

## THE IMPACT OF MICROFINANCE ON THE DEVELOPMENT OF SMALL SCALE ENTERPRISE IN HAMBANTOTA DISTRICT

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Sri Lankan economy is predominantly a small and medium enterprises (SMEs) economy. SMEs have been used by the successive governments of independence Sri Lanka as an effective tool for accelerating the economic growth, reducing unemployment, income inequality and poverty (Ministry of Enterprise Development 2002). In recent times, microfinance has evolved as a major instrument to provide financial facilities to small entrepreneurs in developing and developed countries. Group-based saving and lending, easy access, and less or no collateral requirements are some of the key characteristics of microfinance on the development of Small Scale Enterprises. This study will evaluate the impact of microfinance on the development of Small Scale Enterprises in Hambantota Districts.

The structured questionnaire was the major research tool used in collecting primary data. The data and information were collected from 100 samples the researcher has selected 50 treatment groups and 50 comparison groups (incoming clients) randomly selected from three Divisional Secretariats representing all five selected microfinance institutions of *Samurdhi, SANASA, Janashakthi Bank, SEEDS and Rural Banks*. They were engaging with small and medium scale enterprises in the Hambantota District. The sample survey was conducted in Hambantota district during the three-month period, July-September 2012. Descriptive statistics, Independent T- Test, and binary logistic regression models were used for the analysis tools. On the basis of analysis, author found that, based on the 'credit plus' approach, microfinance institutions provide different kinds of financial services like micro-saving, micro-credit, micro-insurance and business development services on the development of Small Scale Enterprises in Hambantota District. In addition, selected microfinance institutions are contributed to promote self-employment and small enterprises among the poor. In addition, the economic empowerment of people who are engaging with SMEs including living standard, income and savings of the family, development of new income sources, development of family economy, purchasing of durable consumer goods, development of business/occupation, self confidence about the future, satisfaction of the utilization of loans and financial and employment security, reduce external shocks, training helped to develop new income sources and training provided helped to develop skills have been positively affected by the microfinance programmes in Hambantota district.

**Keywords:** Developmen, Micro credit t, Microfinance institutions, Small scale enterprises