

## **An Empirical Study on Factors Affecting on the Microcredit Demand in Agriculture Sector (Special Reference to Kurunegala District)**

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Microcredit is one of the empowerment tools that have the potential to the agriculture sector and change the life of farmers from a situation of abject poverty to a more dignified life. At present, farmers face many problems when borrowing microcredit loans and there are many factors that affecting on the demand for microcredit. Kurunegala district accounts for the highest microcredit loan demand and agricultural loans borrowed from other loan schemes in the last three years. Finding what factors affecting on the microcredit demand in the agriculture sector in Kurunegala district seems important and this research design to understand the drives of microcredit demand for the agriculture sector. Accordingly, the objective of this study was to ascertain the determinants of the demand for microcredit in Kurunegala district from the perspective of microcredit consumers. A total of 100 microcredit consumers were selected from the Kurunegala district using convenience sampling technique. The primary data analysis was done using SPSS software. Simple regression with dummy variables was applied to determine the influence of the demographic factors. The results of the study indicated that the respondents mostly subscribe to agricultural credit products and then credit products that focused on developing agriculture activities. The results further illustrated that income level of microcredit holders, financial literacy and information availability had a significant influence on the microcredit demand of the consumer. Gender and employment status were non-significant to the microcredit demand. Financial literacy and information availability were positively correlated with the microcredit demand. Findings suggested to educate the farmers on loan acquisition process and to implement private-public integrated policy in Kurunegala district to effectively handle the agricultural loans.

*Keywords:* Agriculture loans, Financial literacy, Credit worthiness, Credit awareness microcredit demand