

## **Abstract**

The non-banking financial companies (NBFCs) play a significant role in the country. They are growing along with the banking companies providing various kinds of financial services. Country's financial system is largely based on the banking system. Non-Banking Financial Institutions came in operation in areas where banks failed to operate prudently. Non-performing loans has been an important issue for financial institutions and regulators. These loans negatively impact on a firm's profitability as loss of interest income. Though lots of studies have been carried out to analyze Non-performing loans of banking system, this study focused on factors affecting Non-performing loans in Non-Banking Financial Institutions. Several studies have been conducted researches regarding NPL across the world and Sri Lanka by evaluating panel data. Comparison of NBFC's Non-Performing loan Ratio was given a research problem to the researcher to argue that which factors will be affected to the NPL of high risky non-banking financial company of Sri Lanka as the case study. Very limited similar studies have been conducted in Sri Lanka by implementing Qualitative analysis and there are no any researches has been conducted interviewing Loan defaulted customers. This study examines the factors affecting Non-performing loans of ABC Financed Limited. The objectives were to identify the Institutional relating Factors, Customer relating factors and Remedial Mechanisms of Dealing with Non-Performing Loans. The scope of the research was limited to ten (10) Employees of ABC Finance Limited and ten (10) Customers of ABC Financed Limited. The study adopted the general qualitative research methodology using Interpretivism paradigm, Case study strategy and Grounded theory Approach and in-depth interviews were conducted in order to collect data, and all the interviews were recorded, transcribed and coded. Open coding, selective coding and Axial coding were done in order to get the final framework. The findings revealed, Customer relating factors also reflect in case of nonperforming loans and there are some new factors were also found as Institutional related factors. Some moderate mechanisms also found to implement for all the financial companies and Banks.

**Key words:** Non-Performing Loans, Non-Banking Financial Institute, Institutional relating Factors, Customer relating Factors, Remedial Mechanisms of Dealing with Non-Performing Loans.