

THE IMPACT OF MICROFINANCE ON POVERTY REDUCTION IN BADULLA DISTRICT OF SRI LANKA

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ABSTRACT

This study investigates the impact of microfinance on poverty reduction in the Badulla District of Sri Lanka. Poverty has been recognized as a strategically important issue that contributes to Sri Lanka's overall development. Microfinance is deemed one of the dominant concepts that influenced poverty reduction in Sri Lanka. The study's conceptual framework was developed through the literature, which focused on poverty reduction as the dependent variable and microfinance as the independent variable, divided into three dimensions: microcredit, advisory support, and micro-savings. All microloan holders in the district comprised the population of the study, and data were collected using a structured survey questionnaire given to the respondents. Data from 100 microfinance beneficiaries were analyzed to draw critical findings and conclusions. Data analysis was conducted using SPSS 21 version, employing descriptive and inferential statistics. The research findings reveal a significant relationship between microfinance and poverty reduction among microfinance beneficiaries in the Badulla district of Sri Lanka. According to the correlation and regression analysis findings, positive relationships between microcredit, advisory support, and micro-savings and poverty reduction were found, emphasizing the potential of microfinance programs. While microcredit and microsavings demonstrated significant impacts, advisory support, though positive, fell short of statistical significance. The statistical analysis affirms the pivotal role of microfinance, particularly microcredit and micro-savings, in addressing and mitigating poverty in Badulla District. The limitations of this study include the sample size, although representative, which may not capture the diversity of all microfinance beneficiaries in the Badulla district. This finding highlights the critical need for microfinance interventions and strategies to reduce poverty. This study provides valuable insights for financial institutions and the government to develop strategies to reduce poverty and promote microfinance services in the region.

Keywords: Micro finance, microcredit, advisory support, micro-savings, poverty reduction.