

IMPACT OF MICROFINANCE ON LIVING STANDARDS OF POOR PEOPLE IN THE RURAL SECTOR: EVIDENCE FROM NORTH CENTRAL PROVINCE IN SRI LANKA

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In a broader sense, microfinance, especially for needy people, has now been identified as a trap that engulfs all poor's belongings as a means of interest that charge on the loan they obtained. Poor people often penalize from traditional financing due to the demand for high repayment credibility and stipulated guarantees. Consequently, microfinance became more popular among the poor in the country. However, microfinance in Sri Lanka to eradicate poverty seems to lead to many economic and social problems. Accordingly, this study aimed to explore how microfinance makes people more and more insufficient in North Central Province. The objective was reached via five directional hypotheses through 325 random samples in North Central Province. The study divulged that microfinance activities related to releasing loan amount, interest rate calculation, loan repayment procedures and socially perceived factors where malpractices are possible, leading to lower living conditions of microloan holders in North Central Province. Accordingly, proper investigation before grant loans, giving awareness to people about interest rate calculation, loan repayment procedures would help them eliminate the unnecessary burden of microfinance.

Keywords: *Microfinance; Living standard; Poverty*
