

Factors affecting on Lending Decisions of Microfinance Operation in Non-Banking Financial Institutions (NBFIs) in Sri Lanka

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Abstract

This study investigates the factors that affect the lending decisions of microfinance operation in the Non-Banking Financial Institutions (NBFIs) in Sri Lanka. Microfinance sector of the country can be identified as an important sub-sector of the financial system. NBFIs operating in the micro-finance sector in Sri Lanka provide loan facilities for people who cannot obtain those facilities from formal banking system in Sri Lanka. Based on the people's needs and expectations microfinance sector can be developed as a lucrative business while maintaining an effective financial and economic stability in the country. Many studies have showed that the lending organizations have been encountered with severe difficulties when recovering microfinance loans and facilities provided for the individuals and small groups. Therefore, studying such factors are highly important since they are directly related with the effective credit management by NBFIs. In the current study primary data will be collected from the credit managers of five NBFIs. Secondary data also collected from the sources like Central Bank Annual Reports and Company publications. The quantitative and qualitative techniques will be deployed when analyzing and interpreting data. SPSS statistical software has been deployed to analyze and interpret data that produce generalizations for the population. This research provides insight for the NBFIs and policy-makers in the financial system of Sri Lanka regarding factors that impact the lending decisions of microfinance operations in Sri Lanka.

Keywords: *Lending Decisions, Microfinance, Non-Banking Financial Institutions, Sri Lanka*