

**FACTORS CONTRIBUTING TO SUCCESSFUL UTILIZATION OF  
MICROFINANCE  
(A CASE STUDY IN KANDY DISTRICT)**

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Origin of the microfinance goes back to 1976, with the introduction of a new concept and a model by Mohammad Yunus known as the “Grameen Model”. Over time, scope of microfinance has expanded due to the inclusion of financial services such as savings, insurance, transfer payments and micro pensions in order to ensure the poor peoples' access to credit etc. Though there are many factor that contribute to successful utilization of microfinance, contribution of individual factor is not clear yet. Therefore, this study explores the linkage between socio economic, institutional and nature of the enterprise with the successful utilization of microfinance. Data were gathered from a random sample of 200 microfinance beneficiaries in three divisional secretariats of Kandy District. The success and the failure of enterprises were determined based on an index. Mood's Median test, Kruskal-Wallis test, Mann-Whitney test and goodness of fit test were the descriptive statistics that used in data analysis. Results revealed that, there is a positive relationship between socio economic factors and successful utilization of microfinance. Microfinance institutions were more cooperative in releasing credit than the commercial banks and that had motivated beneficiaries to utilize more credit. This convinces the important role that financial institutions are supposed to play as providers of microfinance. Moreover, factors contributing to successful utilization of microfinance have influenced the same way on old agricultural, new agricultural and non-agricultural new enterprises. It was found that, the influence of success factors on the successful utilization of microfinance in old non-agricultural enterprises was relatively low.

**Keywords:** Agricultural enterprises, Microfinance, Non agricultural enterprises, Success index