

IMPACT OF MICRO FINANCE ON POVERTY ALLEVIATION: CASE STUDY OF
SMALL FARMERS AND LANDLESS CREDIT PROJECT/ISURU OF RURAL
FARMING SECTOR IN PUTTLAM DISTRICT

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According to Central Bank (2007), 23 percent of Sri Lankan population lives below the poverty line whose income is mostly from agricultural activities. The depth and severity of poverty are also high because of their low human capital development and due to the limited access to other resources.

Microfinance serves as a social intermediation to the poor and it is expected to provide a means for the poor to hang on to and then climb upward with the support given to them and cross over the poverty line.

Since most of the credit schemes were unsatisfactory in performances, financial institutions are reluctant to provide credit to small borrowers especially because of the risk, high transaction cost and unavailability of collaterals. This study examines the impact of Small Farmers and Landless Credit Project (SFLCP) of Central Bank of Sri Lanka, which is operated, with the aim of providing financial assistance to the poorest of the poor. Data were collected from a randomly selected sample consists of seventy farmers using a pre-tested questionnaire. Demographic and socio economic conditions of the loan receivers were examined first. Further, the relationship of per capita income and per capita calorie intake with socio-economic variables were investigated next through a Multiple Regression Analysis. To determine the poverty level, Foster Greer & Thordecke measures were used and a 5 point Likert scale was used to determine the borrower's attitude towards this credit delivery system.

The results revealed that most of the credit borrowers are satisfactory in demographic and socio economic conditions and are able to fulfill the minimal nutritional requirements, per capita income has a positive relationship with credit obtained and per capita calorie intake per day has a positive relationship with the per capita income per day. Almost all credit borrowers are having a positive perception towards this credit delivery system. According to the study it can be concluded that, this type of credit scheme with well established institutional setup is very much beneficial to alleviate poverty among rural people in Sri Lanka.

Key words: Micro -finance, Poverty alleviation, Agricultural credit