

Impact of Mortgage Loan Repayment Methods on Bank Performance in Kandy District, Sri Lanka

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Abstract

The strength of banks is important because it helps to maintain confidence in the financial system and any failure can have an impact on the activities of all other financial and non-financial entities, and finally on the economy. This research was carried out to study the impact of mortgage loan repayment methods on bank performances in Sri Lanka, analyzing the impact of interest rate fluctuations on loan repayment method, mortgage repayment period and monthly loan term from both quantitative and qualitative perspective, in this one analyzed the impact of loan repayment methods using the data from 06 banks in Sri Lanka and 30 respondents who got the loans. So bankers in sri Lanka mostly used fixed rate mortgage (FRM) and constant payment method as their repayment method of mortgage loans. According to those methods recorded they have high bank performances regarding mortgage loans because can over their loan within few years and also can reduce the loan repayment clashed of customers. Finally, it discuss possible solutions to the problems related with the loan repayment methods on bank performances like using another method which consider about the inflation rate. (FRM, Hybrid method) and using another beneficial one than the existing one.

Keywords: Mortgage Loans, Mortgage Loan Repayment Methods, Mortgage Loan Repayment Methods and Bank Performances