE Handbook of Qualitative Research*. (4th ed.), Sage Publications, ISBN 9781412974172, Thousand Oaks, California, USA.
- Denzin, N. K. & Lincoln, Y. S. (2012). Introduction: The discipline and practice of qualitative research. In Denzin, N. K. and Lincoln, Y. S. (Eds.), *The Sage handbook of qualitative research*, 1-32. Thousand Oaks, CA: Sage.
- Derban, W.K., Binner, J.M., & Mullineux, A. (2005). Loan repayment performance in community development finance institutions in the UK. *Small Business Economics*, Vol. 25, 319-332.
- Dermine, J. & Neto de Carvalho, C. (2006). Bank Loan Loss Given Default: A Case Study. *Journal of Banking and Finance*, Vol. 30(4), 1219-1243.
- Deshpande, R. (1983). Paradigms Lost: On Theory and Method in Research in Marketing. *Journal of Marketing*, Vol. 47(4), 101-110.
- Dimitrios, A., Helen, L., & Mike, T. (2016). Determinants of non-performing loans: Evidence from Euro-area countries. *Finance research letters*, 18, 116-119.
- Djiogap Fouopi & Ngomsi Augustin (2012): Determinants of Bank Long-Term Lending Behavior in the Central African Economic and Monetary Community (CEMAC), *Review of Economics & Finance*; 1923-7529-2012-02-107-08.
- Doyle, L., Brady, A. & Byrne, G. (2009). An overview of mixed methods research. *Journal of Research in Nursing*, Vol. 14(2), 175-185.
- Drees, Burkhard & Ceyla Pazarbasioglu (1998). *The Nordic Banking Crises: Pitfalls in Financial Liberalization?*. IMF Occasional Paper No. 161 (Washington: International Monetary Fund).

- Easterby-Smith, M. (2008). Preface: A conversation between entrepreneurship and organizational learning: in Harrison, R. T. and Leitch, C. (Eds.), *Entrepreneurial Learning: Conceptual Frameworks and Applications*. Routledge, London.
- Echekoba, F., Ananwude, A. and Lateef, O. (2018). Effect of monetary policy on the performance of the Nigerian capital market (1986 – 2016): stylized facts from ARDL Approach, *Advances in Research*, Vol. 14 No. 6, PP. 1-15.
- Enkhzaya Demid (2021). Heterogeneity in the Relationship Between NPLs and Real Economy: Evidence from the Mongolian Banking System. *Journal of Central Banking Theory and Practice*, 2021, 2, PP. 133-155.
- Espiloza, R. & Prasad, A. (2010). Nonperforming Loans in the GCC Banking System and their Macroeconomic Effects, IMF Working Paper WP/10/224, International Monetary Fund.
- Eze, C. C., & Ibekwe, U. C. (2007). Determinants of Loan Repayment under Indigenous Financial System in Southeast, Nigeria. *Medwell Journals*, Vol. 2(2), 116-120.
- Fadare, S. O. (2010). Recent Banking Sector Reforms and Economic Growth in Nigeria. *Middle Eastern Finance and Economics*.
- Farhan, Ammara, Abrar & Fareeha (2012). Economic Determinants of Non-Performing Loans: Perception of Pakistani Bankers European; *Journal of Business and Management*, Vol 4(19).
- Farooq, S. U., Afridi, S. A. & Alam, W. (2010). Banking Reforms in Pakistan - Impact and Implications, *International Bulletin of Business Administration* (7) pp. 55-60.

- Fatemi & Fooladi (2006). Credit risk management: a survey of practices. *Managerial Finance* Vol.32(3): 227-233.
- Fawad, A. & Taqadus, B. (2013). The explanatory power of macroeconomic variables as determinants of Non-Performing Loans: Evidence from Pakistan. *World Applied Science Journal*. 22 (2): 243-255. ISSN: 1818-4952.
- Fendri Zouari, Nawel & Neifar Malika, (2020). Loan loss provisions under regulatory pressure: Public versus Private Banks in Tunisia. Online at <https://mpa.ub.uni-muenchen.de/99081/> MPRA Paper No. 99081.
- Feilzer, M. (2010). Doing Mixed Methods Research Pragmatically: Implications for the Rediscovery of Pragmatism as a Research Paradigm. *Journal of Mixed Methods Research*, Vol. 4(1), 6-16.
- Feldman, R. (1997). Banks and a big change in technology called credit scoring, The Region, Federal Reserve Bank of Minneapolis, September, pp. 19-25.
- Felix Takang & Cloudine (2008). Bank Performance and credit Risk Management; published thesis (MSc), University of Skovde.
- Fernandez, S., Martinez, J. & Jesus, S. (2000): Credit Growth, Problem Loans and Credit Risk Provisioning in Spain, Working Paper No. 0018.
- Ferreti, F. (2007). Consumer credit information systems: a critical review of the literature. Too little attention paid by lawyers? *European Journal of Law and Economics*, Vol. 23(1): 71-88.

- Ferri, G., & Messori, M. (2000). Bank-firm relationships and allocative efficiency in northeastern and central Italy and the south, *Journal of Banking and Finance*, Vol. 24, pp. 1067-95.
- Fisher, I. (1933). The Debt Deflation Theory of Great Depressions, *Econometrical*, Vol. 1, pp.
- Fofack, H. (2005). Nonperforming Loans in Sub-Saharan Africa: Causal Analysis and Macroeconomic Implications. World Bank Policy Research Working, Paper 3769.
- Foss, C. (2002). The value of combining qualitative and quantitative approaches in nursing research by means of method triangulation. *Journal of Advanced Nursing*, Vol. 40(2), 242-248.
- Fourie, L.J., Falkena, H.B. & Kok, W.J. (1998). The South African Financial System, 2nd edition. Johannesburg: Thomson Publishing.
- Frame, W., Srinivasan, A. & Woosley, L. (2001). The effect of credit scoring on small business lending, *Journal of Money, Credit, and Banking*, forthcoming.
- Garcia, T. & Robles, M.D. (2007). Risk-taking behavior and ownership in the banking industry: The Spanish evidence, *Journal of Economics and Business*, Vol. 60(4), PP. 332-354.
- Gehrig, T. & Stenbacka, R. (2007). Information sharing and lending market competition with switching costs and poaching', *European Economic Review*, Vol. 51: 77-99.
- Giddings, L. (2006). Mixed-methods research: Positivism dressed in drag? *Journal of Research in Nursing*, Vol. 11(3), 195-203.
- Gonzalez-Hermosillo, B. (1999). Determinants of ex-ante banking system distress: A macro empirical exploration of some recent episodes. IMF Working Paper, 33.

- Gracia, M. C. & Welter, F. (2011). Gender identities and practices, interpreting women entrepreneur's narratives. *International Small Business Journal*, Vol. 13 (2), 1-21.
- Grunnet, J. & Weber, M. (2005). Recovery Rate of Bank Loans: Empirical Evidence from Germany, University of Mannheim Working Paper.
- Guba, E. & Lincoln, Y.S. (1994). Competing paradigms in qualitative research. In N. Denzin & Y. Lincoln (Eds.), *Handbook of Qualitative Research*. California: Sage.
- Guba, E. & Lincoln, Y. S. (2011). Pragmatic controversies, contradictions, and emerging confluences, revised in N. Denzin & Y. Lincoln (4th Eds.). *The Sage handbook of qualitative research*. (97-128), Sage publications, Los Angeles.
- Hafer, R.W. (2005). *The Federal Reserve System*, Greenwood Publishing Group.
- Haig, D. (2004). The Inexorable Rise of Gender and the Decline of Sex: Social Change in Academic Titles, 1945–2001. *Archives of Sexual Behavior* Vol. 33(2): 87–96.
- Haneef, Riaz, Razman, Ali, Muhammed & Karim (2012). Impact of Risk Management on Nonperforming Loans and Profitability of Banking Sector of Pakistan; *International Journal of Business And Social Science* Vol. 3(7).
- Harris P. (2003). A banker's view of BEE. Briefing to Business Map Foundation members, Johannesburg, July 25, 2003.<http://www.businessmap.co.za> accessed on 2011/03/09.
- Hasan, M.Z. (2019). Macroeconomic Determinants of Non-Performing Loans in Bangladesh: An ARDL Approach. *Sci. Res. J.*, Vol. 7, 84–89.
- Hefferan, S.A. (2005). *Modern Banking*, Chichester, Wiley.

- Hou, Y. (2006). The non-performing loan problem: some bank-level evidence, University of Birmingham Edgbaston, Birmingham.
- Hou, Y. (2007). The non-performing loans: some bank-level experiences. 4th AFE-QASS Conference, INEAG, Samos.
- Hu, J., Yang, L. & Yung-Ho, C. (2004). Ownership and non-performing loans: evidence from Taiwan's banks. *Developing Economies Journal*, Vol. 42(3), 405–420.
- Hughes, J. & C.G. Moon. (1995). Measuring bank efficiency when managers trade return for reduced risk. Working paper, Dept. of Econ. Rutgers University (New Jersey, USA).
- Hunt, R. M. (2005). Federal Reserve Bank of Philadelphia. A century of consumer reporting in America. Philadelphia: Federal Reserve Bank of Philadelphia.
- Hussain, I. (2004). Financial Sector Reforms in Pakistan, Paper read at Italy- Pakistan Trade and Investment Conference, Rome on September 28, 2004.
- Ihtesham, Muhammad & Shehzad (2019). Assessing the Impact of Corporate Governance on Non-Performing Loans: Empirical Analysis of the Listed Commercial Banks of Pakistan. *Global Social Sciences Review (GSSR)*. Vol. IV(III), Page: 188-196.
- Islam, F.T. (2018). Evaluating Loan Loss Provisioning for Non-Performing Loans and Its Impact on the Profitability of Commercial Banks in Bangladesh. *Asian Finance Bank Review*, Vol. 2, 33–41.

- Islam, M.S. & Nishiyama, S.-I. (2019). Non-Performing Loans of Commercial Banks in South Asian Countries: Adverse Selection and Moral Hazard Issues. *Asian Econ. Finance Rev.*, Vol. 9, 1091.
- Islam, M.Z., Aktar, S., Hossen, M.A. & Islam, M.S. (2018). Non-Performing Loan and Asset Utilization of Banks: Evidence from Bangladesh. *Rom. Econ. Bus. Rev.*, Vol. 13, 31–39. 45.
- Islam, M.Z. & Islam, M.S. (2018). Non-Performing Loan As Eroding Factor of Capital Adequacy: Evidence From Banking Industry In Bangladesh. *Rom. Econ. Bus. Rev.*, Vol. 13, 15–21.
- Issa, A.G. (2009). Analysis of non-performing loans in the Libyan state-owned commercial banks: perception analysis of the reasons and potential methods for treatment, Ph.D. thesis, Durham University.
- Issa, M. Y. (2011). Determinants of Loan Loss Provisions of commercial banks in Malaysia. 2nd International Conference on Business and Economic Development Research (2nd ICBER 2011) proceeding.
- Jackson II, R., Drummond, D. & Camara, S. (2007). What Is Qualitative Research? Qualitative Research Reports in Communication, Vol. 8(1), 21-28.
- Jang, E., McDougall, D., Pollon, D., Herbert, M. & Russell, P. (2008). Integrative Mixed-Methods Data Analytic Strategies in Research on School Success in Challenging Circumstances. *Journal of Mixed Methods Research*, Vol. 2(3), 221-247.
- Jappelli, T. & Pagano, M. (2005). Role and Effects of Information Credit Sharing. Cambridge: The MIT Press.

- Javid, M. B. (2013). Impact of Macroeconomic Forces on Nonperforming Loans: An Empirical Study of Commercial Banks in Pakistan. *Wseas Transactions on Business and Economics*.
- Jemal Abafita (2003). Microfinance and loan repayment performance, a case study of the Oromia Credit and Savings Share Company (OCSSCO) in Kuyu.
- Jentzsch, N. (2008). An economic analysis of China's credit information monopoly, *China Economic Review*, Vol. 19: 537-550.
- Jimenez G. & Saurina, J. (2006). Credit Cycles, Credit Risk, and Financial Regulation. *International Journal of Central Banking*, Vol. 2, pp 65.
- Johnson, R., Onwuegbuzie, A. & Turner, L. (2007). Toward a Definition of Mixed Methods Research. *Journal of Mixed Methods Research*, Vol. 1(2), 112-133.
- Kallberg, J. & Udell, G. (2003). The value of private sector business credit information sharing: the US case, *Journal of Banking and Finance*, 27: 449-469.
- Kamajou, F. & Baker, C. B. (1980). Reforming Cameroon's government credit project: Effects of liquidity management of small farm borrowers. *American Journal of Agricultural Economics* Vol. 62(4):709-718.
- Keeton, W. & Morris, C. S. (1987). Why Do Banks' Loan Losses Differ? Federal Reserve Bank of Kansas City, *Economic Review*, May, pp. 3-21.
- Keeton, W. R. (1999). Does faster loan growth lead to higher loan losses? *Economic Review*, Vol. XV(21), pp. 57-75.

- Khan, Siddique & Sarwar (2020). Determinants of non-performing loans in the banking sector in developing states. *Asian Journal of Accounting Research*.
<https://www.emerald.com/insight/2443-4175.htm>.
- Khieu, H. D. & Mullineaux, D.J. (2009). The Determinants of Bank Loan Recovery Rates, College of Business, University of Southern Indiana.
- Khieu, H. D., Mullineaux, D.J. & Yi, H. (2012). The Determinants of Bank Loan Recovery Rates. *Journal of Banking and Finance*. Vol. 10(2), 50-65.
- Khuzwayo, W. (2008). A new credit register can help to fund for SMMEs. South Africa.
- King, N. (1994). The qualitative research interview qualitative methods in organizational research. A practical guide in Cassell, L, and Symon, R. (ed.), Sage Publications, London.
- King, N. (2004). Using templates in the thematic analysis of text, in Cassell, L. and Symon, R. (ed.), *An essential Guide to Qualitative Methods in Organizational Research*, Sage Publication, London.
- Kiyotaki, N. & Moore, J. (1997). Credit Cycles, *Journal of Political Economy*, Vol.105(2), pp. 211-248. 337-57.
- Kjosevski, Petkovski & Naumovska (2019). Bank-specific and macroeconomic determinants of non-performing loans in the Republic of Macedonia: Comparative analysis of enterprise and household NPLs. *Economic Research-Ekonomska Istraživanja*. ISSN: 1331-677X (Print) 1848-9664 (Online) Journal homepage: <https://www.tandfonline.com/loi/rero20>.

- Kjosevski & Petkovski (2017). Non-performing loans in the Baltic States: Determinants and macroeconomic effects, *Baltic Journal of Economics*, 17:1, 25-44.
- Klein, N. (2013). Nonperforming loan in CESEE: Determinants and Impact on Macroeconomic Performance, IMF working Papers Vol. 13(72).
- Koch, T.W. & Scott MacDonald, S. (2003). Bank Management, 5th edition. Ohio: South-Western Thompson Learning.
- Koch, T.W. & Scott MacDonald, S. (2006). Bank Management, 6th edition, U.S.A: Thomson - South-Western.
- Koju, L., Koju, R. and Wang, S. (2018). Macroeconomic and bank-specific determinants of non-performing loans: evidence from the Nepalese banking system, *Journal of Central Banking Theory and Practice*, Vol. 7 No. 3, PP. 111-138.
- Kolapo, Funso, Ayeni, Kolade & Oke (2012). Credit Risk and Commercial Banks' Performance in Nigeria: *Journal of Business and Management Research* Vol.2(2), Pp31 38.
- Kon, Y. & Storey, D.J. (2003). A Theory of Discouraged Borrowers. *Small Business Economics* 21, 37-49.
- Kothari, C. (2004). Research Methodology: Methods & Techniques (2nd ed.). Delhi, India: New Age International.
- Kuhn, T. (1962). The Structure of Scientific Revolutions (2nd ed.). Chicago: University of Chicago Press.

- Kunt, D.A. & Detragiache, E. (1998). The Determinants of Banking Crises in Developing and Developed Countries, *International Monetary Fund*, Vol. 45(1), pp. 81-109.
- Kvale, S. (1996). *Interviews: An introduction to qualitative research interviewing*. Thousand Oaks, CA: Sage.
- Kwack, S.Y. (2002). An empirical analysis of the factors determining the financial crisis in Asia, *Journal of Asian Economics*, Vol. 11, 195-206.
- Kwan, S. & Eisenbeis, R. (1994). An analysis of inefficiencies in banking: a stochastic cost frontier approach. Working paper. University of Albania (Paper No. 163).
- Lafunte, E. (2012). *Monitoring Bank Performance in the Presence of Risk* Mirceaepure: Working Papers Barcelona, Spain.
- Lawal, A., Somoye, R., Babajide, A. and IkechukwuNwanji, T. (2018). The effect of fiscal and monetary policies interaction on stock market performance: evidence from Nigeria, *Future Business Journal*, Vol. 4 No. 2, PP. 16-33.
- Leitch, C., Hill, F. M. & Harrison, R. (2009). The philosophy and practice of interpretivist research in entrepreneurship, Quality, validation, and trust. *Organizational Research Methods*, 13 (6), 67-84.
- Leply, W.H. (2003). Bankers, Betas... and the Cs of credit. *The RMA Journal*, 86(4): 62-65.
- Lewis, J. (1994). Sample Sizes for Usability Studies: Additional Considerations. *Human Factors: The Journal of the Human Factors and Ergonomics Society*, Vol. 36(2), 368-378.

- Liu, L., Liu, Y. & Kim, J.-M. (2020). Sustainable Visual Analysis for Bank Non-Performing Loans and Government Debt Distress. *Sustainability*, 12, 131; doi:10.3390/su12010131.
- Louzis, D. P., Vouldis, A. T., & Metaxas, V. L. (2012). Macroeconomic and bank-specific determinants of non-performing loans in Greece: A comparative study of mortgage, business, and consumer loan portfolios. *Journal of Banking & Finance*, Vol. 36(4), 1012-1027.
- Macháček M, Melecký A & Šulganová M (2018): Macroeconomic drivers of Non-Performing Loans: A Meta-Regression Analysis. *Prague Economic Papers*, 2018, Vol. 27(3), 351–374, <https://doi.org/10.18267/j.pep.656>.
- Machauer, A. & Weber, M. (2000). Number of bank relationships: an indicator of competition, borrower quality, or just size? University of Mannheim Working Paper.
- Madill, A., Jordan, A. & Shirley, C. (2000). Objectivity and reliability in qualitative analysis: realist, contextualist and radical constructionist epistemologies. *British Journal of Psychology*, Vol. 91 (5), 1-20.
- Magali, J. J. (2013). Factors Affecting Credit Default Risks For Rural Savings and Credits Cooperative Societies (SACCOS) in Tanzania. *European Journal of Business and Management*, Vol. 5(32), 60-73.
- Makri, Tsagkanos & Bellas (2014). Determinants of Nonperforming Loans: The Case of Eurozone” *Panoeconomicus*, Vol 2, Pp. 193-206.
- Machacek M, Melecký A & Šulganová M, (2018). Macroeconomic drivers of Non-Performing Loans: A Meta-Regression Analysis. *Prague Economic Papers*, 2018, 27(3), 351–374, <https://doi.org/10.18267/j.pep.656>.

- Mannu, Devansh & Alpana (2020). A Deep Study of Various Frauds Happening in Indian Banks and Commendations to Overcome Frauds. SSN:2394-3114, Vol. 40(56) -March-2020.
- Marshall, J. (1986). Living life as inquiry. *Systemic Practice and Action Research*, 12 (2), Vol. 155-171.
- Masood, O. & Aktan, B. (2009). Determinants of Non- performing loans: comparative analysis *Current Economic Problems*, Vol.102(12), pp. 251-163.
- Masood, O. (2009). Determinants of Non-performing Bank Loans and Bank Loan Recovery in Pakistan. A survey approach. *Euro-Mediterranean Economics And Finance Review*, 89-104.
- Maxwell, J. A. (1996). *Qualitative Research Design: An Interactive Approach*. Thousand Oaks: Sage Publications.
- McCarthy M.G., Schneider, D.K. & Tibb, S.L. (2010). Investments and loans reported by the 10 largest U.S banks, *Journal of Bank accounting and Finance* Dec 2009- Jan 2010: P19-24.
- McGoven, J. (1993). Why bad loans happen to good banks, *The Journal of Commercial Lending. Philadelphia*: Vol. 75(6).
- McKillop, D., French, D., Quinn, B., et al. (2020). Cooperative Financial Institutions: A review of the literature, *International Review of Financial Analysis*, <https://doi.org/10.1016/j.irfa.2020.101520>.
- McManus, S. (2000). *A Guide to Credit Management in South Africa*. Durban: Butterworths.
- Mester, L. (1997). What's the point of credit scoring? *Business Review*, Federal Reserve Bank of Philadelphia, September/October, pp. 3-16.

- Mester, L., Nakamura, L. & Renault, M. (1998). Checking accounts and bank monitoring, Federal Reserve Bank of Philadelphia Working Paper.
- Micco, A., Panizza, U., & Yanez, M. (2004). Bank Ownership and Performance, Inter-American Development Bank, working paper 518.
- Michal & David (2010). The Creditworthiness of the Poor: A Model of the Grameen Bank. The Federal Reserve Bank of Kansas City, Economic Research Department. RWP 10-11, ISSN 1936-5330,
- Mild, A., Waitz, M., & Wöck, I. J. (2015). How low can you go?- Overcoming the inability of lenders to set proper interest rates on unsecured peer-to-peer lending markets. *J. Bus. Res.*; 68 (6): 1291-1305.
- Mileris, R. (2012). Macroeconomic Determinants of Loan Portfolio Credit Risk in Banks, *Inzinerineekonomika - Journal of Engineering Economics*, Vol. 23(5), 496-504.
- Miles, M. & Huberman, M. (1994). *Qualitative Data Analysis: An Expanded Sourcebook*. London: Sage.
- Misra, B.M. & Dhal, S. (2010). Procyclical management of non-performing loans by the Indian public sector banks. BIS Asian Research Papers, June 2010.
- Mohan, R. (2003). Transforming Indian Banking: In Search of a Better Tomorrow, Reserve Bank of India, Speeches, Reserve Bank of India Bulletin, January.

- Mohanty, A. R., Das, B. R., & Kumar, S. (2018). Determinants of Non-Performing Loans in India: A System GMM Panel Approach. *Research Gate*, Vol. 47(1), 37-56. Retrieved from <https://www.researchgate.net/publication/326589328>.
- Montoya, Parrado, Solís & Undurraga (2019). Gender discrimination in the consumer credit market: Experimental evidence. AEARCTR-0003961 (<http://www.socialsciceregistry.org/trials/3961>).
- Morgan, D. (2007). Paradigms Lost and Pragmatism Regained Methodological Implications of Combining Qualitative and Quantitative Methods. *Journal of Mixed Methods Research*, Vol. 1(1), 48-76.
- Mpofu, T. R., & Nikolaidou, E. (2018). Determinants of credit risk in the banking system in Sub-Saharan Africa. *Review of Development Finance*, 8, 141–153, <https://doi.org/10.1016/j.rdf.2018.08.001>.
- Montalvo, Jose G., Reynal-Querol (2020). Gender and Credit Risk: A View from the Loan Officer's Desk (March 2020). CEPR Discussion Paper No. DP14500. Available at SSRN: <https://ssrn.com/abstract=3560308>.
- Muhammad Yasir Saeed, Muhammad Ramzan & Kashif Hamid (2020). Causal and Dynamic Link Between the Banking Sector and Economic Growth in Pakistan. *Applied Economics Journal* Vol. 27(1): 102-126.
- Munib, B. & Atiya, Y. (2013). Impact of macroeconomic forces on Non-Performing Loans: An empirical study of commercial banks in Pakistan. *WSEAS transactions on Business and Economics*. Issue 1 Vol10. ISSN: 2224-2899.

- Murphey, L.B. (2004a). Focusing on the Fundamentals (Again). *The RMA Journal*, Vol. 86(8): 18-19.
- Murphey, L.B. (2004b). Prudent Lending: As Easy as A-B-C. *The RMA Journal*, Vol. 86(8): 20-21.
- Murray, S. (2003). Characteristics of opportunities search of entrepreneurs versus executives. *Journal of Business Venturing*, Vol. 15(3), 153-166.
- N. Sontakke Ravindra & Tiwari Chandan (2013). Trend Analysis of Nonperforming Asset in Scheduled Commercial Banks in India; *International Journal of Application or Innovation in Engineering & Management (IJAIEEM)*; ISSN 2319 – 4847.
- Nakamura, L. (1993). Commercial bank information: Implications for the structure of banking, in (M. Klausner and L. White, eds.) *Structural Change in Banking*, pp. 131-60. Homewood, IL: Irwin.
- Nanto, D. K. & Sinha, R. (2002). China's Banking Reform., *Post-Communist Economies*, Vol.14(4), pp. 470-493.
- Naseem & Qurrat (2019). Macroeconomic and Idiosyncratic Factors of Non-Performing Loans: Evidence from Pakistan's Banking Sector. *Journal of Finance and Accounting Research* Vol. 1(2), August 2019, 44–71.
- Nathenson, J.L. (2004). A Primer on Deals for Middle-Market Bankers. *The RMA Journal*, Vol. 86(8): 46-54.

- National Bank of Ethiopia (2012). Asset Classification and Provisioning Directive No. SBB/43/2012. National Bank of Ethiopia, Addis Ababa.
- Nawai, N., & Shariff, M. N. M. (2012). Factors Affecting Repayment Performance in Microfinance Programs in Malaysia. *Procedia-Social and Behavioral Sciences*, Vol. 62, 806-811.
- Nawai, N., & Shariff, M. N. M. (2013 a). Loan repayment problems in individual lending Microfinancing programs in Malaysia. *Procedia-Social and Behavioral Sciences*, Vol. 62, 806–811.
- Nawai, N. B., & Shariff, M. N. M. (2013 b). Determinants of repayment performance in microfinance programs in Malaysia (Vol. 11, pp. 14-29).
- NBE (2009/10). Conference Proceedings on National Payment System.
- Negera, W. (2012). Determinants of Non Performing Loans: The case of Ethiopian Banks.
- Nguyen, C.H. (2007). Access to credit and borrowing character of rural households in a transition, paper presented at International Conference on Rural Finance Research Moving Results into Policies and Practices, 19-21 March, Rome.
- Nkusu, W. (2011). Nonperforming Loans and Macro financial Vulnerabilities in Advanced Economies. *International Monetary Fund*, Vol.11(161).
- Norton, J., & Andenans, M. (1997). *Emerging Financial Markets and Secured Transactions*, Kluwer Law International, London.

- Nusrat, Nursilah, Norhazlina & Zurina (2019). Link between non-performing loans (NPL) and economic growth- Evidence from an emerging economy. *The Business and Management Review*, Vol 10(5).
- Oladeebo J. O., & Oladeebo, O. E. (2008). Determinants of loan repayment among smallholder farmers in Ogbomoso Agricultural Zone of Oyo State, Nigeria. *J. Soc. Sci.*, Vol. 17(1), 59-62.
- Oliver, D. G., Serovich, J. M., & Mason, T. L. (2005): Constraints and opportunities with interview transcription: Towards reflection in qualitative research. *Social Forces*, Vol. 84(2), 1273-1289.
- Ongena, S. & Smith, D. (2000). The duration of banking relationships, *Journal of Financial Economics*, Vol. 29, pp. 449-75.
- Ozili, P. K. (2019a). Non-performing loans and Financial Development: New Evidence. *Journal of Risk Finance*, Vol. 20(1), 59-81.
- Ozili, P. K. (2019b). Non-Performing Loans in European Systemic and Non-Systemic Banks. *Journal of Financial Economic Policy*, 1-19. Retrieved from <https://ssrn.com/abstract=3390555>.
- P. Louizis Dimintrious, T.Vouldis Angelos & Metaxas Vasilios (2010). The Determinants of Non-Performing Mortgage, Business and Consumer Loans in Greece: Athens, Published thesis (MSc), Athens University.

- Panigrahi, A., Karwa, P. and Joshi, P. (2019). Impact of macroeconomic variables on the performance of mutual funds: a selective study, *Economic Policy, and Research*, Vol. 15 No. 1, P. 29.
- Papias, M.M. & Ganesan, P. (2008). Repayment behavior in credit and savings cooperative societies. Empirical and theoretical evidence from rural Rwanda. *International Journal of Social Economics*, Vol. 36(5), 608-625.
- Park J.H. & Zhang, L. (2012). Macroeconomic and Bank-Specific Determinants of the U.S. Non-Performing Loans. Before and during the Recent Crisis; Published thesis (MSc), Simon Fraser University, Canada.
- Patton, M. Q. (2002). *Qualitative research and evaluation methods*. Thousand Oaks, Sage Publication, CA, London.
- Petersen, M. & Rajan, R. (1994). The benefits of firm-creditor relationships: evidence from small business data, *Journal of Finance*, Vol. 49, pp. 3-37.
- Petersson, J. & Wadman, I. (2004). Non-Performing Loans - The Markets of Italy and Sweden, Published Thesis (MSc).
- Pope, D. G., & Sydnor, J. R. (2011). What's in a Picture? Evidence of Discrimination from Prosper. *Journal of Human Resource*; Vol. 46(1): 53-92.
- Prasad, R. E. (2010). Nonperforming Loans in the GCC Banking System and their Macroeconomic Effects.

- Qureshi, F., Kutan, A.M., Ghafoor, A., Khan, H.H. and Qureshi, Z. (2019). Dynamics of mutual funds and stock markets in Asian developing economies, *Journal of Asian Economics*, Vol. 65, PP. 101-135.
- Rachman, R.A., Kadarusman, Y.B., Anggriono, K. & Setiadi, R. (2018). Bank-specific factors affecting non-performing loans in developing countries: a case study of Indonesia, *The Journal of Asian Finance, Economics and Business* (JAFEB), Vol. 5(2), pp. 35-42.
- Radha, M. & Vasudevan, S. V. (1980). A Text-Book of Banking: Law, Practice and Theory of banking, S. Chand & Co. Ltd: New Delhi.
- Rafay, Saqib, Farah & Shahid (2020). Social Collateral and Repayment Performance: Evidence from Islamic Micro Finance. *Iran. Econ. Rev.* Vol. 24(1), 2020. pp. 41-74.
- Rahman, B. & Jahan, N. (2018). Non-Performing Loans (NPLs) in Islamic Banks of Bangladesh: An Empirical Study. *World Rev. Bus. Res.*, Vol. 8, 12–23.
- Rajan, R. & Dhal, S. C. (2003). Non-performing Loans and Terms of Credit of Public Sector Banks in India: An Empirical Assessment. *Occasional Papers*, 24:3, pp. 81-121, Reserve Bank of India.
- Ramachandran, A., Thiagarajan, S. & Ayyappan, S. (2011). Credit Risk Determinants of Public and Private Sector Banks in India, *European Journal of Economics, Finance and Administrative Sciences*, Vol. 34, pp. 1450-2275.
- Ratnaningtyas, W., Topowijono, & Z.A, Z. (2016). Evaluasi Kelayakan Pemberian Kredit Usaha Rakyat Untuk Mencegah Terjadinya Kredit Bermasalah (Studi Kasus Pada PT. Bank Rakyat

- Indonesia (Persero), Tbk. Cabang Kawi Malang). *Jurnal Administrasi Bisnis (JAB)*, 39 No.1(2), 34–42.
- Ravina, E. (2012). Love and loans: The effect of beauty and personal characteristics in credit markets.
- Rawlin, R., Sharan, S. M., & Lakshmipathy P. D. (2012). Modeling the NPA of Midsized Indian Nationalized Bank as Function of Advances; *European Journal of Business and Management*, Vol 4(65).
- Reddy, Y.V. (2004). Credit Policy, Systems, and Culture, Reserve Bank of India Bulletin, March.
- Reed, E.W., Cotter, R.V., Gill, E.K. & Smith, R.K. (1976). Commercial Banking, 1st edition. New Jersey: Prentice-Hall.
- Rehman, M. (2015). A Mixed-Method study for examining customer participation in value co-creation: Applying service-dominant logic to the provision of living support services to day-care oncology patients in Pakistan, NOVA. The University of Newcastle's Digital Repository.
- Rehman, S. (2015). A life-course approach to understand work-life choices of women entrepreneurs: Evidence from Pakistan, Ph.D. dissertation, Middlesex University, 2015.
- Resti, A. (1995). Linear programming and econometric methods for bank efficiency evaluation: an empirical comparison based on a panel of Italian banks. Working paper (No.21).
- Reynolds, S.E., Ratanakomut, S. & Gander, J. (2000). Bank Financial Structure in Precrisis East and Southeast Asia, *Journal of Asian Economics*, Vol.11, 319-331.
- Rose P.S. (2002). Commercial Bank Management, 5th edition. New York: McGraw-Hill/Irwin.

- Roslan, A.H., & Mohd Zaini, A. K. (2009). Determinants of microcredit repayment in Malaysia: the case of Agrobank. *Humanity & Social Sciences Journal*, 4(1), 45-52.
- Ross, Westerfield & Jaffe (1999). Corporate Finance. 5th edition. Irwin/McGraw-Hill.
- Roux, L. & Barry, M. (2009). Spatial Data Serving People: Land Governance and the Environment - Building the Capacity. Paper presented at the 7th FIG Regional Conference Hanoi, Vietnam.
- Saad Siddiqui, K. S. (2012). Impact of Interest Rate Volatility on Non-Performing Loans in Pakistan.
- Saba, I., Kouser, R. & Azeem, M. (2012). Determinants of nonperforming Loans: Case of US Banking Sector. *Romanian Economic Journal*; Vol. 15(44), pp. 125-136.
- Saira, Waeibrorheem & Mohamad (2020). The Finding Liquidity Risk and Bank Risk: A Review on the Islamic and Conventional Banks in Pakistan. *Hamdard Islamicus*, Vol. XLIII(1), 2020.
- Sakti, A., & Anisykurlillah, I. (2017). Analysis of Factors Affecting Non-Performing Loan on Cooperation. *Accounting Analysis Journal*, Vol. 6(3), 432-444.
- Salas, V. & Saurina, J. (2002). Credit Risk in Two Institutional Regimes: Spanish Commercial and Savings Banks. *Journal of Financial Services Research*, 22:3, pp. 203-224.
- Sanju Kumar SINGH, Basuki BASUKI and Rahmat SETIAWAN (2021). The Effect of Non-Performing Loan on Profitability: Empirical Evidence from Nepalese Commercial Banks. *Journal of Asian Finance, Economics, and Business*. Vol 8, No 4 (2021), 0709–0716.

- Saunders, A. & Cornett, M.M. (2003). *Financial Institution Management*, 4th edition. New York: McGraw-Hill/Irwin.
- Satpathy, A., Behera, S.R., and Digal, S.K. (2015). Macroeconomic factors affecting the NPAs in the Indian banking system: an empirical assessment, PP. 1-19.
- Schegloff, E. A. (1997). Who's Next? Who Context?' *Discourse & Society*, Vol. 8(2), 165-187.
- Scott, P. & Briggs, J. (2009). A Pragmatist Argument for Mixed Methodology in Medical Informatics. *Journal of Mixed Methods Research*, Vol. 3(3), 223-241.
- Scott, J. & Dunkelberg, W. (1999). Bank consolidation and small business lending: a small firm perspective, in Blanton et al. (1999), pp. 238-361.
- Selma and Jouini (2013). Micro and Micro determinants of Nonperforming; Tunisia, *International Journal of Economics and Financial Issues*. Vol.3(4), pp 852-860.
- Sharma, M., & Zeller, M. (1997). Repayment performance in group-based credit programs in Bangladesh. *World Development*, Vol. 25(10), 1731-1742.
- Shingjerji, A. (2013). Impact of Bank Specific Variables on the Nonperforming loans ratio in Albanian Banking System, *Journal of Finance and Accounting*: Vol.4(7).
- Shiyi, Wolfgang & Li (2020). Estimation and determinants of Chinese Banks' total factor efficiency: a new vision based on unbalanced development of Chinese banks and their overall risks, *Computational Statistics* Vol 35, pages 427–468 (2020).

- Shofiqul Islam, Mohammed, Nikhil Shil & Mannan Abdul (2011). Non-performing Loans: Its causes, consequence and some learning, American International University, Bangladesh, East-West University, Stamford University.
- Shubhara & Cheshta (2020). Comparative Study of Non-performing Assets of Indian Commercial Banks: A brief Literature Review. *UGC Care Journal*, SSN: 2394-3114, Vol-40-Issue-60-March-2020.
- Silverman, D. (2001). Interpreting qualitative data methods for analyzing talk, texts, and interaction. Sage Publications, London.
- Sinkey, J.F. (2002). Commercial Bank Financial Management in the Financial-Services Industry, 6th edition. New Jersey: Prentice-Hall.
- Sinkey, J. F. & Greenwalt, M. B. (1991). Loan-Loss Experience and Risk-Taking Behavior at Large Commercial Banks. *Journal of Financial Services Research*, 5: 43 59.
- Skarica, B. (2013). Determinants of Non-Performing Loans In Central And Eastern European Countries: Financial Theory and Practice. Vol. 38(1) 37-59.
- Smith, J. & Osborn, M. (2003). Interpretative phenomenological analysis. In Smith, J. (ed.), *Qualitative Psychology, A practical guide to methods*: London, Sage Publication, 55-80.
- Smithson, J. (2000). Using and analyzing focus groups: Limitations and possibilities. *International Journal of Social Research Methodology*, Vol. 3(2), 103-119.

- Son, T. H., Liem, N. T., & Khuong, N. V. (2020). Corruption, nonperforming loans, and economic growth: International evidence. *Cogent Business & Management*, Vol. 7(1), 1735691. <https://doi.org/10.1080/23311975.2020.1735691>.
- Sonali (2001). *Banking and Debt Recovery in Emerging Markets: The law reform Context*, England: Dartmouth Publishing Company.
- Ogeisia, Alala, Musiega & Manase (2014). Impact of borrower character on loan repayment in commercial banks within Kakamega Town. *International Journal of Art and Humanity Science (IJAHS)* e-ISSN: 2349-5235, Vol I(2) (Sep-Oct 2014), PP. 13-19.
- Sorge, M. (2004). Stress-testing financial systems an overview of current mythologies. BIS Working Papers No. 165, December. Wseas Transactions on Business and Economics.
- State Bank of Pakistan (2010). Annual Report 2009-10. Available at: <http://www.sbp.org.pk/reports/annual/arFY10/MoneyBanking.pdf> [Accessed 12 November 2011].
- State Bank of Pakistan (2016). Working papers of State bank of Pakistan. Retrieved from <http://www.sbp.org.pk/publications/w-papers/index2.asp>.
- Stephen Ojeka, Alex Adegboye and Olajide Dahunsi (2021). Audit Committee Characteristics and Non-Performing Loans in Nigerian Deposits Banks. *European Journal of Accounting, Auditing, and Finance Research*, Vol.9, No. 4, pp.27-41, 2021
- Stevenson, H. H. and Cooper, D. (1997). The heart of entrepreneurship. *Harvard Business Review*, Vol. 85(6), 85-94.

- Stiglitz, J. and Weiss, A. (1981). Credit rationing in markets with imperfect information, *American Economic Review*, Vol. 71, pp. 393-410.
- Stiroh, K. J. (2006). Diversification in banking: Is noninterest income the answer? Federal Reserve Bank of New York, PP. 1-26.
- Strauss, A. L. & Corbin, J. (1998). *Basics of qualitative research: Techniques and procedures for developing grounded theory*. Thousand Oaks, Sage publications, CA.
- Strischek, D. (2000). The Quotable Five C's, *Journal of Lending & Credit Risk Management*, Vol. 82(7): 47-49.
- Sudan Kumar Oli (2021). Deprived Sector Lending and Non-Performing Loans in Nepal Applied Economics and Finance, Vol. 8, No. 4; July 2021 ISSN 2332-7294; E-ISSN 2332-7308.
- Sunday, N., Mukisa, I. & Mwebaze, T. (2020). Determinants of Non-Performing Loans in Uganda's Commercial Banking Sector. *African Journal of Economic Review*, Vol VIII, Issue I.
- Swamy, V. (2012). Impact of Macroeconomic and Endogenous Factors on Nonperforming Bank Assets: *International Journal of Banking and Finance*, Vol. 9.
- Tarron, K. & Sukrishnalall, P. (2009). The determinants of non-performing loans: an econometric case study of Guyana. MPRA Paper 53128, University Library of Munich, Germany.
- Teddlie, C. & Tashakkori, A. (2003). Major issues and controversies in the use of mixed methods in the social and behavioral sciences. In A. Tashakkori & C. Teddlie (Eds.), *Handbook of mixed methods in social & behavioral research* (pp. 3-50). London: Sage Publishers.

- Templeton, W.K., & Severiens, J. (1992). The effect of nonbank diversification on bank holding companies, *Quarterly Journal of Business and Economics*, Vol.31(4), PP. 3-16.
- Tendia, Edson, Manuere, Clifford & Michael (2012). Nonperforming loans in commercial banks A case of commercial banks in Zimbabwe; *Interdisciplinary Journal of Contemporary Research in Business*, Vol. 4.
- Tomak, S. (2013). Determinants of Commercial Banks' Lending Behavior: Evidence From Turkey: *Journal Of Empirical Research*, Vol. 3(8):933-943.
- Tarchouna, A., Jarraya, B. & Bouri, A (2021). Do board characteristics and ownership structure matter for bank non-performing loans? Empirical evidence from US commercial banks. *J Manag Gov* (2021). <https://doi.org/10.1007/s10997-020-09558-2>.
- Haroon & Danish Ahmed (2019). A Comparative Analysis of Non-Performing Financing in Islamic and Conventional Banks of Pakistan. Available at SRN: <https://ssrn.com/abstract=3382162> or <http://dx.doi.org/10.2139/ssrn.3382162>.
- Ussher, J. M. (1999). Feminist approaches to qualitative health research. In Murray, M. and Chamberlain, K. (Eds.), *Qualitative Health Psychology*, Sage Publications, London.
- Valdez, S. (2000). *An Introduction to Global Financial Markets*, 3rd edition. London: Macmillan Press Ltd.
- Valsamakis, A.C., Vivian, R.W. & Du Toit, G.S. (2005). *Risk Management: managing enterprise risks*. 3rd edition. South Africa: Heinemann Publishers.

- Vance, T.D. (2004). From Me to You, Reflections on a Career in Lending. *The RMA Journal*, Vol. 87(4): 30-37.
- Venkatachalam, Peter & Xianbin (2020). Policies and Financing Strategies for Low-Carbon Energy Transition: Overcoming Barriers to Private Financial Institutions, ERIA-DP-2019-38.
- Vogiazas & Eftychia Nikolaidou (2011). Investigating the determinants of non-performing loans in the Romanian Banking Systems: An empirical study with reference to the Greek crisis Hindawi Publishing Corporation Economics Research International Vol. 2011.
- Wei-Shong, L. P. & Kuo-Chung, M. A. (2006). The internal performance measures of bank lending: a value-added approach, *Benchmarking: An International Journal*, Vol. 13(3).272 – 289.
- Wheelock, D. & Wilson, W. (1994). Explaining Bank Failures: Deposit Insurance, Regulation, and Efficiency, *Review of Economics and Statistics*, Vol. 77, PP. 689-700.
- Willing, C. (2001). *Introducing qualitative research in psychology*. Buckingham: Open University Press.
- Winton, A. (1999). *Don't Put All Your Eggs in One Basket: Diversification and Specialization in Lending*, University of Minnesota.
- Wongnaa, C. A. (2013). Factors Affecting Loan Repayment Performance Among Yam Farmers in the Sene District, Ghana. *Agris on-line Papers in Economics and Informatics*, V(2), 111-123.

Yang, Y, -c. L. (2009). What caused the soaring Non-Performing Loans in Taiwan from the late 1990s to the beginning of 2000s? Evidence from panel data of domestic banks. *International Journal of Information and Management Sciences*.

Zhang, W. (2010). The Role of Banks in Transition Economies: A Case Study of China with an Emphasis on Non-performing Loans.

Websites

- <http://www.learnersdictionary.com/definition/education>
- [https://en.wikipedia.org/wiki/Lifestyle_\(sociology\)](https://en.wikipedia.org/wiki/Lifestyle_(sociology))
- <http://www.oxforddictionaries.com/definition/english/gender>
- http://www.religioustolerance.org/rel_defn1.htm
- <http://www.collinsdictionary.com/dictionary/english/occupation>
- http://www.oxfordlearnersdictionaries.com/definition/english/age_1

Appendix – I
Information Statement

Prof. Dr. Muhammad Ilyas, Dean Research Degrees, Superior University, Lahore,

Tel: 0344-4024824 email m.ilyas@superior.edu.pk

**Information Statement for Credit Department of _____ Bank, Lahore
Pakistan, for the Research Project**

**An exploratory study on the factors of non-performing loans and loan sanctioning
procedures in the context of commercial banks of Pakistan**

You are invited to participate in the research project identified above which is being conducted by Hisham-Ul-Hassan from the Superior Business School, Lahore.

The research is part of Hisham-Ul-Hassan's studies at the Superior University, supervised by Prof. Dr. Ch. Abdul Rehman and A/P Dr. Muhammad Ilyas from the Superior Business School at the Superior University, Lahore.

Why is the Research Being Done?

The purpose of the research is to explore the factors of NPLs which will improve the financial performance of commercial banks by reducing the number of loan defaults. The previous research had merely discussed the bank-specific and macroeconomic factors of NPLs; however, the influence of factors other than macroeconomic and bank-specific factors on NPLs has rarely been talked about.

Here, by these factors, means those factors other than macroeconomic and bank-specific factors, which are concerned with the lifestyles, attitude, religious views, etc. of the customer. The research

will study how these factors affect the payment of loans. Moreover, the researcher will indicate certain steps to the policymakers and regulators which can, in the long run, cut down the amount of NPLs, which would ultimately benefit Pakistani commercial banks.

Who Can Participate in the Research?

Credit experts (including managers, officers, and other staff dealing with loans) who have experience of more than 3 years and are currently employees of _____ Bank can participate in this research.

Your name was selected randomly through the researcher's access to colleagues related to the banking industry.

What Choice Do You Have?

Involvement in this research is your choice. Only those people who give their well-versed consent will be included in the project. Whether or not you decide to participate, your decision will not handicap you.

If you do choose to join in, you may withdraw from the project at any time without giving a cause and have the choice of withdrawing any data which classifies you.

What would you be Asked to Do?

If you agree to participate, you will be asked to take part in an interview. Hisham-Ul-Hassan (Ph.D. Candidate from the Superior University, Lahore) will interview at your office. The date and timings will be confirmed later. The researcher will guide you about the interview procedure by explaining the clarity, meanings, and user-friendliness of the interview protocol. The recording will take place and a transcript of the interview will be sent to you for your verification. For the

audiotapes and transcripts, you will be able to review the recording to edit or erase your contribution.

What is expected of the participant will be explained. The ground rules of the interview will be established e.g.

- All information and discussion will be treated confidentially.
- Participants will be informed about the purpose of the interview. Participant's opinion is valuable.
- Participants will be informed about the best way to get in touch with the interviewer, later if he/she wants to.
- The recording arrangements.

The participant will be asked to introduce him/herself and express any questions or concerns before the interview process starts. After answering all the questions and concerns, the tape recorder will be switched on and the interview will start.

The participant will be asked to answer the following questions.

- A- Are you familiar with the concept of NPLs?
- B- Do you know about different categories of loans granted by the bank? If yes, in which category are there more chances of default?
- C- Are you aware of the process of sanctioning loans?
- D- What can be the consequences if any protocol of sanctioning a loan is compromised?
- E- At what stage do you consider a loan to be a defaulted one?
- F- What are the main factors of NPLs?
- G- Do you have knowhow about factors other than macroeconomic and bank-specific?
- H- What are the main factors relating to NPLs?

- I- Do you think that an educated customer merely defaults on his/her loan?
- J- Can the lifestyle/character of the customer play a noticeable role in affecting NPLs?
- K- Do you think that gender differentiation among borrowers affects the amount of NPLs?
- L- In what way does religion affect/not affect NPLs?
- M- In what way does the geographical area play a vital role in affecting/not affecting NPLs?
- N- In what way does the age of borrower play a vital role in affecting/not affecting NPLs?
- O- In what way does culture affect/not affect NPLs?
- P- Do other factors affect NPLs?
- Q- Can you think of ways to improve the NPLs affected by the above-mentioned factors?
- R- Is there anything else that you want to add?

How Much Time Will it Take?

The student researcher will be conducting 4 to 5 in-depth interviews of credit experts in the time of 3 to 4 days approx.

The date and timings of the interviews will be arranged according to the availability and convenience of the credit experts.

Time taken to participate in the interview is expected to be 25 minutes to 30 minutes. This is a one-off individual interview and no other participation is required.

What are the Risks and Benefits of Participating?

Each participant of the interview will be offered an executive summary of the research findings. There will be no other benefits of participating in the research. The potential risks may be that the interview may take a longer time than originally expected, depending on the answers given by the participant. However, the researcher will do his best to complete the discussion within the specified time.

How will your privacy be protected?

After conducting the interviews with credit experts, the student researcher will hand over the printed copies of Consent Forms, signed by each participant, to his supervisors at the Superior University, Lahore; they are responsible for storing the information safely. All other information collected during the interview will be kept by the student researcher's supervisors for five years at the Superior University; it will only be accessed by the researcher and his supervisors. Soft copies of the transcript will also be kept by the student researcher's supervisors in a locked office cabinet and password-protected computer files at the Superior University, Lahore. The tape of interview recordings will be destroyed after the student's dissertation has been submitted and accepted. After five years, the entire information will be destroyed. Any discussion related to the participants will not be disclosed unless they agree otherwise, except as required by law.

Appendix – II
Consent Form

Prof. Dr. Muhammad Ilyas, Dean Research Degrees, Superior University, Lahore,

Tel: 0344-4024824 email m.ilyas@superior.edu.pk

**Consent Form for Credit Department of _____ Bank, Lahore, Pakistan for the
Research Project**

**An exploratory study on the factors of non-performing loans and loan sanctioning
procedures in the context of commercial banks of Pakistan**

I agree to participate in the above research project and give my consent freely.

I understand that the project will be conducted as described in the Information Statement, a copy of which I have retained.

I understand I can withdraw from the project at any time and do not have to give any reason for withdrawing.

I consent to participating in an interview and having it recorded.

I understand that my personal information will remain confidential to the researchers.

I have had the opportunity to have my questions answered to my satisfaction.

I would like to receive an executive summary of the research results: Yes /No (please circle your choice).

Name: _____

Contact Details: E-mail; Tel. _____

Signature: _____ Date: _____

Appendix – III
Interview Protocol



An exploratory study on the factors of non-performing loans and loan sanctioning procedures in the context of commercial banks of Pakistan

Adviser:

Prof. Dr. Muhammad Ilyas (Dean Research Degrees)

Document Name:

Interview Protocol

Prepared by:

Hisham Ul Hassan

Ph.D. Scholar

Interview Protocol

Section One: Background Information

Date: _____

Interview Time: _____

Interviewee Name: _____

Name of Bank: _____

Age:-

- ☐ 20----30
- ☐ 31----40
- ☐ 41----50
- ☐ 51----60
- ☐ 61 years and above

Marital Status:-

- ☐ Married
- ☐ Single

Education:-

- ☐ Bachelor
- ☐ Master Degree
- ☐ MS/MPhil
- ☐ PhD
- ☐ Any Other

Experience in the Banking Sector:-

- ☐ 0-2 years
- ☐ 3-5 years
- ☐ 6-10 years
- ☐ 11-15 years
- ☐ Above 15 years

Current Salary:-

- ☐ Rupees less than 20,000
- ☐ Rupees 20,000-----30,000
- ☐ Rupees 31,000-----40,000
- ☐ Rupees 41,000-----50,000
- ☐ Rupees 51,000-----60,000
- ☐ Above Rupees 60,000

What was your previous employment before joining the banking sector?

Section Two: Interview Questions

(A) Enthusiasm

- i- Kindly explain your experience as a banker.
- ii- What were your inspirations behind choosing banking as a career?
- iii- What difficulties did you face in becoming a banker?
- iv- How did you solve these difficulties?

(B) Banking History

- i- Had anyone in your family been in the banking sector? If yes, had his experience helped you?
- ii- How was your experience in choosing banking as a livelihood?
- iii- What are the abilities and understanding required for becoming a banker?

(C) Non-performing Loans (NPLs)

- i- What are NPLs in your opinion?
- ii- Are NPLs affecting the performance of banks?
- iii- In which category of loan are there chances of maximum defaults?
- iv- What aspects do banks consider before sanctioning a loan?
- v- What are the consequences of compromising these aspects while sanctioning loans?
- vi- In your opinion at what stage do you consider a loan as non-performing?
- vii- What are the main factors responsible for NPLs?

(D) Factors and NPLs

- i. What do we mean by factors other than macroeconomic and bank-specific factors?
 - a. Kindly elaborate as per your thinking.
- ii. What are the factors that affect NPLs?
 - a. Kindly mention the factors other than macroeconomic and bank-specific factors that can incur NPLs.
- iii. What is your opinion regarding an educated customer being a source of controlling the default loans?
 - a. Do you think education can play a vital role in helping customers to avoid defaulting on their loans?
 - b. Have you seen any practical examples of the above in your banking career?
 - c. Are the solely generally educated customers having no awareness of consequences equal to customers with awareness about them later?
- iv. What is your opinion regarding the lifestyle of a customer having any impact on NPLs?
 - a. Do wealthy customers repay their loans in a more timely fashion than customers with fewer financial resources?

- b. Do well-off customers use political pressure to set off their loans and are this a reason for increasing NPLs?
- v. Do you consider that female customers default less than male customers?
 - a. In your opinion, are female customers more serious about paying back their loans than male ones?
- vi. What is your opinion on the role of religion and NPLs?
 - a. Have you experienced any religious customer defaulting his/her loans?
- vii. Do you think that the geographical area and age of a borrower play a major role in creating NPLs?
 - a. Do you think that the residential area of any customer plays any role in giving birth to NPLs?
 - b. Do younger customers default more than older ones?
- viii. How can the culture of a country affect the number of loan defaults?
 - a. In your opinion, due to culture, do customers develop the habit of loan defaults?
 - b. Have you experienced any such case in sanctioning loans in banks?
- ix. What are your suggestions for controlling the amount of NPLs through an assessment of the factors discussed above?
 - a. Kindly elaborate your suggestions for giving special importance to education, lifestyle, gender, religion, geographical area, age, and culture of the country of the borrowers, while sanctioning loans to borrowers.
- x. Which are the main factors, in your judgment, affecting NPLs?
 - a. Kindly summarize our previous talk relating to the factors and rank these as per their importance.

(E) Common Information

- i- How do you supervise your staff?
- ii- What is your attitude with your staff?
- iii- In your opinion, what are the basic dynamics to achieve success?
- iv- What is your advice for the younger generation to be victorious in the banking field?

(F) Concluding Remarks

- i- If I need further elaboration, for my transcription of the interview, can I use your time?
- ii- Can you refer me to some other bankers as well?

Thank you very much for giving your precious time and support!

Appendix – IV
Demographics of Participants

Participant No.	Age	Marital Status	Education	Job Experience (Years)	Bank Name	Pay Scale (in Rs.)	Department
1-	41-50	Married	Masters	Above 15 years	Habib Bank	Above 60,000	Loans & Advances
2-	31-40	Married	Masters	6-10 years	Habib Bank	51,000-60,000	Loans & Advances
3-	31-40	Married	Masters	6-10 years	Habib Bank	51,000-60,000	Loans & Advances
4-	31-40	Married	Masters	6-10 years	Habib Bank	51,000-60,000	Loans & Advances
5-	31-40	Married	Masters	6-10 years	Habib Bank	51,000-60,000	Loans & Advances
6-	51-60	Married	Masters	Above 15 years	Muslim Commercial Bank	Above 60,000	Loans & Advances
7-	31-40	Married	Masters	11-15 years	Muslim Commercial Bank	51,000-60,000	Loans & Advances
8-	31-40	Married	Masters	11-15 years	Muslim Commercial Bank	51,000-60,000	Loans & Advances
9-	51-60	Married	Masters	Above 15 years	Muslim Commercial Bank	Above 60,000	Loans & Advances
10-	31-40	Married	Masters	11-15 years	Muslim Commercial Bank	51,000-60,000	Loans & Advances
11-	31-40	Married	Masters	11-15 years	Allied Bank Limited	51,000-60,000	Loans & Advances
12-	31-40	Married	Masters	11-15 years	Allied Bank Limited	51,000-60,000	Loans & Advances
13-	21-30	Married	Masters	3-5 years	Allied Bank Limited	31,000-40,000	Loans & Advances

14-	21-30	Unmarried	Masters	3-5 years	Allied Bank Limited	31,000- 40,000	Loans & Advances
15-	21-30	Married	Masters	3-5 years	Allied Bank Limited	31,000- 40,000	Loans & Advances
16-	41-50	Married	Masters	Above 15 years	Bank Alfalah	Above 60,000	Loans & Advances
17-	31-40	Married	Masters	11-15 years	Bank Alfalah	51,000- 60,000	Loans & Advances
18-	31-40	Married	Masters	11-15 years	Bank Alfalah	51,000- 60,000	Loans & Advances
19-	31-40	Married	Masters	11-15 years	Bank Alfalah	51,000- 60,000	Loans & Advances
20-	31-40	Married	Masters	11-15 years	Bank Alfalah	51,000- 60,000	Loans & Advances
21-	51-60	Married	Masters	Above 15 years	Askari Bank	Above 60,000	Loans & Advances
22-	31-40	Married	Masters	11-15 years	Askari Bank	51,000- 60,000	Loans & Advances
23-	31-40	Married	MPhil	11-15 years	Askari Bank	51,000- 60,000	Loans & Advances
24-	31-40	Married	Masters	11-15 years	Askari Bank	51,000- 60,000	Loans & Advances
25-	31-40	Married	Masters	11-15 years	Askari Bank	51,000- 60,000	Loans & Advances