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A STUDY OF FACTORS AFFECTING ON MICROFINANCE LOAN REPAYMENT WITH REFERENCE TO SEEDS INSTITUTE

By

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(5266FM2009114)

A research submitted to the University of Sri Jayewardenepura in partial fulfillment of the requirements for the Degree of Master of Business Administration

DECLARATION

The work described in this thesis was carried out by me under the supervision of Dr.Pivithuru Janak Kumarasignha and a report on this has not been submitted in whole or in part to any university or any other institution for another Degree/Diploma.

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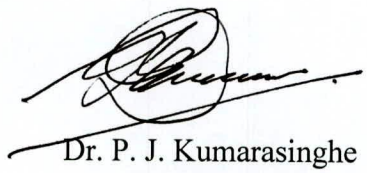
CERTIFICATION

I certify that the above statement made by the candidate is true and that this thesis/research is suitable for submission to the University for the purpose of evaluation.



Dr. P. J. Kumarasinghe
Research Supervisor
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ABBREVATIONS

ADB	Asian Development Bank
CAGR	Compound Annual Growth Rate
CBSL	Central Bank Sri Lanka
CGAP	Consultative Group to Assist the Poorest
CRBs	Co-operative Rural Banks
CSR	Corporate Social Responsibility
GDP	Gross Domestic Product
GNP	Gross National Product
GTZ	German Association for Technical Cooperation
HIES	Household Income and Expenditure Survey
HNB	Hatton National Bank's
INGOs	International Non Government Organization
LDCs	lesser developed countries
LOML	Lanka Orix Microcredit Limited
MFI	Micro Finance Institute
MPCSs	Multi-Purpose Co-operative Societies
MRSA	Microfinance Regulatory and Supervisory Authority
NBFCs	Non-Banking Finance Companies
NGO	Non Government Organization
NNDP	United Nations Development Programme
PAR	Portfolio at Risk
RDBs	Regional Development Banks
RRDB	Regional Rural Development Banks

SBSs	Samurdhi Bank Societies
SEEDS	Sarvodaya Economic Enterprises Development Services
SHGs	Self-Help Groups
SPARC	Society for Promotion of Area Resource Centres
SPSS	Statistical Package for Social Sciences
TCCSs	Thrift and Credit Co-operative Societies
UNDP	United Nations Development Programme
VO	Village Organizations

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A Comprehensive Study of Factors Affecting on Micro Finance Loan Repayment

By

R G S Thilanka

ABSTRACT

With the emergence of microfinance a whole new chapter has begun by giving loans to the so called "poor" who is not i n a position to transact with the normal financial institutional mechanisms. It has become a "social business" in many developing countries especially in the South Asia. Although microfinance has a social purpose, it also needs to be sustainable.

In this context the researcher gave an attempt to identify the factors affecting microfinance repayment. The study was carried out with three main objectives namely factor identification, analysing the relationship of socioeconomic factors to repayment and proposed possible strategies. To achieve this four main hypotheses, their respective independent variables are tested against the repayment status. A sample of 264 respondents was used for the statistical analysis. The population has been clustered into three main districts of Matara, Galle and Hambantota. The method used for the analysis is the binary logistic regression model.

The findings of the data is categorized under four main sections of determinants, socioeconomic, group, loan and intuitional. The determinants , marital status, formal educational level, average monthly income ,business record keeping, percentage of loan increment, belongings , number of members in a group , loan officer's visits, proximity

and interest rate have been identified as significant to the repayment status. The study concludes that socioeconomic factors were the most influential determinants in payment.