

Abstract

The purpose of this study was to understand the legal framework of Sri Lanka related to the microfinance industry and identify more development criteria and drawbacks. The present rapid growth in the economy makes more opportunities for business concepts. As well, more needs and wants create more monetary requirements of the nation. Therefore, these two perspectives lead to more financial requirements, especially in small scale and even group level. Financing those micro level enterprises or groups is more complex if there is a low regulation framework persisting in the country. It is very significant in studying this kind of topic, as its appropriateness with the timeliness.

The main objective of this study was to identify the discrepancies of the legal framework of the microfinance industry in Sri Lanka and Bangladesh while making suggestions for more improvements to the legislations for Sri Lankan regulations. In this study, information was taken from the Microfinance Acts, Rules and regulations of Sri Lanka and Bangladesh which had to be analyzed

This research study presents the legislations of microfinance in Sri Lanka and Bangladesh separately and moreover, discusses the similarities and discrepancies in Sri Lankan regulations by comparing the regulations in Bangladesh. Accordingly, absence of a designated Authority for microfinance industry as the regulator is a more significance finding among few major findings. As well, less customer protection focus and unclear definitions while some are in silent will lead to weaken the legal framework. Other important findings are less Government involvement to the legal framework and deposit taking restrictions. These are leading to discourage in registration for MFIs with the legislation. Further, this research was concluded with some policy recommendations based on findings to develop a proper regulatory structure for the country as a holistic approach without addressing a narrow down the industry.

Keyword: Regulatory Framework, Microfinance Institutions, Microfinance Act, Sri Lanka, Bangladesh.