

**IMPACT OF MICRO FINANCE ON THE POVERTY REDUCTION IN SRI LANKA:
EVIDENCE FROM NORTH CENTRAL PROVINCE**

Poornima Gunawardane¹ & Anil Jayantha Fernando²

¹*Department of Economics, Faculty of Arts, University of Colombo, Sri Lanka*

Email: gunawardanep@gmail.com

²Senior Lecturer

Department of Accounting, Faculty of Management Studies and Commerce

University of Sri Jayewardanapura, Sri Lanka

Email: anil@sjp.ac.lk

ABSTRACT

The purpose of this research is to examine how micro finance schemes operating affect reduction lives of people living in terms of poverty reduction in Central Province of Sri Lanka. Descriptive explanatory approach is used in the study and data is collected from 100 users of micro finance selected based on convenience through a questionnaire administered. Aspects of income generation, life style change, quality of dwelling, business expansion, and improvements in health care, education of the children, consumption level and level of savings are covered to test the impact of poverty reduction.

Results of the study reveal that people perceived that micro finance helps them to reduce the level of hardship that faced. On the other hand, it is found that users of micro finance are not capable of realizing the real impact of it on their lives mainly due to poor financial literacy, lack of entrepreneurship skills, lack of guidance on use of finance in businesses. All the respondents were unaware of effective annual interest rate charged on borrowing and rather they believe that it was not that high though the case is yes.

Keywords: Micro Finance, Poverty, Lending, Borrowing, Interest Rate