

Successful Utilization of Microfinance: Case Study in Kandy District, Sri Lanka

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Microfinance became popular after the introduction of the Grameen model by Mohammad Yunus in 1976. Over time, scope of microfinance has expanded as a result of the provision of a variety of financial services such as savings, insurance, transfer payments and micro pensions to the poor in order to enhance their access to such financial services. Out of number of factors influencing the successful utilization of microfinance influence of socio economic status of the beneficiary, institutional factors and nature of the enterprise is not clear yet. Therefore, this study explored the relationship between successful utilization of microfinance and those factors. Relevant data were gathered from a random sample of 200 microfinance beneficiaries in three divisional secretariats of Kandy district, Sri Lanka. The success and the failure of enterprises were determined based on an index. Each score of the enterprises were calculated, an enterprise having a score equal to or more than 57.5 was considered as having a successful one while an enterprise with score less than 57.5 was conceded as an unsuccessful one. Mood's Median test, Kruskal-Wallis test, Mann-Whitney tests and goodness of fit test were the descriptive statistics used in data analysis. Results revealed that, there is a positive relationship between socio economic factors and successful utilization of microfinance. Gender and Education level of beneficiary, Family size and Entrepreneurial experience of the beneficiary prior to the receipt of MF could contribute to successful utilization of MF. Cooperative behavior of microfinance institutions has motivated beneficiaries to obtain more micro credit from microcredit institutions. Moreover, factors considered have influenced the successful utilization of microfinance in the same manner on old agricultural, new agricultural and new non-agriculture enterprises while the influence of those factors on successful utilization of microfinance in old non-agricultural enterprises was relatively low.

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