

**Consumer behavior models and microfinance in Sri Lanka:  
A systematic review of literature**

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Study of consumer behavior helps enterprises understand the psychology of the customers on how they make their purchase decisions. The objective of this paper is to present a comprehensive review of the literature on the models of consumer behavior.

The studies on consumer behavior and consumer decision making have developed various theories and models to explain the consumer behavioral patterns. There are two types of cognitive models that are widely used. Analytical models provide a framework of the key elements that are purported to explain the behavior of consumers and prescriptive models provide a framework to organize how consumer behavior is organized. The theory of buyer behavior is an analytical model and it provides a sophisticated integration of various social, psychological and market influences on consumer decision making. There is, however, widespread questioning of the model's validity due to the lack of empirical work. In the consumer decision model, many of the elements are similar to those presented in the buyer behavior model. However, the structure of presentation and relationship between the variables somewhat differs. The model is also critiqued to be too restrictive to adequately accommodate the variety of consumer decision making situations. Theory of reasoned action is a prescriptive model and it is a further development of the *Fishbein* model which proposed that a person's overall attitude toward an object is derived from his beliefs and feelings about various attributes of the object. Theory of planned behavior which is an extension of theory of reasoned action is developed including an additional mediating variable between intentions and behavior.

The model of goal directed behavior can be described as humanistic in its approach as it seeks to explore concepts introspective to the individual consumer rather than describe generic processes. Microfinance relates to the provision of financing to those traditionally unable to obtain funds due to lack of formal income sources. Due to the mushrooming of companies offering the product due to the low default and the high interest rates charged, assessing risk behavior of these customers have become critical. Misuse of the product may cause the entire industry to fail and deprive legitimate customers from obtaining much needed finance to uplift their economic status. In the literature, there are no models relating to the customer risk behavior in microfinance. Therefore, the general consumer behavior models are used to try and explain customer risk behavioral patterns in the microfinance. Though the contexts differ in these two instances, since the loans could also be considered as products and a customer is involved, the models used in consumer behavior are assumed to depict the same type of behavior in the microfinance industry as well.

**Keywords:** Behavioral models, Consumer behavior, Credit risk, Microfinance