

## **Does the Service Quality of Financing Modes have an impact on the Financing Source Preferences of Small Industrialists? The Case of Kurunegala District**

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Small industries are considered important in any economy for generation of employments, contributing to the growth of GDP, embarking on innovations and stimulating of other economic activities. Small industrialists in Sri Lanka are believed to use both formal and informal financing facilities in meeting their financing needs. With a systematically selected sample of 80 small industrialists from 10 divisional secretariats in Kurunegala district, the first hand information and data were collected 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. Both descriptive statistics and inferential statistics were used to analyse data. 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. The study concludes 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.

Key words: Formal financing, Informal financing, Service quality, Small industrialists' preference