

## THE EFFECTS OF INTEREST RATE SPREAD ON NON-PERFORMING LOANS IN NAMIBIA

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### ABSTRACT

This paper investigated the impact of interest rate spread on non-performing loans in Namibia. The study employed the techniques of unit root, cointegration and error correction model technique on the quarterly data covering the period 2001 to 2014. The findings show that interest rate spread has a positive and statistical significant effect on non-performing loans in Namibia. Furthermore the study also showed that inflation has a positive though not statistical significant effect on non-performing loans in Namibia. Therefore, the positive impact of interest rate spread suggest that increase in interest margins has potential of increasing the probability of defaulting on loans by clients.

**Keywords:** Interest rate spread, non-performing loans, commercial banks, Namibia, error correction model.