

The Impact of Micro Finance on Improvement of Borrowers' Living Standards; Evidence from Niyagama Divisional Secretariat

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Abstract

Introduction: Microfinance is one of the tools to fill the gap due to the limitations of poor people in accessing conventional and commercial banks. Services provided by Microfinance Institutions (MFIs) include credit savings and insurance services. Many microfinance institutions also provide social intervention services such as training and education, institutional support, health and skills in line with their development objectives. (Khan &, Rahaman, 2007) Microfinance refers to financial services provided to low-income individuals or groups that are typically excluded from conventional banking. Most microfinance institutions focus on offering small working capital loans, sometimes called microloans or microloans. However, many also offer insurance and money transfers, and regulated microfinance banks offer savings accounts. This study is designed to analyze the impact of microfinance on various economic indicators such as quality of life through improvement of living standards and taken by active borrowers from different microfinance banks located in Niyagama Divisional Secretariat in Galle District.

Methodology: The study employs Linear regression analysis through SPSS software as the primary method for data analysis to investigate the impact of Micro Finance on improvement of Borrowers' Living Standards. The presented data are analyzed and interpreted using statistical tools like mean, standard deviation, correlation, regression, and Cronbach's alpha to achieve the results. Primary data collected through questionnaire from 136 respondents.

Findings: The study found that the change in Microfinance Services helps to generate Household Income, Health Status and earn household assets to the clients involved in MF services within Amaragama Grama Niladhari Division.

Conclusion: The study findings revealed that there is a significant positive relationship between microfinance services and living standard of the people. The credit service provided by the MFIs is widely appreciated by its clients. The majority of the clients are agreed with the microfinance services provide to them. It is concluded from the analysis that provision of loan facilities and acquiring the necessary skills on how to manage the funds to generate income and savings serves as a way to improve living standards.

Keywords: Micro Finance; Household Income; Educational Status; Health Status; Ownership to Household Assets