

**The Impact of Microfinance Services on the Growth of the
Microenterprises in Sri Lanka. (With special reference to Homagama
DS. Division)**

S. U. Badullahewage¹

Abstract

The microfinance is the provision of financial services to low income sectors, including the micro and small enterprises. It is mostly used in developing economies where micro and small enterprises do not have access to other sources of financial assistance. The microenterprises said to be the less privileged business group in the society which could play a significant role in the economy. There are substantial microenterprises operate in the Homagama region, but no study of impact of microfinance services on the growth of the microenterprises has been conducted. Therefore, the study intended to ascertain the impact of microfinance services on the growth of income and productivity of the microenterprises being operated on the micro loans and advisory and training services provided by microfinance institutions. All microenterprises in Homagama is the target population and out of which 60 microenterprises which have obtained micro loans from the microfinance institutions were selected based on the judgmental sampling method. The primary data were collected on face to face interview through structured questionnaire and secondary data were collected through literature survey. Quantitative and qualitative techniques were used to undertake data analysis respectively based on descriptive statistics and parameter estimation and open ended questions. The paired sample t-test, multiple regression, chi-square test, gamma and Kendal tau-b tests in the SPSS software were used to achieve the expected objective. The findings of the study indicated that micro loan and advisory and training services have created positive impact on the income and productivity growth of the micro enterprises. Moreover, majority agreed that the micro loan was fair enough for the expected tasks, they were satisfied with financial assistance received and success of their business. So, the study concluded that the microfinance services create impact on the growth of the microenterprises in Homagama region. Further, microfinance institutions should develop diversification in their products and government should create legal and regulatory environment to the entry of microfinancing by local and foreign investors.

Key Words: Growth, Microenterprises, Microfinance

¹ Department of Economics, University of Sri Jayewardenepura, Sri Lanka.

Shohani.92v@gmail.com