Why Loans Go Bad: What Do We Know? A Systematic Literature Review of Non-Performing Loan in South Asia

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Abstract:

The motivation of the study is to bridge the existing gap in the literature through Systematic Literature Review (SLR) of empirical studies, theoretical approaches and policy evaluation related to root causes behind Non-performing loans (NPLs), with a particular attention on the South Asian countries. By applying the PRISMA (Preferred Reporting Items for Systematic reviews and Meta-Analyses) framework, this study systematically investigates 40 journal articles. Scopus database has been used from the period 2005 to 2024. As a data processing tool, we made use of the Biblioshiny package offered by the R Studio software.

Non-performing loans emerged a serious global concern and focus of attention in recent years. Especially after the 2008 global financial crisis NPLs level had increased everywhere, yet some regions it witnessed unprecedented heights. Despite contributing 60% to global economic growth, the Asia region is suffering with consistent economic challenges due to soaring NPLs, particularly the South Asian region. According to World Bank statistics, South Asia reported high non-performing loans to total gross loans ratio in 2022, ranking second among all continents. This rising rate of NPLs in South Asian countries imposes a considerable burden on the financial stability of commercial banks. This SLR compiles systematic literature across a few key dimensions: macroeconomics influences, institutional and loan related aspects, corporate governance issues and behavioral considerations. Based on our Analysis, the findings segment highlights the trending topics, keywords and preferred geographical regions of interest on NPLs.

Keywords:

Non-performing loans, NPL, Determinants, South Asia, Systematic Literature Review (SLR), PRISMA, Bibliometric Analysis.