

**STUDY ON IMPACT OF SERVICE QUALITY OF
FINANCING MODES ON PREFERENCES OF SMALL
INDUSTRIALISTS
(WITH SPECIAL REFERENCE TO KURUNEGALA DISTRICT)**

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**Study on Impact of Service Quality of Financing Modes on
Preferences of Small Industrialists
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Key words: Formal financing, Informal financing, Service quality, small industrialists' preference

Abstract

In Sri Lanka, as well as in other developing countries, small industries are considered important because they play a vital role in developing the regional economies and thereby in enhancing the living conditions of the people in the region; small industrialists in Sri Lanka are believed to use both formal and informal financing facilities in meeting their financing needs. With a sample of 80 small industrialists selected from 10 divisional secretariats in Kurunegala district, the researcher collects first hand information from them in order to assess the impact of service quality in financing modes on financing preferences of small industrialists. Further, it is supported by an extensive literature survey and a vast amount of information from numerous secondary sources.

An analysis of the current situation reveals that the informal financing sector is more popular than the formal financing sector in terms of the factors efficiency, communication, recovery, price, accessibility, procedures and flexibility. However, in terms of courtesy and personal attitudes, the formal financing sector is found to be more popular than the informal financing sector. The most important factor affecting financing preferences of small industrialists in the formal financing sector is communication while the most important factor affecting financing preferences of small industrialists in the informal financing sector is courtesy.

When the findings are considered, it is revealed that the relationship between service quality and preference is stronger in the informal financing sector than in the formal financing sector. All in all, it can be concluded that the informal financing sector is more attractive to small industrialists than the formal financing sector.

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