



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

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ABSTRACT

Microcredit is one of the empowerment tools that has the potential to the agriculture sector and change the life of farmers from a situation of abject poverty to a more dignified life. microcredit is can be used as an essential economic tool which assists the poor in setting up or to expand their income generating activities relating to on farm activities in rural areas. In present, Famers face in many problems when borrowings microcredit loans and factors affecting to demand for the microcredit.

Objective of this study is to ascertain the determinants of the demand for microcredit in Kurunegala district from the perspective of microcredit consumer. 100 microcredit consumers were selected from Kurunegala district using convenience sampling technique as the sample. The primary data analysis was conducted using SPSS software and simple regression with dummy variable was applied to determine the influence demographic factors to the microcredit demand. Significance determinants were found out among several dimensions and regression equation was estimated to forecast the microcredit consumer using significance determinants. The coefficients of simple linear regression and the P-values were used for the evaluation and statistical significance of variables in the model estimated. Results of the study indicated that the respondents mostly subscribe agricultural credit products and then credit product that focused on developing agriculture activities.

The results illustrated five determinants. Such as income level of microcredit holders, financial literacy & information availability had significant influence on the microcredit demand of the consumer. Gender and employment status was non-significant to the microcredit demand. Financial literacy and information availability was positively correlated with the microcredit demand. The findings also reveal for the study concluded to educate the farmers on loan acquisition process & private-public integrated policy is needed to implement in Kurunegala district to effectively handle the agricultural loans.

Key words: Agriculture loans, Financial literacy, Credit worthiness, Credit awareness Microcredit demand.