

**REGULATING MICRO-FINANCE INSTITUTIONS IN
SRI LANKA; RECOMMENDATIONS FOR LAW MAKERS**

by

J A DINUSHA CHATURANGA JAYASINGHE

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ABSTRACT

J A Dinusha Chaturanga Jayasinghe

Faculty of Graduate Studies,

Sir John Kotelawala Defence University

Sri Lanka

Microfinancing plays a vital role in the financial systems of most of the jurisdictions around the world. It provides the financial services which have been aiming and providing to the clients who are excepted from the conventional financial systems. In the existing system Microfinance Institutions have provided financial service to the number of citizens who were once considered as 'Un-bankable' by way of a tradition, because of their lack of credit history and the surety. However, it is doubt whether the ultimate objective of microfinancing is achieved or not due to the conduct of the Microfinance Institutions. Some argued that there is a regulation lapse when compared to other financial institutions such as Commercial Banks and Non-Bank Financial Institutions. In Sri Lanka, the main legislation which governs the microfinance sector is Microfinance Act, No. 6 of 2016. This dissertation mainly focuses on the salient features of the Act. Further, the laws of several peer countries i.e India, Bangladesh, Malaysia, and Philippines have been studied and the views of the general public on regulating Microfinance Institutions have been obtained. By analyzing the primary and secondary data the author has come-up with several recommendations for law makers which can be incorporated in microfinance regulation targeting a proper and strengthened regulatory process.

KEYWORDS: Microfinance Institution, Microfinance, Central Bank of Sri Lanka, Financial Sector Regulations