

**FACTORS AFFECTING THE SUCSESS OF SME LENDING  
OF BANKING INDUSTRY: WITH REFERENCE TO  
CONSUMER PERSPECTIVE  
OF XY BANK PLC**

by

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## ABSTRACT

The Government of Sri Lanka has identified SME as an important strategic sector for balanced regional development in Sri Lanka. As such, with the purview of Central Bank, Sri Lanka, several banks have launched numerous facilities to gear the SME sector in Sri Lanka. However, during last three years, it is evident that those banks have not achieved their SME lending business targets. Accordingly, this study focus on analysis of factors affecting the success of SME lending business in banking industry with special reference to consumer perspective of XY bank PLC. A sample of lending business was selected from lowest pull through rate indicated districts of SME lending of XY bank, such as Anuradhapura, Ampara, Kegalle and Kurunegala. Along with the findings of exploratory study and past research studies, the researcher tested four types of factors affecting the SME lending business success in the banking industry, namely bank staff related factors, bank credit policy related factors, bank SME customer related factors and country economic related factors. The survey was conducted using questionnaires and they were distributed among 152 respondents using convenience sampling technics. The gathered data were initially screened using normality, linearity, validity and reliability techniques. Concluding quantitative analysis was conducted using Pearson correlation and multiple regression analysis. As with the findings of the parametric tests, three predictor variables of staff, policy and customer related factors were positively correlated and economic related factors was negatively correlated. However, in the multiple regression analysis, only three predictor variables of staff, policy and customer related factors indicated significant influence on XY bank's SME lending business success while staff related factors were identified as the most significant factors. Therefore, the study recommend XY bank to improve staff related factors, policy related factors and customer related factors to achieve SME lending targets in future.

Key Words: SME, Lending, Credit Policy