



**ADEQUACY OF THE PREVAILING LEGAL AND
REGULATORY FRAMEWORK OF THE MICROFINANCE
INDUSTRY IN SRI LANKA TO IMPROVE THE LIVING
STANDARD OF LOW-INCOME COMMUNITIES**

by

ASIRINIE WANNIARACHCHI

The dissertation submitted to

**GENERAL SIR JOHN KOTELAWALA DEFENCE
UNIVERSITY
SRI LANKA**

In partial fulfillment of the requirement for the award of the degree

Of

Master of Laws

PERMANENT REFERENCE

05th September 2022

ABSTRACT

Microfinance is an important sector of the Sri Lankan economy that targets low-income communities and contributes to the country's economy. However, the lack of a proper regulatory mechanism is a great challenge when addressing the enhancement of Microfinance businesses in Sri Lanka. The country has only one piece of regulation, the Microfinance Act No 06 of 2016, which is inadequate to address the problems faced by the low-income communities and thereby create setbacks in economic growth. This study is based on doctrinal analysis, which involves a comparative analysis. The study compares and contrasts Bangladesh and Chinese Microfinance legal and regulatory frameworks, considering considerably effective systems to uplift the Microfinance economy in developing regions. The significant finding of this study exhibits that the Microfinance sector in Sri Lanka fails to consider the value of the Microfinance industry for poverty alleviation and uplift of the well-being of low-income communities and instead focuses on profit earning. In addition, high competition among service providers has worsened the problem. The study concludes that there is a need for comprehensive legislation to enhance the Microfinance industry in Sri Lanka while addressing the shortcomings and challenges faced by such sectors.

Keywords: - Microfinance, Economic Growth, Low-Income Communities, Service Providers, Poverty