

THE IMPACT OF MICROFINANCE ON POVERTY ALLEVIATION OF RURAL HOUSEHOLDS

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Microfinance has been identified as a tool of alleviating poverty. This study investigates the impact of microfinance on household income and poverty with reference to a microfinance program in Anuradhapura district, which provides broad range of financial services to its members since long time. Sixty participants and 60 non-participants were selected at random for the study from Anuradhapura district in which microfinance program is operated. Data of the study has collected by administering a questionnaire survey. Foster, Greer and Thordecke (FGT) measures of poverty and regression analysis were employed as the tools of analyzing data.

It was found that incidence, depth and severity of poverty are adverse among non-participants than participants in terms of the poverty measures. Distribution of income shows high equality among non-participants compared to participants which could be attributed to the demographic homogeneity of non-participants.

The determinants of household income of the respondents such as microcredit, land extent, age of the household head, education of the house hold head, sex of the household head, number of income earners and membership were investigated to identify factors affecting household income. Irrespective of the group, microcredit, number of income earners of the family and land extent found to be having significant effects on the household income. The results reveal that the microfinance program contributing largely in eradicating poverty and uplifting households of the area.

Key words: Microfinance, Participants, Non participants, Poverty