

The Impact of Micro Financial and Non-Financial Services on the Productivity Growth of the Microenterprises in Sri Lanka

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The microfinance is a financial tool which was introduced by small thrift societies in villages to help poor people who were at work in various business and agricultural activities, which has become a modernized system of provisioning of financial and non-financial assistance to the low income groups and small enterprise which are now otherwise termed as "Microenterprises". These microenterprises play a big role to boost the economy of a country. There are large number of microenterprises operating in Sri Lanka but most of them are less privileged of proper financial, technical and educational assistance. The less studies have been conducted to ascertain the impact of micro financial services on the productivity growth of the enterprises. Thus, the objective of the study is to ascertain impact of micro loans, advisory and training services provided by such institutions on the productivity growth of the microenterprises. Sixty microenterprises in Homagama DS division operating on such loans and assistance were selected as a sample. The primary data were collected through questionnaires by interviewing the enterprises. The paired sample t-test, multiple regression, chi-Square test, Gamma and Kendal tau-b tests were used to achieve the expected objective. The findings of the study proved that microloan, advisory and training services create positive impact on the productivity growth on the microenterprises. Majority were satisfied with financial related assistances and agreed that loans were fair enough for the expected goal. The conclusion of the study proved that financial and non-financial micro services create a positive impact on the productivity growth of the microenterprises. It is observed that microfinance institutions should develop their product diversification in the financial services and security mechanism from the government for the industry to operate in legal and regulatory environment.

Key Words: Growth, Microenterprises, Microfinance