

Exploring the Credit Risk Management Practices that improve the Living Standard of Micro Loan Borrowers in Micro Finance Sector. With Special Reference to Thawalama Divisional Secretariate in Galle District

K.N. Ransika¹, S.D.P.Piyanada²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}
nishalikalupahana99@gmail.com¹, dhanushkap@kln.ac.lk²

Abstract

Introduction – Purpose of this study is the identify the Credit Risk Management Practices used in Micro Finance Institution for sustainability of Micro Finance sector as well as improve the Living standard of Micro Loan Borrower in Thawalama Divisional Secretariate in Galle district.

Methodology - This study takes a qualitative – inductive approach, using semi structured interviews with 20 interviewees in Thawalama Divisional Secretariat in Galle District

Findings – This study highlights the Credit Risk Management Practices used in Micro Finance Institution as well as Credit Risk Management Practices that can be used to improve the Living standard of Micro Loan Borrower (Loans are granted on ability to pay, Compulsory Saving, Only Requiring 2-member guarantees, Insurance the loan, Operating Investment account, Flexible Loan Schedule and Distribution of Dividends) Findings will be discussed by linking to the literature also highlight in the study.

Conclusion – Insights derived from the study have the potential to inform policymakers, practitioners, and stakeholders in the Micro Finance sector about strategies that positively impact the socio-economic conditions of borrowers. Furthermore, a nuanced understanding of Credit Risk Management Practices can lead to the formulation of policies that encourage responsible lending, thereby fostering a sustainable and inclusive financial environment. Unlike Previous studies that examined what are Credit Risk Management Practices used to mitigate the Credit Risk for Sustainability of Micro Finance Institution. This study contributes to literature by examining the Credit Risk Management Practices that can be used to improve the Living Standard of Micro Loan Borrowers

Key words – Microfinance, Credit Risk Management Practices, Credit Risk, Micro Loan Borrowers, Living Standard