

Impact of microfinance on poverty alleviation in Sri Lanka: Evidence from Matale district

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Abstract

Poverty is a huge problem affecting people around the world. As a result, almost every country focuses on eradicating poverty. It also has a serious negative impact on the development of Sri Lanka. The Matale district is an administrative district inhabited by people such as low-income workers and plantation workers who are facing serious financial difficulties. Microfinance institutions that can help the poor financially are now talking to society. Poor people are more likely to shift to microfinance institutions than to conventional banks. The main aim of this study is to examine the impact of microfinance on poverty alleviation. Since there are very few studies on the effect of microfinance on poverty alleviation in Sri Lanka, this study was conducted in the Matale district to fill the gap in the literature. The four independent variables used in the study were the amount of the loan, the ability to repay, the accessibility of the loan, the interest rate and one dependent variable were poverty alleviation. In this study, the researcher is motivated to act on the basis of a deductive approach and to launch a study using primary data. The structured questionnaire was used to collect data and the results were generated from the answers obtained from 184 conveniently selected microfinance recipients in the Matale district. Data were analyzed using descriptive analysis, correlation analysis and regression analysis. The study found that microfinance has made a significant contribution to reducing the poverty levels in the Matale district. The results of this study suggest that increasing the amount of the loan extended to the poor, increasing the repayment period and lowering the interest rate on loans as much as possible can improve the living standards of the poor.

Keywords: *Micro finance, poverty alleviation, Sri Lanka.*