

Impact of Microfinance Services on Growth of Micro Small and Medium Scale Enterprises (With Special Reference to Micro Small Medium Scale Enterprises in Kalutara District)

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Micro, Small and Medium Scale Enterprises (MSME) sector has been identified as an important strategic sector to create economic and societal sustainability in Sri Lanka. The sector is playing vital role in economic growth, regional development, employment generation and poverty reduction in emerging economy of Sri Lanka. The Micro Finance Institution (MFI) have been developed the variety of services to assist the financial and non- financial needs of the entrepreneurs including credit, saving, leasing, insurance facilities and training programs. The research developed to address knowledge gap which was raised from literature. Therefore objectives derived to explore the impact of microfinance services on growth of MSMEs and explore the impact of micro credit, micro savings, and training on growth of MSME. Further study explores the effect of mediator on growth of MSME through Microfinance services. Sample has been derived from Kalutara district and 100 numbers of respondents have been selected through the random sampling method. Primary data has been collected and administered through questionnaire. The data were analysed using descriptive analysis, correlation coefficient analysis, Regression analysis, Baron and Kenny mediator analysis method and Sobel test. The findings revealed the positive relationship between Microfinance services and growth of MSMEs. Mediator analysis and the Sobel test identified that experience level partially mediate the relationship between the microfinance services and growth of MSMEs. Study recommends to government implement different tax policies for this sector, increase the investment on infrastructure in rural areas and this enable MFIs to maintain lowest rate of interest, increase their outlets in rural areas and to deliver more effective on training programs in order to empower the MSMEs in Sri Lanka to achieve long term sustainability in Sri Lanka.

Keywords: Micro finance services, Micro small and medium scale enterprises, Entrepreneurs, Micro credit