

**COMPARATIVE ANALYSIS OF CHARACTERISTICS OF NON-
PERFORMING LOANS BETWEEN STATE BANKS AND
PRIVATE BANKS IN SRILANKA**



By

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ABSTRACT

Banking sector plays a major role in any country. Therefore, the changes occur in banking sector directly affect to the fiscal and financial policies of the country. It is widely accepted that the quantity or percentage of Non-performing loans or amount of arrears on loan is often associated with bank failures and financial crises. NPLs create problems for the banking sector's balance sheet and also create a negative impact in the income statement as a result of provisioning for loan losses. In the worst scenario, a high level of NPLs in banking system poses a systematic risk, inviting a panic run on deposits and sharply limiting financial intermediation and subsequently investment and growth.

Non-performing loans are a critical factor for every bank and should focus on more as it has saviour consequences. Many researches have done on factors affecting to NPL and those studies have come up with different conclusions. Hence, this is still open area for further studies. This study focuses on comparison of Non-Performing Loans Between State Banks and Private Banks in Sri Lanka. Sample of the study is ten licenced commercial banks in Sri Lanka and data collected for the period of ten years.

Non-performing loans characteristics measured by the interest rates, size of the loans, Repayment Period of loans, Credit Terms and the collateral security used by the banks. The univariate analysis Findings revealed there is a significant difference in the characteristics of non-performing loans between state banks and private banks.

Keywords : Non-performing loans , Commercial Banks

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