



**THE IMPACT OF MICRO CREDIT PROGRAMME ON RURAL WOMEN
LIVELIHOOD DEVELOPMENT: A STUDY OF BULATHSINHALA DS DIVISION
IN SRI LANKA**

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SLJBF 06.01.05: pp. 95-110

ISSN 2345-9271 (Print)

ISSN 2961-5348 (Online)

DOI: <http://doi.org/10.4038/sljbf.v6i1.42>

Abstract

Micro credit (MC) is a financial service include under micro finance which is provide by consultative group to assist low income people. In global context, it is a very popular credit scheme among people who don't have access to formal financial services and most of them are women. However, this study tried to find the impact of Micro Credit programme on rural women livelihood development in Sri Lanka. The study conducted under main three objectives. Firstly, identify the Micro Credit client base and their intention of granting of Micro Credit loans. Then analyse the impact of Micro Credit loans on rural women livelihood development. Finally, provide suggestions and recommendations to improve effectiveness of credit programme in Sri Lanka. As the way to continue the study 50 Micro Credit women clients were selected from Bulathsinhala DS division by using simple random sampling technique. Then the data collected through structured questionnaires and interviews were analysed by using descriptive and inferential statistical analysis methods. According to the findings of the study, due to on-time & easy access to Micro Credit loans, people tend to use Micro Credit irrespective of the high-interest rate. Anyhow, Micro Credit has not helped to improve the livelihood and living standard of the rural women in the study area. Instead of that, their debtiness was increased. Reasons for that were lack of financial literacy knowledge of women and miss utilization for recover previous loan premiums and for family consumption without a proper investment plan. Therefore, the study suggests responsible authorities to create accessible credit schemes for rural women & Micro credit institutions to create evaluating & monitoring process as an after care service of loans & organize programme to improve their client's Financial Literacy knowledge to create an effective rural Micro Credit programme within Sri Lankan context.

Keywords: Livelihood Development, Micro-credit, Rural, Women, Sri Lanka

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1. INTRODUCTION

Microfinance is defined as the “provision of financial services to low-income people” by the Consultative Group to Assist the Poor (CGAP) by the Central Bank of Sri Lanka. It provides credit, savings, and other essential financial services to people who are too poor and excluded from formal financial services. The Microcredit (MC) program operates under the microfinance concept in Sri Lanka and targets to improve the living conditions of low-income people playing an active role in the economic development of the country. MC institutions are bound to enhance financial inclusion; availability & equality of opportunities to access financial services for the poor while staying sustainable.

According to the statistics of the Microfinance Barometer (2019), the majority of the world's microfinance borrowers have been people who do not have access to formal financial services and the main actors are women. Successful MC organizations can ensure the financial inclusion of small-scale women entrepreneurs as well as rural individual women and facilitate the improvement of their living standards. The majority of microcredit schemes are profit-oriented and neglect the core purpose of the MC program, which ensures the financial inclusion of the poor. There have been reports of inappropriate repayment methods and victims of those MC programs which have caused a number of suicides in Sri Lanka (Jayawardhana, 2021).

There are many successful MC programmes that have been reported in literature in different countries, while a few countries have experienced the opposite consequences. According to Vidal and Agusti (2017), MC programs are much more successful in developed countries than in developing countries. This has been explained as high-interest due to high-interest rates in repayment policies in developing countries, a lack of prior awareness about the MC program, and the poor financial literacy of rural MC clients in developing countries. Anyhow, microcredit is an effective catalyst for alleviating poverty in Bangladesh and many African countries (Njiraini, 2015). MC in Bangladesh currently provides credit access to around 13 million rural poor households. Nawaz (2010) has found that MC led to a moderate reduction in the poverty level of borrowers in Bangladesh.

However, Jayawardhana, (2021) shows that MC programs are failing day by day predominantly in developing nations including Sri Lanka. As per the investigations on the Sri Lankan MC sector by Bohoslavsky (2018), loan charges in MC institutions have been increased up to 220% of interest rates where compound interest rates are applied. This high-interest rate and inappropriate repayment methods cause to suicide causes, sexual harassment, growing numbers of protests against microfinance institutions, the establishment of associations by victims & protests campaigns against the ruthless exploitation of the Sri Lankan rural poor. There are around 200 suicide cases reported in Sri Lanka in the last two to three years due to this debt-induced distress. (Jayawardhana, 2021; Mududgamuwa, 2021)

Concerning all the above pros and cons of the MC programme, this study aims to explore the reasons for the failure of the MC programme in Sri Lanka Further,

this study aims to find out the impact of MC on rural women's livelihood development in Sri Lanka while analyzing issues and constraints of MC programme in rural areas.

The study will use a sample of rural women in the Bulathsinhala DS division in the Kalutara district. According to the Department of Census Statistics (2015), there are 4 436 poor people among 64 635 total population in Bulathsinhala DS division & its headcount index; the population proportion that lives below the poverty threshold is 6.79. In this area, a number of registered & unregistered micro-credit agencies are operating while a number of women are dealing with both agencies due to their various requirements.

The study continued with three main objectives. The first one is to identify the MC client base and their intention of granting micro-credit loans. Then it analyses the impact of MC loans on rural women's livelihood development and finally provides suggestions & recommendations to improve the effectiveness of MC programs.

2. LITERATURE REVIEW

2.1. Micro Credit and evolution of Micro credit system

Microcredit programme is one component operating under Micro finance programme. There is a deficiency in providing sufficient financial services to low-income people and thus MC has been important as an effective program for the rural poor in the developing world to alleviate poverty, enabling the poor to build assets, improve income-generating activities, and reduce vulnerability to economic stress. Accordingly, MC is supposed to assist rural poor to improve their living conditions while taking an active role in economic development. MC interest rates vary significantly between countries. The average is about 35%, in Sri Lanka it is around 17%. Small loan size is the most common reason for this high-interest rate than other bank interest rates. Operating cost is another driver for this high-interest rate. Implementation of MC is a labour-intensive business. Countries that have high operating costs in MC have a high-interest rate for their loans. When MC institutions aim to have more profit instead of improving the financial inclusion of poor people, they charge more from clients through high-interest rates. In addition to that, the country's political interventions also impact different interest rates of MC.

Sri Lankan's MC targets a client segment of nearly 2.6 million families. Amongst them, four million clients are served by the largest MC institutions, and others are served by means of thousands of other MC establishments. Few main MC establishments practitioners additionally share the view that the microcredit organization loan segment in Sri Lanka has grown to be 'fantastically' saturated (normally greater than 60%) within the final three-four years and there may be a necessity for virtual finance to decorate operational efficiency and enhance profitability.

The concept of MC is gender bias and its main target group is women since they are known to be entrepreneurially motivated by the need for survival. And even in low income communities they are identified as more reliable in repaying credits. Therefore, mainly targeting women as borrowers of MC will help to make them equal

partners in the achievement of equitable development. (Yunus, 2004). On the other hand, women are more responsible about household needs than men and therefore, they are less likely to squander borrowings, default borrowings since they highly valued their honour in community. (Edward and Olsen, 2006). This past literature shows why MC mainly targets women than men.

Muhammad Yunus is a Bangladeshi professor who is the pioneer of MC. He established Grameen Bank in 1983, believing credit is a fundamental human right. His vision was to self-support the very poorest by means of loans on easy terms. The instrument was Micro Credit: Small term loans on easy terms. Firstly, loans were provided for destitute basket weavers in Bangladesh in the mid-70s. And he was awarded the Nobel Peace Prize in 2006 for his effort to create economic and social development from below. When he was awarded, more than seven million borrowers had been granted MC and 95% of them were women or small women groups. The average amount of borrowed money was 100 dollars. Anyhow, there was a high repayment percentage (Muhammad Yunus, Grameen Bank, 2006).

MC has a long-term history in Sri Lanka. But it was reintroduced as a development strategy at the beginning of the civil war. For many years; from 1983 to 2009 Sri Lankan Northern and Eastern provinces were under the control of the Liberation Tigers of Tamil Eelam. During that time, these areas have long been economically unstable; the Poverty rate is very high; the Employment rate is very low to the rest of the country and it was linked with a low employment rate of women. Because, the majority of people were in Northern and Eastern provinces earning their livelihoods as farmers, fishermen, or in other agricultural professions. Therefore, MC was introduced to especially women in rural areas of those provinces as a development strategy to empower rural women and alleviate their poverty (Carlier, 2021).

2.2. Impact of MC on rural women livelihood development

Teng et al (2011) conducted research on the impacts of MC on local household economics. In line with the consequences of the research, MC debtors have better dwelling conditions after the use of MC due to increased earnings and assets. Further to that, the usage of MC also creates greater possibilities of employment and various types of income sources, more jobs for women, and improves children education, ladies' reputation, and family welfare. It also reduces profits inequality inside the villages. According to Razith and Nihara (2022) MC used as a development strategy to enhance the livelihoods of women as it provides micro entrepreneurs with the capital to generate more income. MC had a positive effect on household income and welfare which led to improve living conditions and opportunity to save money. The women micro entrepreneurs were able to significantly contribute to their children's education, improve the quality of meals and employment and housing conditions by using MC. The MC scheme also contributed to beneficiaries' development sustainability and local governance participation empowering rural women.

Mudugamuwa, (2021) in the article 'Sri Lanka: Microfinance debt trap: Still awaiting reprieve' mainly highlights the impact of MC on rural women. According to that, thousands of innocent women, especially in the Northern, Eastern, and North Central

provinces are victims of MC, and 2021 lost nearly 200 lives of women and from that 3 lives in the first 3 months of 2021. Therefore, the victims start protests against MC institutions all over the island and they have main 5 demands cancelling all MC loans, halting the recovery of all loans immediately until an audit is done on predatory MC, stopping all legal action taken against MC debt victims, remove them from CRIB, and establishing a financial system for women that centres around social wellbeing. And also, pointed out that, more than 2.4 million Sri Lankan women who are unable to repay their loans due to high-interest rates, have been subjected to various forms of physical and mental abuse including insults from MC institutions and debt collectors. (Mududgamuwa, 2021). According to Jayawardhana, 2021 Microfinance programs in developing countries such as Sri Lanka are failing day by day due to high-interest rates, inappropriate repayment methods, lack of awareness & lack of financial literacy programs. This leads to suicide causes, sexual harassment, protests against MC institutions, the establishment of associations by victims of MC, and protesting campaigns against the exploitation of the poor. Therefore, it is time for policymakers to formulate to warrant responsible financing before many poor steps to a deep debt trap. These are mentioned in the article of 'Microcredit in Sri Lanka: A fallen angel.

The article 'Use of microcredit for household income and consumption smoothing by low income communities' explored about the earnings, financial savings and consumption patterns and critical factors that influence the use of MC of low profits people in Sri Lanka. The research outcome confirmed that groups use MC for earnings and intake smoothing as opposed to income generating micro entrepreneurial projects. As well as, all of the respondents had previous unpaid borrowings and most of the people had taken MC to recover the previous loan premiums. In addition to that, it implies that low income human beings might also be in a vicious circle of being indebted and repeat debtors because of their lack of ability to pay MC instalments. This may threaten the capability of MC as a development strategy among low profits groups (Wickramasinghe and Fernando, 2017).

2.3. Success factors of MC

According to the 'Success factors of successful microcredit entrepreneurs: Empirical evidence from Malaysia' article, government support, education level, MC financing, and experience of MC entrepreneurs were used to explore factors that affect the success of MC entrepreneurs in Malaysia. According to the findings of the study, there were positive relationships between government support, education level, and MC financing with the success of MC entrepreneurs except for the experience of MC entrepreneurs. When MC institutions provide more financial services (credit) to entrepreneurs there were a high possibility of success for MC entrepreneurs.

There are several factors that influence the success of entrepreneurs. Among them, there is a significant impact of MC financing on the success of entrepreneurs who are previously poor. Because, it helps them to find capital to start a new business or expand an existing business while improving their betterment in terms of income, output, investment, and welfare (Kuzila, 2005).

Farhana et al, (2012) have paid interest on success factors and the potential chance of the Grameen Bank. Based on that, there are a few key fulfilment factors of Grameen Bank are innovation, strict administrative shape, version, and gaining knowledge of practice and incentive devices. Hulme & Moore (2006) found that innovation, layout, and implementation, edition, and gaining knowledge of practice, motivation, and contribution are other success factors of MC programmes. In addition, beneficial surroundings are key fulfilment elements of microfinance institutions. Consistent with Mamun (2012) innovation, design, and implementation of Grameen bank including organization-primarily based lending, the collateral unfastened lending system, peer organization monitoring gadget, and the nicely-skilled and dedicated staff of Grameen bank are the huge success factors of microfinance.

2.4. Challenges and issues in MC

There are many challenges and issues have been identified by Mokhtar1 & Ashhari (2015) using the MC programme running in Malaysia. A few issues and demanding situations associated with MC programmes are not attained by terrible people and shortage of commercial enterprise expertise and technical abilities. Lack of confidence in the terrible and excessive credit score risk that excluded them from the programme. And additionally, there's some other question as does the negative have the functionality to conduct a business while at the same time suffering with the problems to survive. Without fundamental schooling and business exposure, those institutions of humans surely do not have the skills and know-how needed to function as a business. Consequently, MC institutions want to help negative to personal fundamental necessities and positive expertise earlier than granting poor with microcredit mortgages. Hence, microcredit programmes need to be redesigned to make them more attractive and beneficial for the poor. In addition, the results determined that a maximum of the borrowers in no way attended any business control route. And the study additionally found that a maximum of the MC borrowers no longer has any technical skills that are related to their groups. Because of that, they lack self-knowledge about the importance of continuous commercial enterprise improvement (Mokhtar, 2011). Therefore, knowledge of enterprise management and related technical capabilities has to be given to all MC borrowers.

3. METHODOLOGY

The study area; Bulathsinhala is a rural DS division located in the Kalutara district. According to the Department of Census Statistics (2015), there are 4,436 poor people among the 64635 total population in Bulathsinhala DS division & its headcount index; the population proportion that lives below the poverty threshold is 6.79. As well as there is a number of registered & unregistered MC agencies operating there while almost of rural poor women are dealing with both due to limited access to formal financial services. Therefore, MC women clients in the Bulathsinhala DS division were selected as the research population.

3.1. Study sample and sample technique

As the study population is MC women clients in the Bulathsinhala DS division, the study selected one particular MC institute operating there for the ease of getting a

research sample. Then it selected 50 total women clients who are registered under that company and living in study area by using a simple random sampling technique.

3.2. Study organization

The study is associated with a particular MC institute which is registered under the Central Bank of Sri Lanka. It is a 6 years experienced licensed company which has 28 branches and deals with around 52 000 customers island-wide. The company provides 6 different types of loans such as loans for income-generating activities, for growing their existing micro business, for a house renovation, for emergency requirements, for seasonal business, and large loan sizes for carrying out existing business.

Anyhow, the Ingiriya branch is the nearest branch of that particular company to the study area. There are a few societies operating in the Bulathsisnahala DS division each having nearly 20 customers.

3.3. Primary data collection

Data needed for the study was collected by using both primary and secondary data collection methods. A semi-structured questionnaire was prepared and it was conducted in the Sinhala language for the convenience of respondents. The questionnaire consisted of 3 main parts relevant to the research objectives. Then respondents were interviewed through face-to-face interviews and telephone conversations. During interviews, the questionnaire was explained and information was noted by the researcher. Collected data were tabulated in an excel sheet for the ease of data analysis. Secondary data were collected through research articles, web pages, reports, and books that are related to the study.

3.4. Analysis of data

Collected data were analyzed through descriptive and inferential methods. Pie charts and tables were used in the descriptive analysis and the Wilcoxon sign rank test was used in the inferential analysis. As the data preparation method, reliability of collected data was tested by using Cronbach's Alpha value of Reliability test and for more reliable data it should be greater than 0.7.

3.5. Hypotheses development

Past literature of Bylander, (2015), Ghalib et al (2015), and Norwood (2011) showed that there is an influence of socioeconomic characteristics on MC for income and consumption. They highlighted awareness of MC clients. Based on those, this study also presumes that MC clients are well aware of the MC industry before borrowing money.

H1–MC clients have sufficient information about MC loans before borrowing money

Further, Keneddy (2010) suggested that women have an easy way to grant and repay MC loans. Therefore, this study also assumes that MC clients have easy access to MC loans.

H2 - MC clients have on-time and easy access to loans

According to Jayawardhana (2021), a lack of FL knowledge is a major reason for the ineffective MC programme in Sri Lanka. However, during this study, it is presumed that MC clients have sufficient FL knowledge.

H3 – MC clients have sufficient financial literacy knowledge

Past literature such as Balagobei and Aravinthakumar, (2019), Teng (2011), and Razith and Nihara, (2022) showed that MC is able to improve the income, savings, consumption, education, healthcare, and house condition of clients after using MC loans. Based on the literature, this study also assumes that MC loans impact improving clients' livelihood development.

H4 - MC loans aim & helps to improve the client's living standard

4. FINDINGS AND DISCUSSION

4.1. Socio-demographic characteristics of the MC Clients

First, this study has explored the socio-demographic characteristics of the respondents to identify the client's behaviors regarding MC. According to table 01, the majority of respondents belonged to the 40 – 50 and above 50 years' age category. Women who are in these categories may have more family expenses for children's higher studies and other activities (Salwa et al., 2013). When the husband's income is not sufficient for all, they may tend to start their own small business to cover some expenses. For the purpose of finding capital for that, they may take MC loans. On the other hand, due to these expenses, they might have trapped in some financial issues and because of that, they may tend to get MC loans while believing MC will be a miracle to release them from debt. And also, a lack of awareness about financial management and social relations may cause the majority of MC clients to fall into that age category.

Table 1: Demographic Characteristics of Respondents

Demographic variables	Most available category	Percentage
Age	>50	36%
Education level	G.C.E. O/L	54%
Occupation	Self employed	72%

Monthly income	>50 000	36%
Marital status	Married	80%
No of family members	4	48%
Duration of using MFC loans	5 or >5	74%
No of serviced institutions	5 or >5	30%

Source: Survey data, 2022

All the respondents had school education up to some extent. Among them, the majority (54%) were educated up to G.C.E. O/L. 28% of respondents were included in the primary education level category while 16% were included in the G.C.E. A/L category. However, only 2% of respondents got higher education. As it presents, the majority of clients are not well educated. The majority of clients are above 40 years old and finding well-educated women in that category was more difficult. Definitely, this low educational level may be a reason that clients are trapped with MC.

According to Table 01, mainly self-employed women tended to get MC loans. They had different micro businesses such as retail shops, restaurants, garments, plant nurseries, salons, and cake shops. Share of them shown as 74%. As well as 12% of respondents were engaged in private-sector jobs while 4% of were engaged in government-sector jobs. And there were another 12% of respondents who represented their husband's income. It means the MC women clients don't have a job. Loans are repaid by the husband's income source. Except for government sector employed clients, others are difficult to reach for formal financial services and it is also noted in World Micro Credit Barometer (2019) as the majority of MC clients are people who don't have access to formal financial services. It may be the main reason to attract more self-employed women to the industry. And it is easier for them than others to pay off weekly loans and others are earning monthly income. As well as, on-time and easy access to MC loans with less documentation and bailsmen may be other reasons for attracting all other respondents to MC loans.

Respondents of the study were coming from different economic statuses. They show a variation in their income level. Most of the respondents (36%) had an above 50 001 rupees monthly income. Almost 30% of the respondents belonged to 20 001 – 30 000 rupees income level.

4.2. Client's basic information about MC

This study further analyzed the respondents' information regarding MC. Accordingly, 74% of respondents had 5 years or more than 5 years of experience with MC. Some are using MC loans for more than 10 years. The majority of them got access to MC due to easy and quick access compared to formal bank loans. This may also lead to trapping these women in the MC loans system continuously. There were few who used MC loans very effectively.

Moreover, 30% of respondents were dealing with 5 or more than 5 MC institutions. Similarly, a similar percentage of respondents (20%) were dealing with 2 and 3 MC

institutions while 16% of respondents were dealing with 4 MC institutions. There 14% of respondents only dealt with that particular MC institute. Respondents of this study have connected with more MC institutions at once due to many reasons. There is no restriction to the number of MC institutions that can be transacted. Due to the well-spread network of MC and easy access, they can deal with any number of entities they can reach. And also, the limited amount of loans available from one institution will also lead to moving to different institutions. And the other thing some women clients had used to get credit from any other MC institutes to find loan instalments for one particular institute.

Further, this investigated the reasons for granting MC. The main purpose of obtaining MC is to start a new business, expand an existing business, and recover previous loans and family consumption. The majority (52%) of respondents used MC loans for expanding their existing businesses while 23% had taken loans for starting new businesses. There were some other respondents who used loans to repair houses, buy equipment for their husband's occupations, and continue MC societies and there were very few who took loans on behalf of others.

4.3. Respondents' Awareness, knowledge and access to MC

When analyzing the impact of MC on respondents, it is important to analyze respondents' awareness of the MC system and procedures. Respondent's awareness about the MC industry was measured by using 4 measurements such as awareness about MC institute, awareness about the interest rate, awareness about repayment policies, and awareness about non-repayment policies. According to that 92% of respondents had mentioned that they have a good awareness of MC before borrowing money. Because they had mentioned that the agent from MC would provide all the information before the MC society started, otherwise they would find out the unclear areas raising questions.

The financial literacy (FL) of MC clients is a vital determinant to measure the impact of MC. Accordingly, this study measured the financial literacy of respondents according to their ability to keep records of day-to-day business, make budgets, and knowledge of saving money. According to collected data, the majority of respondents noted that they don't have enough FL knowledge (60% and 10%). The reason for that may be their age and education level. Among the respondents, 14% of respondents didn't even have an idea about FL. About 16% mentioned that they have sufficient FL knowledge. (Jayawardhana, 2021)

Moreover, all the respondents had on-time and easy access to MC loans. It may be due to less documentation and bailsmen's requirement during granting loans. And this is the reason people tend to use MC irrespective of the high-interest rate (Keneddy, 2010).

4.4. Impact of micro credit loans on rural women livelihood development

The impact of MC loans on rural women's livelihood development was analyzed under a few dimensions. This study analyzed whether these MC loans have an impact

on their income, investment, living condition, and debts and finally explored their perception of MC.

4.4.1. Impact on respondent's income, investment, and living condition

Based on the research findings, the majority of the respondents (52%) mentioned that their income, investment, and living conditions have not increased by MC loans. Another 28% of respondents noted that there is no change in income, investment, and living conditions after using MC loans. Only 2 percent of respondents had experienced a positive impact on their income, investment, and living condition due to MC loans.

In context to the respondents' debts, 44 % of respondents have increased their debts after using MC loans while 36% of respondents did not have any impact on their debts due to MC loans. Meanwhile, 10 per cent of respondents have reduced their debts by using MC loans. Moreover, 80% of respondents stated that MC was not affected by their livelihood development.

The major reasons for that are miss utilization of loans and lack of financial literacy knowledge. Poor financial literacy causes misutilization of loans for non-income-generating activities. Respondents also revealed that the acquired loan amount was not enough to invest and was enough to run the day-to-day business. Some have obtained loans for others. Thus there is no impact of MC loans on their livelihood development.

In this study, respondents mainly have misused their loans to recover previous loans & family consumption. Since women are more sensitive and responsible for family nutrition, children's education, and their other needs (family consumption) in a family, there was a tendency of utilizing MC loans for family needs. In addition, they have utilized one MC loan to pay interest for a previously obtained loan. This has become a critical factor to mislead the MC programme in Sri Lanka (Wickramasinghe and Fernando, 2017).

This study used nonparametric analysis to test the research hypothesis. The study hypotheses were tested by using Wilcoxon signed rank test. When the tested value is greater than the table value (1.96) the study can reject null hypotheses or if not the study can retain null hypotheses.

H₁: MC clients have sufficient information about MC industry before borrowing money

Table 2: Availability of sufficient information about MC

Variables	P	Test Value	Decision
Awareness about institution	0.000	6.788	MC clients have well awareness about MC institution before borrowing money

Awareness about interest rate	0.000	6.788	MC clients have well awareness about loan interest rate before borrowing money
Awareness about repayment policies	0.000	6.788	MC clients have well awareness about repayment policies of institution before borrowing money
Awareness about non repayment policies	0.000	6.788	MC clients are well aware about non repayment policies of institutions before borrowing money.

Sig > 0.05

Source: Author's on data (2022)

According to table 02, four sub-hypotheses were tested whether they have sufficient awareness of MC institutions, the interest rate of MC loans, repayment, and non-repayment policies. According to hypothesis testing, there is sufficient awareness of the aforementioned aspects for MC clients before borrowing MC loans.

H2 – MC clients have on-time and easy access to microcredit loans

Table 3: On-time and easy access to microcredit loans

Sub variable	P value	Test value	Decision
Access on MC loans	0.000	6.450	MC clients have on time access on MC loans

Sig > 0.05

Source: Author's on data (2022)

According to Table 03, all the respondents perceived that they have on-time, easy access to MC sub hypothesis was tested whether they have sufficient awareness of MC institutions, the interest rate of MC loans, and repayment and non-repayment policies. According to hypothesis testing, there is sufficient awareness of the aforementioned aspects for MC clients before borrowing MC loans.

H3:MC clients have sufficient financial literacy knowledge

Table 4: Financial literacy knowledge of the MC clients

Sub variable	P value	Test value	Decision
Financial literacy knowledge of clients	0.000	- 4.194	MC clients don't have enough financial literacy knowledge.

Attention of MF institutions to improve clients FL knowledge	0.000	- 6.286	MC institutions don't pay enough attention on improving financial literacy knowledge of their clients.
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Sig > 0.05

Source: Author's on data (2022)

As table 4 shows, null hypotheses were rejected. It means MC clients don't have enough financial literacy knowledge and MC institutions don't pay enough attention to improving the financial literacy knowledge of their clients.

H4 - MC loans aims & helps to improve rural women livelihood

Table 5: MC loans aims & helps to improve rural women livelihood

Variables	P value	Test value	Decision
Improvement of income	0.000	- 1.089	MC loans doesn't impact on improving income of their clients
Improvement of investment	0.000	- 1.089	MC loans doesn't impact on improving investment opportunities of their clients
Improvement of living standard	0.000	- 1.404	MC loans doesn't impact on improving living standard of their clients
Change of clients perception about MC loans	0.000	0.630	MC loans doesn't impact on changing clients positive perception on MC industry
Increase of clients debttness	0.000	- 2.148	MC loans impact on increasing client's further debttness

Sig > 0.05

Source: Author's on data (2022)

According to table 05, except for one variable (Debttness), all other null hypotheses were not rejected and proved that MC loans don't impact improving clients' income, investment opportunities, living conditions, and positive perception. Instead of that their debts were increased.

5. CONCLUSION

According to the study, MC clients are people who don't have access to formal financial services. In MC it doesn't require more documents or bailsmen while dealing with clients and this is the reason for attracting more and more women to the industry irrespective of its high-interest rate. Mainly middle age or above middle age women and self-employed women have engaged in MC. Therefore, they mainly took

loans to start new businesses or expand their existing businesses. Moreover, before borrowing MC loans clients had enough information about the credit institution and loan scheme.

According to the study findings, MC didn't impact improving the client's income, investment, or living conditions. Instead of that their debts increased. The identified reasons for that were miss utilization and lack of FL knowledge of clients. These two are bound together. Although they took loans to start or expand businesses, actually they spent them to recover previous loans or family consumption. A lack of FL may cause that miss utilization. Because, FL means the ability to understand and effectively use various financial skills including personal financial management, budgeting, and investing. As the study shows the majority of MC clients didn't have enough FL knowledge and MC institutions didn't pay attention to improving clients' FL knowledge. Because of that, they didn't have an idea about how to keep records in day-to-day business operations and how to invest in MC loans. Therefore, miss utilization of loans is happening. The loan amount is increased even if income doesn't increase. In some cases, some women take MC loans to collect weekly MC loan installments. Then numbers of weekly loan installments are increased. When these are happening again and again women are trapped here unknowingly and build a negative perception of the MC industry. (Bylander, 2015; Gerry and LI, 2010; Seefeldt, 2015). This is what happens to the Sri Lankan MC industry.

Therefore, through the study, MC clients suggest increasing FL knowledge of clients, increasing loan amounts, reducing the interest rate, reducing loan instalment and cutting off non repayable loans with the intervention of the government.

6. RECOMMENDATIONS

MC programmes can be effectively used to alleviate poverty among rural people, empower women empowerment and improve living standards. There are issues in both institutional and client contexts in Sri Lanka. This study draws a few study recommendations to make an effective and fruitful MC industry within Sri Lankan context.

Responsible authorities should pay attention to creating accessible credit schemes for rural women. Already there are credit schemes introduced to rural women or small women entrepreneurs by government or private sector institutes. But there may be some problems in awareness or distribution of them. Because of that people may be attracted to MC loans since it has time and easy access and a well-distributed MC network. Therefore, any responsible institute should take necessary actions to make comfortable loan schemes for women entrepreneurs or victims of MC.

As well as, MC institutions can create evaluation & monitoring processes as an aftercare service for loans. Then they can clearly understand how clients consume the loan and the ability to repay forward-like things. It helps to avoid miss utilization and reduce taking loans from many institutions.

In addition to that, MC agents can pay attention to improving the FL knowledge of clients. Because lack of FL knowledge is a core reason for failure the MC industry in Sri Lanka (Jayawardhana, 2021). They can arrange awareness sessions, and training programmes to sustain within the industry while improving clients' living standards.

7. LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

The study only used 50 respondents from one particular MC institution. But there are a number of MC institutions operating in the study area and a number of women clients are dealing with them. Therefore, the accuracy of the research conclusion might be limited for the whole context. For future research studies, it is recommended to have a more accurate sampling selection technique with a large sample size than this study.

And also, improvements in the living standard of clients were not measured deeply. So, future researchers can study the impact of MC on clients' living conditions with more explanatory variables.

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