

EFFECTIVENESS OF MICROFINANCE FOR POVERTY REDUCTION IN SRI LANKA

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Abstract

Microfinance, one of the widely accepted instruments for poverty alleviation throughout the world, has been used in Sri Lanka spanning for over several decades. Despite the long history and the large number of institutions microfinance services particularly to the poor, there is limited knowledge on the impact of micro finance on poverty reduction in Sri Lanka. This study intended to assess the impact of microfinance on poverty alleviation in Sri Lanka through Monaragala and Badulla districts and identify the influence of macroeconomic condition on the net impact of microfinance. Using above districts as the study area, this paper provides valuable insights into micro financing in a developing economy context.

Microfinance services in Sri Lanka have a wide geographical outreach but the extent of outreach of private operators including Non-Government Organizations and commercial banks are rather limited. So from this paper analyze whether the most rural areas in Sri Lanka can be developed through microfinance.

Information of microfinance institutions, Monaragala and Badulla regional officers, householders used to analyze the real impact on microfinance for poorest people in Sri Lanka. Descriptive statistics and one sample t-statistics reveals that microcredit facilities help these beneficiaries to move for higher income ladders and though the nominal income of the beneficiaries has increased macroeconomic condition prevailed in Sri Lanka hampered the real benefit.

Key words: Microfinance, Micro Finance institutions, Poverty