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Factors Affecting Non-Performing Portfolio of Credit Card Based Personal Financing: Case of Sampath and Hatton National Banks in Colombo District

BM

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"The work described in this thesis was carried out by me under the supervision of Ms. P.P Lalani (Senior lecturer - Department of Business Economics of the University of Sri Jayewardenepura) and this report has not been submitted in whole or part to any university or any other institution for another Degree/Diploma."

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Abbreviations

HNB	Hatton National Bank.
KPI	key performances indicators
POS	Point of Sales
CBSL	Central Bank of Sri Lanka
USD	United States Dollar
NPA	Nonperforming Advances
FIs	Financial Institutes
CIB	The Charted institute of bankers
CRIB	Credit Information Bureau
ARR	Affecting Real Rate
CC	Credit Card
TFI	Total Fixed Income
TCL	Total Credit Limits
TMC	Total Monthly Commitments
PE	Present Employer

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ABSTRACT

The present experience is thatcredit card products are the most attractiveof the financial institute products, competitively promoting the existing and prospective customers due to high interest rates and high commission income.

The current study investigates the determinants of the critical factors affectingthe nonperforming portfolio of credit card based personal finance in Colombo and uses an empirical approach to analyze the data collected from the customer base of the branches of Sampath Bank PLC and Hatton National Bank PLC (HNB PLC) in the Colombo district.

The nonperforming and performing credit card holders of Hatton National Bank PLC and Sampath Bank PLC in the Colombo district were selected as the population andthe convince sampling method was applied. The Pre facility evaluation factors and the Post facility factors were considered for the study. An organized questionnaire was used to collect the data from the nonperforming and performing credit card holders.

The findings show the importance of evaluating the credit card applicants' credit worthiness and total liabilities according to their total fixed income and then setupappropriate credit

limits and a proper repayment channel, period and amount for the card holders. A post evaluation is also recommended at the time of the renewal of the relevant credit cards.

Generalization of the results is limited by the genuineness of respondents and the level of the relationships between banks and their clients. Since the available literature on personal finance is mainly based on economic development, a study on nonperforming credit card portfolio of the financial institutes is very useful within the current credit card market in Colombo and further broader inquiry is proposed.

Keywords – Personal finance, Financial Institutes, Credit card holders, performing credit cards and nonperforming credit cards.