

A study on the Impact of Micro credit on Rural Poverty in Sri Lanka (Special Reference to Galle District)

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ABSTRACT

One of the most compelling challenges facing Sri Lanka is the problem of poverty. In the fight against poverty, micro credit has become and increasingly popular tool among other poverty alleviating program. Therefore, this study examined the Why do people borrow from micro finance institutions? In Sri Lanka. The sample study was conducted in accordance with the borrowers from Micro Finance Institutions in Nagoda Divisional Secretariat of Galle District. The specific objective was to access the what are the factors that make people borrow more from Micro Finance Institutions. The primary objective was to assess the impact of micro credit in rural poverty in Sri Lanka. Further, the economic and social impact of micro credit on rural poverty in Sri Lanka were assessed while, identifying the constraints that borrowers from Micro Finance Institutions in Nagoda Divisional Secretariat 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 Micro Finance Institutions Managers. 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 law entrepreneur 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 Micro Finance Institutions program with an in-depth consideration.

Key words: *Micro credit, Micro Finance institutions, Economic and Social impact, Micro credit borrowers, poverty Alleviation*

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