



Socio-economic problems of rural households due to microfinance indebtedness; The case from Akuressa Divisional Secretariat Division

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Abstract

Microfinance company has faced mainly two risks loan recovery risk and marketable risk. To enhance the market of loans, microfinance companies introduce different types of easy payment systems. Consequently, the rural peasants have attracted to the loans. The problem is that they hardly think to repay the loans. As a result, the loan recovery rate is very low in rural areas. In this sense, microfinance companies use different attempts for recovering their loans. These strategies differently harm to the social and economic level of the rural settlers. According to the UNO report in 2019, 2.8 million of Sri Lankan people have aggrieved by this microfinance loan, there are 2.4 million (85.7%) are women. This is one of the biggest tragedies faced by rural families in Sri Lanka at present. According to the report on the microfinance industry, 89% of the rural sector is inclined to borrow microfinance, at the provincial level micro-industrial distribution in the southern province is high. This study investigates the socio-economic problems faced by rural households due to microfinance indebtedness. The Manikgoda Grama Niladhari Division of Akuressa Divisional Secretariate Division in Southern Province of Sri Lanka has been selected for the case study. Both qualitative and quantitative primary data was collected by questionnaire, interviews, and observations. The study has pointed out that they are socially and economically downward due to loans. It means these microfinance loans to rural settlers hardly support their socio-economic development.

Keywords: microfinance indebtedness, rural household

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