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A STUDY ON THE IMPACT OF MICRO CREDIT ON RURAL
POVERTY IN SRI LANKA
(SPECIAL REFERENCE TO GAMPAHA DISRICT)

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ABSTRACT

One of the most compelling challenges facing Sri Lanka is the problem of poverty. Poverty is also wide spread in rural areas. In the fight against poverty, micro credit has become an increasingly popular tool among other poverty alleviating programme. Therefore, this study examined the impact of micro credit on rural poverty in Sri Lanka. The sample study was conducted in accordance with the Samurdhi recipients in Gampaha District. The primary objective was to assess the impact of micro credit on rural poverty in Sri Lanka. Further, the economic and social impact of micro credit on rural poverty in Sri Lank were assessed while, identifying the constraints that poor people meet in accessing to micro credit facilities in Sri Lanka. The study was designed on income of the household, Assets, Housing condition, Human capital, Social Capital and Empowerment. Structured questionnaires were used to collect information from the households. In addition, key informant discussions were held with Samurdhi managers and the officers. The collected data were analyzed using descriptive statistics. In order to examine the relationship between poverty and related variables Linear Probability Model was tested. In the findings; the borrowers had utilized the loans for housing repairing and consumption instead of income generating activities; As well, Loss of enterprises, not having a market for products and low entrepreneul skills were the constraints for improving the enterprises. The study concludes that the micro credit plays a role in alleviating rural poverty marginally. Therefore, the study recommends enhancing the effectiveness of Samurdhi Programme with an in-depth consideration.

(Key Words-Microcredit, Micro Finance institutions, economic and social impact, micro credit borrowers, Poverty Alleviation)