

ROLE OF MICRO FINANCE INSTITUTIONS IN RURAL AREA DEVELOPMENT IN SRI LANKA

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Abstract

This research is based on the study of assistance of the micro finance institutions for the financial difficulties of the rural people. Monetary inconvenience is the most crucial matter for the success of the rural areas people. Most of the cases formal financial institutions are not considered about those types of people due to mismatch with their requirements. Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector (Wrenn, 2005).

This study is an attempt to contribute in to the debate on what works and what does not work for microfinance and poverty reduction. Main objective of this research is to find out under what circumstances microfinance creates jobs, and increases wage employment and higher incomes in the rural areas (Kiiru, 2006). There are various studies which confirm that microfinance program has a significant positive impact in increasing employment and reducing poverty.

This research is based on the primary and secondary data. Primary data will be collected from 25-30 people who are participating and not participating to the micro financial facilities in some specific rural areas and 3 micro financial institutions in Sri Lanka. Secondary data will be collected by referring some research articles and especially from the survey conducted by Asian Development Bank (ADB) in year 2000 "Finance for the Poor: Microfinance Development Strategy".

Key words: Micro Finance Institutions, Rural area development, Poverty reduction