

## ABSTRACT

Banks' failure and financial crises are consequences of non-performing loans, and it is of great importance when it comes to microfinance banking system because it is more than mere loan repayment problems, it is the basis of their failure or survival in the market. The present study intends to analyse the impact of micro-level (bank specific factors) as well as macroeconomic factors on non-performing or delinquent loans in microfinance banks of Pakistan. Microfinance banking sector was chosen because of its significant contribution in financial inclusion in an economy.

This study uses published secondary data of micro-economic factors (Bank specific) and macro-economic factors by way of independent variables and the dependent variable is non-performing or delinquent loans for ten years from 2011 - 2020. The present study applies regression analysis on variables of the study whether dependent or independent to find their influence on one another.

This research highlights the determinants categorically on micro and macro level and this research offers recent dataset to create the comprehensive picture for the investors and banks to protect any from the erosion of NPLs.

**Keywords** – Non-performing loans, Microfinance banks, Macro-economic, Micro-economic, Financial inclusion, Financial crises.