

Challenges Faced by Sri Lankan Banks in Financing for Sustainable Growth in SME Sector

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This research paper focused to address the supply side finance gap in banks' perspective. The main objective of this study is to determine and explain the impact of the challenges relating to bank's risk appetite, collateralized lending, cost implications of financing and expertise of bank officers in financing for a sustainable growth in SME sector. Hypotheses were developed based on empirical studies across the world and tested in Sri Lankan context. Likert scale was used to analyze the primary data collected from the survey to determine each hypothesis. The research revealed that all variables are related in bank financing for SMEs but only collateralized lending and expertise of bank officers are the significant challenges faced by banks in this business. The findings provide new insights to improve and encourage the performance of bank financing, recommending the intervention of regulators and policy makers to contribute to soften the negative impacts in SME lending.

Keywords: Finance, SMEs, Risk, Collateral, Cost, Expertise

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