



**A study on formal financing issues of SMEs  
(with reference to Medadumbara divisional secretariat area)**

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## **ABSTRACT**

Small and medium enterprises sector is playing a vital role in Sri Lankan economy by providing employment opportunities and adding industrial value. Considering the practical situations and previous researchers' findings it can observe that accessing formal financing critical barrier to SMEs sector development. Hence the study is intending to identify formal financing issues of SMEs in Medadumabara Divisional Secretariat area in Kandy District. The study population is having 155 manufacturing SMEs and 5 formal finance providers in particular area. As a sample, 50 SMEs selected and whole 5 formal finance providers selected as sample. The results were indicated reasons for SMEs towards to informal finance sources and reasons for issues in accessing formal finance sources. Furthermore other issues of SMEs identified, it is indicated that SMEs looking to informal finance sources due to that mainly complex system of the formal financing.