

Determinants of the Financial Inclusion in Sri Lanka

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Abstract

The financial system of a country reflects an important role to fulfill the needs of the people by offering savings, credits, payments and risk managements products. Inclusive financial systems are removing barriers and giving the opportunity to enter a broad access to financial services especially to poor and vulnerable communities. Due to the importance of the inclusive finance, financial inclusion emerged as a priority for poverty alleviation. Sri Lanka is in the process of development and to achieve development goals as a country; the majority should benefit from the outcomes of the economy. However, since the majority is living in rural areas, most of the disadvantaged communities are suffering from various problems when it comes to accessibility of a quality life. The level of financial inclusion is different from one country to another. Moreover, the empirical studies found that the age of individuals, literacy level, and distance to financial institutions, documentation, and trust in formal financial institutions, gender, insurance, dependents and income level of the individuals are factors which can influence the Financial Inclusion. Hence, to fill this research gap, the study tests the determinants of the financial inclusion of the rural farmers in Sri Lanka. To attempt to address this research problem, two objectives were formulated; to quantify financial inclusion and to identify the determinants of financial inclusion. The aim of this study seeks to contribute to the literature on the determinants of Financial Inclusion in Sri Lanka. This will become an eye-opener for the relevant public and private organizations to coordinate and prepare a strategic plan to spearhead the campaign for financial inclusion for rural farmers and suggest policy and operational measures for their financial stability.

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