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The Effectiveness of Microfinance Services on Poverty Alleviation: Comparative Analysis of Anuradhapura District and Colombo District in Sri Lanka

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ABSTRACT

Purpose: The purpose of the study is to determine the effectiveness of microfinance services on household income to alleviate poverty in both rural and urban areas of Sri Lanka, and which area has successfully used microfinance services to alleviate poverty.

Design/Methodology/Approach: The researcher chose Anuradhapura as the rural area and Colombo as the urban area to conduct the study. In this regard, data was collected from 280 microfinance beneficiaries in the Anuradhapura and Colombo districts using a survey questionnaire. Microfinance services such as micro-credit and micro-entrepreneurship training were employed as the independent variables in this study, with poverty alleviation as the dependent variable. Simple random sampling was used to collect the data then were analyzed using SPSS software.

Findings: According to the study's findings, both entrepreneurship training and micro-credit have a statistically significant positive relationship with poverty alleviation in both districts. According to the regression results, entrepreneurship training is more effective in reducing poverty in the Colombo district, but microcredit is more beneficial in the Anuradhapura area.

Conclusion: The findings highlighted that microfinance services are more effective in alleviating poverty in urban and rural areas of Sri Lanka. Further, micro-credit services were more effective in urban (Colombo) areas than in rural (Anuradhapura) areas in Sri Lanka. However, the micro-entrepreneurship trainings were more effective in rural areas than in urban areas in Sri Lanka. Therefore, the researcher suggests that microfinance services should be promoted to alleviate poverty in Sri Lanka while more micro-credit services to urban areas and more micro-entrepreneurship training to rural areas.

KEYWORDS

Entrepreneurship
Training, Micro-credit,
Poverty Alleviation, Rural
Area, Urban Area.

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CLASSIFICATION

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I. Introduction

Poverty is one of the most serious issues in the world and it is defined as a condition in which an individual or a group lacks the financial means and necessities for a basic level of living. According to World Bank statistics, 689 million people, or 9.2 percent of the global population, live in extreme poverty for less than \$1.90 a day. Although this issue varies by country, but it affects all the countries in the world. (DCS,2021) reveals that Sri Lanka has 6.7 percent of the total population as a poverty rate. In Sri Lanka, each district has a separate poverty line and percentages (household income and expenditure survey,2019). Colombo

has the lowest poverty percentage (3.5 percent) while Nuwara Eliya has the highest (44.2 percent). The current study mainly focuses on the comparison between rural and urban areas of Sri Lanka on the subject of microfinance and poverty alleviation. For the purpose of comparison, the current study has selected Anuradhapura as the rural area and Colombo as the urban area. According to the district-level statistics of DCS 2021, the monthly poverty rate per person for Colombo and Anuradhapura districts is Rs. 5166 /- and Rs. 5810 /- respectively.

Poor people could not take a loan from a conventional bank due to the asymmetry of information and insufficient collateral.

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MFIs were developed to overcome the problem of poor people being excluded from the conventional banking system. MFIs come to fill this gap by empowering the poor and helping them to help themselves (Errais & Miled, 2015). Microfinance is expected to develop and strengthen low-income people's income-generating activities and capacities. Therefore, it is expected that low-income people's living conditions will improve as a result of microfinance, while they also play an active role in the country's economic development (CBSL, 2020). As a result, microfinance, in the form of financial services aimed primarily at poverty reduction, is a strong tool for the poor, allowing them to create assets, raise their income, and reduce their vulnerability to economic stress. Therefore, the poor can better their living situations while also participating actively in economic activity (CGAP 2006). This research will help MFIs, NGOs, and the government to find out which area (either it is a rural or urban area) must receive more priority in the subject of poverty alleviation.

Most of the researchers investigated the impact of microfinance services on poverty alleviation in rural areas (Kaluarachchi & Jahfer, 2014; Nawaz, 2010; Sayvaya & Kyophilavong, 2015; Wijewardana & Dedunu, 2018) but only few researchers conducted microfinance and poverty alleviation in urban areas (Tilakaratna, 2006; Tilakaratna et al., 2005). Specially dearth of research as comparative analysis of microfinance and poverty alleviation in rural and urban areas of Sri Lanka. Further, most of the researchers found that microfinance helps to increase household income to alleviate their poverty (Hassan, 2014; Marku & Balili, 2016; Prathap et al., 2018) and few researchers revealed that microfinance not helps to increase their household income (Chathurani & Jayasinghe, 2017; Navirathan, 2018). Therefore, current literature gives mixed results on the relationship between microfinance services and household

income to alleviate poverty. These mixed results have created a research problem and a gap to investigate the relationship between microfinance services and household income to alleviate poverty from a Sri Lankan perspective. Further, the problem arises to investigate whether there are any discrepancies in the findings between different geographical locations of Sri Lanka. Therefore, the current paper intends to find the solution to the research question; what the impact between microfinance services (micro-credit and micro- entrepreneurship training) and household income in poverty alleviation in rural and urban Sri Lanka is. The main objective of the current study is to determine the effects of microfinance services on household income to reduce poverty in both rural and urban areas of Sri Lanka. Through the findings, the researcher intends to measure and compare the effectiveness of the microfinance services provided to Sri Lanka's rural and urban areas.

The rest of the paper organized as follows; The first section of the paper is an introduction to the research. The next section examines relevant literature. The research methodology is described in the third section. The fourth section contains the findings and discussion, while the final section provides the conclusion and recommendations.

II. Literature Review

Key Definitions of the Research

Poverty can occur when a person lacks the necessary facilities to maintain a minimum standard of living and is unable to invest the resources required to obtain these facilities (Chathurani & Jayasinghe, 2017). Microfinance is an important component of a successful poverty reduction program. Microfinance, which is broadly defined as financial services for low-income people, such as credit, savings, and insurance, is one of the most practical development

strategies to be used for poverty alleviation (Marku & Balili, 2016). Microfinance institutions (MFIs) are key players in the financial sector, and they must be effective in both financial and social responsibilities (Mallika & Zhao, 2017).

Empirical Literature Review

Microfinance services mainly cover four key areas, including savings, credit, micro-insurance, and money transfers, which support higher living standards, improved income, asset ownership, and investment levels (Wijewardana & Dedunu, 2018). Most researchers use only micro-loans to examine the impact of alleviating poverty. The previous researchers found that there is a statistically significant correlation between the amount of the loan, the repayment ability, accessibility, and the interest rate of the loan to microfinance borrowers, and the result was generated from the answers taken from microfinance beneficiaries. Another study, conducted by (Kaluarachchi & Jahfer, 2014) discovered that the majority of uneducated people are attempting to obtain a loan through microfinance in order to improve their lives and careers. They reveal that microfinance has a significant impact on poor individuals in the Anuradhapura and Polonnaruwa areas in terms of increasing their income and reducing poverty. The Village Development Funding Program (VDF) is an important tool for poverty reduction, however it has only a minor influence on poor household income and expenditure (Sayvaya & Kyophilavong, 2015). One reason could be that the VDF loan was too small for low-income households to use for income-generating activities; another could be that real household income was underestimated; a third could be that some borrowers borrowed for non-productive purposes; and a fourth could be a lack of technical training in production methods. The conclusion of the above findings from previous researchers revealed that micro-credit helps to alleviate poverty by

increasing household income. Those researchers were taken mainly from rural areas of Sri Lanka. Therefore, a need arises to study microfinance services and poverty alleviation in urban areas of Sri Lanka.

According to Chathurani & Jayasinghe (2017), microcredit is not an effective tool for poverty alleviation, especially for poor people who have previously been in debt. They found that most poor people have no knowledge about how to handle their credit. As a result, a separate monitoring effort should be put up after the credit is provided. Tilakaratna (2006) concurred with this premise, indicating that for the poorest and richest quintiles, there was no significant association between credit and income. According to (Tilakaratna et al., 2005), microfinance has the greatest impact on the poorest households' consumption and expenditure levels. Another study (Babajide et al., 2017) found that present microfinance practices are not improving the sustainability and outreach activities of microfinance institutions. According to Navirathan (2018), low levels of satisfaction with poverty indicators are caused by microfinance institutions' poor performance. He might argue that when poverty indicators are low in satisfaction or improvement, there is no poverty alleviation. As a result, microfinance in the Batticaloa district does not successfully reduce poverty among MFI beneficiaries. Microfinance, according to those studies, has no positive impact on poor people's income. As a result, reducing poverty among the poor remains a challenge. Some scholars (Kaluarachchi & Jahfer, 2014; Sayvaya & Kyophilavong, 2015; Wijewardana & Dedunu, 2018) claim that microfinance has a significant impact on poverty alleviation and helps to raise household income, while others (Chathurani & Jayasinghe, 2017; Navirathan, 2018; Tilakaratna, 2006) claim that microfinance has no effect on household income or poverty alleviation. Because of the mixed results obtained by those researchers, it is necessary to

determine whether microfinance has an impact on household income in order to eliminate poverty.

The repayment of microfinance loans demonstrates that funds are being put to better use in the battle against poverty. The findings show that the time it takes to approve and pay the loan, the loan cycle, the borrower's gender and age, the loan's purpose, and the frequency of loan officer visits may all be used to forecast the chance of a microfinance default in Sri Lanka (Nanayakkara & Stewart, 2015). However, the quantity of collateral and its form are not considered by the researchers for microfinance loans, even though collateral is a significant component in microloan repayment. Because of the asymmetry of knowledge and moral hazard, the majority of micro-entrepreneurs' face difficulties in obtaining loans for their businesses (Abbas & Shirazi, 2015). According to a survey, micro-entrepreneurs are the most effective tool for alleviating poverty in a country. Because owners of micro-enterprises (micro-entrepreneurs) lack knowledge about the company, financing enterprises is not the only way to alleviate poverty (Asikhia, 2010). Khanam et al. (2018) conducted a household survey and discovered that the majority of respondents obtained capital through loans, however they spent the money on non-business-related activities. MFIs that support micro-entrepreneurs without providing credit and services are not helpful in alleviating poverty, according to this study. According to another study (Herath, 2015), households that own micro-enterprises are much more empowered than households that do not own micro-enterprises. Furthermore, the findings show that there is a substantial difference in income growth between households that received credit with credit-plus services and those that did not receive credit with credit-plus services. Households benefited from credit-plus services by increasing their income through investment projects. Financial non-governmental organizations (FNGOs) offer financial

capital (microcredit) and human capital development (entrepreneurship training) to micro and small businesses (MSEs) in Ghana, according to (Atiase et al., 2019). The four primary dimensions utilized to measure microcredit were loan cost, loan size, loan repayment flexibility, and loan accessibility. The following parameters were used to evaluate entrepreneurship training: content, efficiency, frequency, and accessibility. Three major measures were used to evaluate MSE success: sales, employment, and profit growth. FNGOs' combined delivery of financial and human capital development has a considerable impact on MSE performance, according to researchers. (Mensah & Benedict, 2010) pointed out the role that micro-entrepreneurship training may play in reducing poverty and creating jobs in one of South Africa's worst districts. Poor owners of micro and small firms (MSEs) could benefit from micro-entrepreneurship training and other tools to help them expand their businesses and raise themselves and others out of poverty, according to the findings of the study.

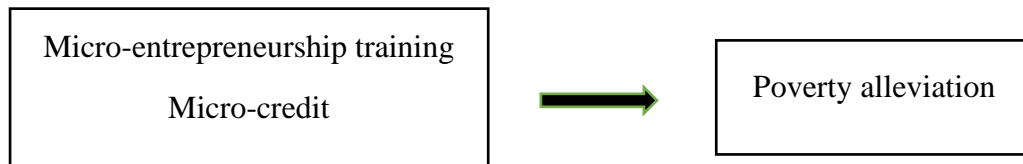
Based on the above literature most literature tries to understand the impact of micro-credit as microfinance services. As a result, other microfinance services such as micro-savings, micro-insurance and micro-training were rarely tested. Further, they were focusing on rural areas and not the urban areas of the country. Therefore, a gap has been created to further study on impact of other micro-services and to extend the study to urban areas of Sri Lanka.

III. Methodology

Quantitative research is used to determine the effectiveness of microfinance services on poverty alleviation in rural and urban areas of Sri Lanka. As per the DCS report 2013/2014, the total microfinance beneficiaries in the Colombo district were 115,598 and 41,092 in the Anuradhapura district. Based on the Morgan table, the required number of

samples was 270. This study used the simple random selection procedure, as many other studies had done (Kaluarachchi & Jahfer, 2014; Wijewardana & Dedunu, 2018), and the questionnaire was completed by 280 participants from both districts, generating a

92% response rate. The study developed a conceptual framework which is shown in Figure 3.1 and identified variables (both dependent and independent) in this framework based on a detailed literature review.



Source: Author Compiled

Figure 1: Conceptual Framework

According to the conceptual framework, entrepreneurship training, and micro-credit were employed as independent variables, and poverty alleviation was employed as the dependent variable in this study. Entrepreneurship training is a vital variable in this study as previous researchers (Khanam et al., 2018; Shaikh, 2017 and others) have shown that it can play a crucial role in alleviating poverty. Typically, microfinance beneficiaries are uneducated or less educated persons in the society (Kaluarachchi & Jahfer, 2014; Sayvaya & Kyophilavong, 2015; Wijewardana & Dedunu, 2018 and others). Therefore, if they do not have enough knowledge to invest their funds in to generate income, poverty alleviation is in question. When respondents believe that entrepreneurship training helps them enhance their business income, the study's variable will be significant. Microcredit is especially significant because poor households do not have the money to begin income-generating activities. If respondents believe that microcredit helps them enhance their household income, the variable will be significant. Both the independent and dependent variables will be measured by respondents' opinions. The following hypotheses were developed based on the

detailed literature review and the Study's conceptual framework which is shown in Figure 1.

H₁: Micro-entrepreneurship training has a significant impact on business income to alleviate poverty.

H₂: Micro-credit has a significant impact on household income to alleviate poverty.

Data was collected from microfinance beneficiaries using a 15-item structured closed-ended questionnaire. Only a few of the questions are dichotomous, while most are multiple choice and Likert scale questions. The questionnaire is divided into three sections: demographics, survey questions, and Likert scale questions. One to five options were provided for Likert scale questions, with one representing the lowest level of opinion and five representing the highest level of opinion (Wijewardana & Dedunu, 2018). The researcher utilized SPSS software to examine the data, as do other researchers, and used descriptive statistics, correlation analysis, and regression analysis for both districts independently (Kaluarachchi & Jahfer, 2014; Wijewardana & Dedunu, 2018).

To measure the amount of poverty alleviation in both districts, it is necessary to develop a model and it will help for the core objective of comparative analysis in the subject of microfinance on poverty alleviation between rural areas and urban areas. Using the dependent and independent variables, the following model can be developed.

$$\hat{Y} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e \quad (1)$$

Where, \hat{Y} = Poverty alleviation

β_1 & β_2 = Coefficients

X_1 = Micro-entrepreneurship training

X_2 = micro-credit.

IV. Findings and Discussion

The researcher delivered questionnaires to microfinance service recipients in both Anuradhapura and Colombo districts. Only 280 people answered the survey, resulting in

a response rate of 92 percent. Before analyzing the data, it is required to identify whether the current study's data is reliable or not. Cronbach's alpha values (.903 in Anuradhapura and .887 in Colombo) are higher than 0.7 and the significance value (.085 in Anuradhapura) is less than 0.1 while it is less than 0.05 in Colombo (See table 1). Internal consistency was found to be good in both the Anuradhapura and Colombo districts, indicating that the results would be more reliable. Those findings are consistent with previous studies (Wijewardana & Dedunu, 2018) and they employed Cronbach's alpha and significant value to assess the data set's reliability. The values of skewness and kurtosis are used to determine whether the dependent and independent variables are normally distributed. Both districts have skewness values in the -1 and +1 range, with Kurtosis values that are further away from +3, resulting in platykurtic (see Table 2).

Table 1: Reliability Test

District	Cronbach's alpha	Sig.
Anuradhapura	.903	.085
Colombo	.887	.000

Source: Author Compiled

Table 2: Normality Test

	Anuradhapura		Colombo	
	Skewness	Kurtosis	Skewness	Kurtosis
ENTBI	-.017	-.831	.059	-.909
MFINC	-.049	-.164	-.754	.160
MFIPR	-.042	-.331	-.911	.426
ETPR	-.034	-.754	-.028	-.988

Source: Author Compiled

Demographic Analysis of the Study

According to the gender factor analysis, most respondents are female (57.6 percent in

Anuradhapura and 71.2 percent in Colombo), while the remaining (42.4 percent in Anuradhapura and 28.8 percent in Colombo) are male. The findings were matched with the

previous researchers, such as; (Kaluarachchi & Jahfer, 2014; Wijewardana & Dedunu, 2018). According to them, female candidates are more likely than male candidates to engage in microfinance activities. When the age structure of the respondents was examined, it was discovered that many respondents were between the ages of 20 and 40, with a few under the age of 20 and others between the ages of 41 and 60 in both districts, but there were few Colombo respondents are in more than 60 years age category. According to the respondents' educational status, the majority have advanced level qualifications, a few have

graduated, and the rest have ordinary level qualifications in both districts, note that there were no illiterate respondents in both districts. These results do not match with the previous studies (Herath, 2015; Kaluarachchi & Jahfer, 2014; Sayvaya & Kyophilavong, 2015; Wijewardana & Dedunu, 2018). According to them, most microfinance beneficiaries were illiterate or less educated persons in society. When the respondent's occupation was examined, it was observed that most of them were working, a small percentage were housewives or self-employed, and only a few respondents were unemployed in both districts.

Table 3: Demographic Statistics

Variables	Category	Frequency (%)	
		Anuradhapura	Colombo
Gender	Female	57.6	71.2
	Male	42.4	28.8
Age	<20	3.0	2.7
	20-40	87.9	58.9
	41-60	9.1	28.8
	>60	0	9.6
Education	Illiterate	0	0
	Eight passed	0	2.7
	Ordinary level	22.7	27.4
	Advanced level	62.1	46.6
	Graduated	15.2	23.3
Occupation	Employed	56.1	54.8
	Unemployed	16.7	5.5
	Housewife	9.1	11.01
	Self-employed	4.5	27.4
	Other	13.6	1.4
Total		100	100

Source: Author Compiled

Descriptive Analysis of the Study

According to the mean values shown in Table 4, respondents have a neutral view of all the independent and dependent variables. It

reveals that respondents in both districts have a neutral view of; entrepreneurship training helping to increase business income, microfinancing (micro-credit) helping to increase business income and both these services have aided in alleviating poverty by

increasing household income or business income. Wijewardana & Dedunu (2018) also found that individuals in Anuradhapura have a neutral view about microfinance helping to alleviate poverty. When comparing the mean values, it was observed that entrepreneurship training is more effective in increasing business income in Anuradhapura (3.23) and micro-credit is more effective in increasing

household income in Colombo (3.40). The mean values of poverty alleviation were compared and observed that microfinance services are more effective in increasing household income or business income to alleviate the poverty in Colombo district (urban area) than in the Anuradhapura district (rural area).

Table 4: Descriptive Statistics

Variable	Anuradhapura		Colombo	
	Mean	Std. deviation	Mean	Std. deviation
Poverty alleviation	3.20	0.996	3.21	0.862
Entrepreneurship training	3.23	1.174	2.93	1.018
Micro-credit	3.24	1.082	3.40	0.878

Source: Author Compiled

Correlation Analysis

Table 5 shows the coefficient values and significance values for the relationship between dependent and independent variables. The relationship between poverty alleviation and entrepreneurship training was statistically significant at the 0.001 level, and it was shown to be positive and strong in both districts. The result was matched with previous researchers (Atiase et al., 2019; Herath, 2015; Khanam et al., 2018; Mensah & Benedict, 2010 and Navirathan, 2018) also revealed that entrepreneurship training has a significant and positive impact on poverty alleviation. Micro-credit and poverty alleviation in both districts have a strong positive relationship and it was statistically significant at the 0.001 level. These results

support the results of previous studies (Kaluarachchi & Jahfer, 2014; Sayvaya & Kyophilavong, 2015; Wijewardana & Dedunu, 2018). They also found that micro-credit and poverty alleviation have a positive relationship. But the current study's results did not agree with the previous researchers (Chathurani & Jayasinghe, 2017; Tilakaratna, 2006; Tilakaratna et al., 2005) because they revealed that micro-credit has no significant impact on poverty alleviation, and it adversely affects poor households. Based on the results of correlation analysis, the researcher can conclude that microfinance there is a strong positive relationship between microfinance services (micro-credit and entrepreneurship training) and poverty alleviation in both districts.

Table 5: Correlation Statistics

		Entrepreneurship					
		Poverty alleviation		training		Micro-credit	
		Anuradhapura	Colombo	Anuradhapura	Colombo	Anuradhapura	Colombo
Poverty alleviation	Pearson Correlation	1	1	.784**	.840**	.862**	.777**
	Sig. (2-tailed)			.000	.000	.000	.000
Entrepreneurship training	Pearson Correlation	.784**	.840**	1	1	.683**	.606**
	Sig. (2-tailed)	.000	.000			.000	.000
Micro-credit	Pearson Correlation	.862**	.777**	.683**	.606**	1	1
	Sig. (2-tailed)	.000	.000	.000	.000		

Source: Author Compiled

Multicollinearity Test

Before conducting the regression analysis, it is necessary to determine whether the independent variables are correlated or not. The researcher employed Pearson coefficients, VIF values, and Tolerance values to do this as previous studies have done (Kaluarachchi & Jahfer, 2014). Pearson coefficient values in micro-credit and

entrepreneurship training for both districts are below 0.9 indicating that both independent variables are not correlated with each other. It was observed that VIF values are less than 5 and tolerance values are greater than 0.2, indicating that there is no multicollinearity issue in the study's independent variables, and it allows regression analysis for both districts.

Table 6: Summary of Multicollinearity Test

District	Independent Variables	Pearson coefficients		VIF	Tolerance
		Entrepreneurship training	Micro-credit		
Anuradhapura	Ent. Training		.683**	1.872	.534
	Micro-credit	.683**			
Colombo	Ent. Training		.606**	1.580	.633
	Micro-credit	.606**			

Source: Author Compiled

Overall model Analysis

Before performing a coefficient analysis, it is necessary to determine whether the overall model is well-fitting. F value is higher, and it is significant at 0.05 level indicating that the overall model has a good fit for the data in both districts. Durbin Watson values are in

the range of +1 to +3, indicating that the observations were independent in both districts. The model's explanatory power (R square) shows that it explains 81.4 percent of the variance in poverty alleviation in Anuradhapura and 82 percent variance in poverty alleviation in Colombo.

Table 7: Summary of Regression Outcomes

District	Durbin Watson	R square	F value	Sig.
Anuradhapura	1.752	0.814	137.924	.000
Colombo	2.154	0.820	158.915	.000

Source: **Author Compiled**

Coefficient Analysis

According to Table 8, the entrepreneurship training regression coefficient for Anuradhapura is 0.311, and the sig value is 0.000. It shows that entrepreneurship training has a statistically significant positive impact on business income for poverty alleviation among microfinance beneficiaries in the Anuradhapura district. In the Colombo district, it also shows that entrepreneurship training has a statistically significant positive impact on poverty alleviation, resulting in a regression coefficient is .493, and the significance value is 0.000. As a result, the study rejects the null hypothesis and highlights that entrepreneurship training has a significant impact on business income to alleviate poverty. Previous scholars (Atiase et al., 2019; Herath, 2015; Khanam et al., 2018; Mensah & Benedict, 2010; Navirathan, 2018; Nawaz, 2010) agreed with the findings, demonstrating that entrepreneurship training has a significant impact on poverty alleviation and is an effective tool for poverty reduction. As per the regression results, the regression coefficient of the micro-credit is .563 in Anuradhapura and .417 in Colombo.

The significant value for both districts is 0.000. It reveals that micro-credit has a statistically significant impact on poverty alleviation in both districts. Therefore, it can reject null hypotheses and suggest that micro-credit has a significant impact on household income to alleviate poverty. When the results of the current study's coefficients were compared, it was shown that entrepreneurship training is more beneficial in increasing business income and alleviating poverty in Colombo (.493) than in the Anuradhapura district (.311). As a result of the regression analysis, micro-credit is more effective in increasing household income and alleviating poverty in the Anuradhapura district (.563) than in the Colombo district (.417). This result was highly proven by Previous researchers (Tilakarathna, 2006; Tilakarathna et al., 2005) found that micro-credit was ineffective in increasing household income to alleviate poverty in urban areas, while others (Kaluarachchi & Jahfer, 2014; Wijewardana & Dedunu, 2018) found that micro-credit was effective in increasing household income to alleviate poverty in Sri Lanka's rural areas.

Table 8: Summary of Regression Coefficient Statistics

Model	Regression coefficient		t statistics		Sig. value	
	Anuradhapura	Colombo	Anuradhapura	Colombo	Anuradhapura	Colombo
Constant	.370	.351	2.072	1.981	.042	.052
Entrepreneurship Training	.311	.493	4.926	9.132	.000	.000
Micro-credit	.563	.417	8.230	6.651	.000	.000

Source: Author Compiled

V. Conclusion

The study aimed to identify the effect of microfinance on household income to reduce poverty by focusing on two independent variables: entrepreneurship training and microcredit. According to the correlation test results, entrepreneurship training and micro-credit have a statistically significant positive relationship with poverty alleviation among microfinance beneficiaries in the Anuradhapura and Colombo districts. The researcher discovered that entrepreneurship training is more effective in household income alleviating poverty in the Colombo district (0.493) than in the Anuradhapura district (0.311). Moreover, Micro-credit is more effective on household income to alleviate poverty in the Anuradhapura district (0.563) than in the Colombo district (0.417). Due to the mixed results of regression analysis, the researcher concentrated on the mean values of poverty alleviation in both districts to determine whether microfinance services are more effective in alleviating poverty in Anuradhapura or Colombo. When the mean values of poverty alleviation (3.20 in Anuradhapura and 3.21 in Colombo) are compared, it is evident that microfinance services are more effective in alleviating poverty in Colombo than in Anuradhapura.

Managerial and Social Implications

According to the findings of descriptive statistics and regression analysis, the researcher recommended that it is important to promote microfinance services to both urban and rural areas in Sri Lanka in order to reduce the level of poverty. Further, micro-credit services should be promoted in rural areas rather than urban areas since it is more effective as per the findings. Moreover, micro-training should be promoted in urban areas rather than the rural areas in Sri Lanka.

Therefore, policymakers and government should promote and allocate more resources to microfinance services in Sri Lanka while giving more emphasis to promoting micro-credit services in rural areas and micro-training services in urban areas. The micro-finance institutions should promote micro-credit products to rural areas while micro-training facilities to urban areas.

Limitation and Further Research

Even though there are 25 districts in Sri Lanka, this study is limited to two districts, one to represent the urban areas and the other district to represent the rural area. Therefore, to overcome this weakness, future researchers can select more districts to represent the urban and rural areas of Sri Lanka. There are four types of microfinance services available in the

world such as micro-credit, micro-savings, micro-insurance, and micro-training. However, the current study is restricted to only micro-credit and micro-training. Therefore, future researchers can study the impact of all types of microfinance services and the poverty level of micro-entrepreneurs.

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