

Abstract

This research paper analyses the impact of borrower specific factors on over-indebtedness of Microfinance customers with the moderating effect of religiosity in a Sri Lankan perspective. The research was carried out from a sample drawn from the areas of Hambantota, Ratnapura and Kurunegala districts. The research explores the impact of borrower specific factors which were identified after a narrative literature survey. The researcher has established that risk preference, locus of control, gender, employment, income of household, gender, House ownership, health and financial literacy as borrower specific factors on over indebtedness and religiosity as a moderator. The study found that in a Sri Lankan context the house hold over-indebtedness is around 50% of the population who has debt servicing problems. Further, the study found that risk preference of borrowers, where the male member was employed as a labourer as well as engaged in agricultural activities, households that faces minor as well as major health issues, borrowers living in rented accommodations and borrowers having mortgages in their houses had a positive relationship towards over indebtedness. Further, locus of control of borrowers, households where there is no permanent income has a negative relationship towards over indebtedness. Religiosity was found to have a a negative moderating impact on risk preference, gender, employment of husband of the household when engaged in agriculture, and minor health issues. Further, it was established that there is a positive moderating impact of religiosity when husband of the household engages in employment as a labourer, household income level between LKR. 5001-10000 towards over-indebtedness. The research established that there is no relationship between gender and age to over indebtedness. This validates the theoretical argument on power control theory of gender delinquency, that the women borrowers are under the influence of male members of the household to over borrower. The research further established that there is no moderating impact of religiosity towards locus of control, age, house ownership, towards over indebtedness. The study established the over-indebtedness level in a Sri Lankan context is at 50% of the households who has continuously struggled to meet repayment deadlines and structurally has to make unduly high sacrifices related to their loan obligations.

Key words: microfinance, power control theory, prospect theory, over-indebtedness, social identification theory, specific factors,