

**A COMPARATIVE STUDY ON FACTORS INFLUENCING  
DEFAULT IN THE SETTLEMENT OF THE LOAN BETWEEN  
BANKS AND FINANCE COMPANIES IN MONARAGALA  
DISTRICT**

**BY**

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## ABSTRACT

Financial sector plays a major role in any country. Therefore, the changes occur in that section also directly affect to the fiscal and financial policies of the country. It is widely accepted that the quantity or percentage of non-performing loans (NPLs) or amount of arrears on loan is often associated with bank failures and financial crises.

Non-Performing Loans are a reflection of problems in the banking and corporate sectors. NPLs create problems for the banking sector's balance sheet on the asset side. They also create a negative impact on the income statement as result of provisioning for loan losses. In the worst scenario, a high level of NPLs in a banking system poses a systemic risk, inviting a panic run on deposits and sharply limiting financial intermediation, and subsequently investment and growth. The current study sheds light on the inherent reasoning of loan default with bank and finance companies in monaragala district. Therefore, the financial institutions can identify the factors contributing to the creation of NPLs and adjust their lending strategy as well. The policy maker scans have a bird's eye view regarding the results of their decision previously taken. Totally 31 questionnaire have issued to defaulters in banks and finance companies located in monaragala district. Simple random sampling basis use to select defaulters.

Conceptualization framework used to developed questionnaire to the research and each element from conceptualization hold include in the questionnaire. According to this comparative study researcher tried to find out factors influencing to the default in banks and finance companies and made comparison between these two institutions and find out whether these factors influence on banks and finance companies differently or not. Frequency distribution analysis and univariate analysis used as methods of analysis. The results are illustrated by tables, pie charts and bar charts.

According to analysis results can be conclude as economic factors moderate level of influence on loan settlement of defaulters in banks and economic factors high level of influence on defaulters in finance companies. Institutional factors moderate level of influence on loan settlement of both of the defaulters in banks and finance companies. Loan related factors high level of influence on loan settlement of defaulters in banks and loan related factors moderate level of influence on loan settlement of defaulters in finance companies.

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