

Effect of Micro Finance Services on Growth of Micro Small and Medium Scale Enterprises (MSMEs) in Service Sector Operating in Colombo District

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The Micro, Small and Medium Enterprises (MSMEs) have been highlighted as a key strategic sector in Sri Lanka because MSMEs play a major role in economic development. The objective of the study is to investigate whether Microfinance services impact the growth of micro, small, and medium-sized businesses (MSMEs) in the Service Sector operating in the Colombo district. Micro, small, and medium-sized enterprises (MSMEs) in the service sector operating in the Colombo district are the population. A sample of 250 MSMEs were selected using the convenient sampling method and the data were collected through structured questionnaires. Independent variable of the study is Micro-finance Services which is determined by Micro-credit, Micro-saving, and Micro-insurance. The dependent variable is Growth of MSME's.

The results found that there is a positive relationship between Micro-credit, Micro-savings, and Micro-insurance services with the growth of MSMEs in the Service Sector Colombo District. Further, Micro-savings have been the most contributory factor and Micro-insurance services were the least contributory factor for the firm's growth. Based on the survey data, the author has developed a multiple regression model. The study recommended that the government should further promote micro-financial services to develop the MSMEs in Sri Lanka.

Keywords: *Growth of MSMEs, Sri Lanka, Micro credit, Micro Insurance Services, Micro savings*

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