

# DILEMMA OF BANK OF CEYLON “*DIVI MAGA*” MICRO CREDIT PROGRAMME AND BENEFICIARY EXPECTATIONS

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Microfinance refers to provision of loans, savings, insurance, transfer services, microcredit loans and other financial products targeted at low income people. Enabling poor households to access credit and helping to begin micro entrepreneurship would increase their income flow and reduce the poverty level. The main objective of this study was to assess the performance and beneficiary expectations of “*Divi Maga*” micro credit programme under the service area of Bank of Ceylon Doramadawala branch. Fifty loan recipients were selected randomly for the study. Field data were collected by conducting a questionnaire survey. Both qualitative and quantitative techniques were employed in analyzing data. Results revealed that there is a gap between utilization of credit and the purpose of obtaining micro credit from the bank. Out of all loan recipients, 82% were females, 48% had primary education, 80% were married, 52% were permanently employed either in private or public sector and 58% had not been trained for entrepreneurship. Loan recipients belonged to the middle age category (average 44 years) with four members on average. Results revealed that 87% of loan recipients utilized their loans for domestic purposes rather than credit objectives. This was attributed to lack of regular monitoring or evaluation system, lack of real business opportunities for which the credit was obtained and poor financial literacy of loan recipients. The socio-economic attributes such as age, gender, household size, education level, marital status, income and type of training received by loan recipients contributed to the participation in micro credit programme. Regression results revealed positive and significant ( $p < 0.05$ ) impacts of age of loan recipient, education level, household income, availability of paid employment and group stability on the amount of loan expected. Based on the results, though it can be concluded that the project has produced positive benefits, the available information was not sufficient to conclude whether it has helped to achieve stated project objectives and credit expectations of beneficiaries.

**Keywords:** Loan recipients, Microcredit, Microfinance, Poverty