

**THE IMPACT OF MICRO CREDIT ON ENTREPRENEURS'  
SUCCESS AND FAILURES: A COMPARATIVE STUDY  
BETWEEN SUCCESS AND FAILURE CASES  
IN NATHTHANDIYA DIVISION**

By



**KALUHATH KARUNATHILAKA WEDA VIDANELAGE DEEPIKA  
MADHUBHASHINEE**

(EU/IS/2014/MS/81)

(MS 1731)

A Project Report

**Submitted to the faculty of Commerce and Management, Eastern University,  
Sri Lanka as a partial fulfilment of the requirement of the Degree of  
Bachelor of Business Administration (BBA).**



Project Report  
Library - EUSL

**Department of Management  
Faculty of Commerce and Management  
Eastern University, Sri Lanka**

**2019**

## ABSTRACT

This research study find the impact of micro credit on entrepreneurs' success and failures in Nattandiya Division and also find entrepreneur success and failure (ESF) in Nattandiya Division and find out the relationship between Set loan condition (LC), Financial Literacy level (FL), education level (EL), Gender difference (GD), Experience (E) and the skill development (SD) with the entrepreneur success and failure in Nattandiya Division. In Sri Lankan context, there is so far lack of research has been conducted concerning the impact of micro credit on entrepreneurs' success and failures. This research study plan to examine that problem and fulfil the empirical gap the impact of micro credit on entrepreneurs' success and failures.

Therefore the aim of this study was to analyse existing relationship between Set loan condition and entrepreneur success and failure, relationship between financial literacy level of entrepreneur and entrepreneur success and failure, relationship between entrepreneurs' education level of entrepreneur and entrepreneur success and failure, significance variance between gender difference and entrepreneur success and failure, relationship between Experience and entrepreneur success and failure, relationship between skill development and entrepreneur success and failure, impact of micro credit entrepreneur and entrepreneur success and failure in Nattandiya Division. Structured questionnaire was used as the method of data collection and 75 success entrepreneurs and 75 failure entrepreneurs as sample. Convenience sampling method used to make the sampling frame of the study and snow ball technique used to identify the respondents.

Quantitative research approach used for this study and the data were analysed using correlation and regression analysis. Correlation result indicated that the micro credit entrepreneur's factors and entrepreneur's success have positive relationship. And also regression result indicated that significant positive impact among the micro credit entrepreneur's factors and entrepreneur's success. As a result of this study, principals must give the positive relationship between micro credit entrepreneur's factors and entrepreneur's success.

**Keywords:** *Loan Condition, Financial Literacy, Education Level, Gender Difference, Experience, Skill Development*

## TABLE OF CONTENT

|  |             |
|--|-------------|
| <b>ACKNOWLEDGEMENT</b> .....                             | <b>i</b>    |
| <b>ABSTRACT</b> .....                                    | <b>ii</b>   |
| <b>LIST OF TABLES</b> .....                              | <b>ix</b>   |
| <b>LIST OF FIGURE</b> .....                              | <b>xii</b>  |
| <b>ABBREVIATIONS</b> .....                               | <b>xiii</b> |
| <b>CHAPTER -1</b> .....                                  | <b>1</b>    |
| <b>INTRODUCTION</b> .....                                | <b>1</b>    |
| 1.1 Background of the Study .....                        | 1           |
| 1.2 Problem Statement / research gap .....               | 3           |
| 1.3 Research Questions .....                             | 4           |
| 1.4 Objectives of the Study .....                        | 5           |
| 1.5 Significance of the Study.....                       | 6           |
| 1.6 The Scope of the Study.....                          | 6           |
| 1.7 Chapter Organization .....                           | 6           |
| 1.8 Summary.....   | 7           |
| <b>CHAPTER -2</b> .....                                  | <b>8</b>    |
| <b>LITERATURE REVIEW</b> .....                           | <b>8</b>    |
| 2.1 Introduction.....                                    | 8           |
| 2.2 Entrepreneurship .....                               | 8           |
| 2.2.1 Entrepreneurs.....                                 | 8           |
| 2.3 Microfinance .....                                   | 8           |
| 2.4 Microfinance Institutions Products and Services..... | 9           |
| 2.6 The Factors Affected to the Microcredit Demand ..... | 10          |
| 2.7 Micro Credit and Business Success .....              | 11          |
| 2.8 Loan Condition .....                                 | 12          |
| 2.8.1 Interest Rates.....                                | 12          |

|  |           |
|--|-----------|
| 2.8.2 Lending Policies.....                            | 13        |
| 2.8.3 Loan Amount .....                                | 14        |
| 2.9 Financial Literacy.....                            | 14        |
| 2.10 Education Level .....                             | 15        |
| 2.11 Gender Difference .....                           | 16        |
| 2.12. Experience .....                                 | 18        |
| 2.13. Skill Development.....                           | 18        |
| 2.14 Chapter summary .....                             | 20        |
| <b>CHAPTER -3.....</b>                                 | <b>21</b> |
| <b>CONCEPTUALIZATION AND OPERATIONALIZATION.....</b>   | <b>21</b> |
| 3.1 Introduction.....                                  | 21        |
| 3.2 Conceptualization.....                             | 21        |
| 3.3 Operationalization .....                           | 22        |
| 3.4 Indicators .....                                   | 22        |
| 3.5 The Conceptual Framework .....                     | 22        |
| 3.6. Microcredit.....                                  | 23        |
| 3.7 Set Loan Condition .....                           | 24        |
| 3.8 Literacy Level .....                               | 24        |
| 3.9 Gender Deference.....                              | 24        |
| 3.10 Experience .....                                  | 25        |
| 3.11 Skill Development.....                            | 25        |
| 3.12 The Key Indicators Dimension and Indicators ..... | 25        |
| 3.13 Summary.....                                      | 29        |
| <b>CHAPTER – 4.....</b>                                | <b>30</b> |
| <b>RESEARCH METHODOLOGY.....</b>                       | <b>30</b> |
| 4.1 Introduction.....                                  | 30        |
| 4.2 Research Philosophy .....                          | 30        |

- 4.3 Research Approach ..... 31
- 4.4 Research Strategies ..... 31
- 4.5 Methodological Choice ..... 32
- 4.6 Time Horizon ..... 32
- 4.7 Research site / Area Selection ..... 32
- 4.8 Population of the Study ..... 32
- 4.9 Sampling Techniques ..... 33
- 4.10 Sampling Framework and Sample Size ..... 33
  - 4.10.1 Sample Size ..... 33
- 4.11 Method of Data Collection and source ..... 33
  - 4.11.1 Primary Data ..... 34
  - 4.11.2 Secondary Data ..... 34
- 4.12 Research Instrument ..... 34
  - 4.12.1 The Rational for Questions ..... 34
- 4.13 Sources of Measurements ..... 35
  - 4.13.1 Method of Measured of Demographic Information ..... 35
  - 4.13.2 Indicators and Attributes of Demographic Information Scale ..... 35
  - 4.13.3 Method of Measuring Research Information ..... 37
  - 4.13.4 Scale for Statement in the Questionnaire ..... 37
- 4.14 The Pilot Study ..... 37
  - 4.14.1 Details of respondents ..... 38
  - 4.14.2 Result of the reliability test ..... 39
- 4.15 Validity and Reliability of Instrument ..... 40
- 4.16 Unit of data analysis ..... 41
- 4.17 Method of data analysis ..... 41
- 4.18 Method of data evaluation ..... 41
  - 4.18.1 Mean ..... 41

|   |           |
|---|-----------|
| 4.18.2 Standard deviation .....   | 42        |
| 4.18.3 Decision rule for microcredit an entrepreneur in Naththandiya Division. .... | 42        |
| 4.18.4 Correlation Analysis .....   | 44        |
| 4.18.5 Correlation analysis criteria.....   | 44        |
| 4.18.5 Regression Analysis and Evaluation.....                                      | 44        |
| 4.19 Data Presentation .....  | 45        |
| 4.20 Ethical Consideration .....  | 45        |
| 4.21 Chapter summary .....  | 45        |
| <b>CHAPTER -5.....</b>  | <b>46</b> |
| <b>DATA PRESENTATION &amp; ANALYSIS.....</b>  | <b>46</b> |
| 5.1. Chapter Introduction.....  | 46        |
| 5.2. Validation of the Measurement.....   | 46        |
| 5.2.1. Validity Test.....   | 46        |
| 5.2.2. Reliability Test .....   | 46        |
| 5.3. Frequency Analysis.....  | 47        |
| 5.4 Data Presentation .....   | 48        |
| 5.4.1 Data Presentation and Analysis of Personal Information .....                  | 48        |
| 5.4.2 Data Presentation and Analysis of Research Information .....                  | 64        |
| <b>5.5 Testing Hypotheses.....</b>  | <b>71</b> |
| 5.5.1 Testing Hypotheses 1 .....  | 71        |
| 5.5.2 Testing Hypotheses 2.....   | 72        |
| 5.5.3 Testing Hypotheses 3 .....  | 72        |
| 5.5.4 Testing Hypotheses 4 .....  | 72        |
| 5.5.5 Testing Hypotheses 5 .....  | 72        |
| 5.5.6 Testing Hypotheses 6.....   | 73        |
| 5.6 Chapter Summary.....  | 73        |
| <b>CHAPTER -6.....</b>  | <b>74</b> |

|  |           |
|--|-----------|
| <b>DISCUSSION.....</b>   | <b>74</b> |
| 6.1 Introduction.....  | 74        |
| 6.2 Discussion of Personal Information .....   | 74        |
| 6.2.1 Gender .....   | 74        |
| 6.2.2 Marital Status.....  | 74        |
| 6.2.3 Benefitting from the Micro Finance Institute Analysis of the Respondents             | 75        |
| 6.2.4 Loan Applied Percentage of the Respondents.....                                      | 75        |
| 6.2.5 Loan Required Period Analyses of the Respondents.....                                | 75        |
| 6.2.6 General Impact of the Existing Micro Finance Institute on the Business Analyses..... | 75        |
| 6.3.7 Business Type Analysis of the Respondents.....                                       | 76        |
| 6.3.8 Business Continuing Period Analysis of the Respondents .....                         | 76        |
| 6.3.8 Age.....   | 76        |
| 6.3.9 Educational level .....  | 77        |
| 6.3.10 Income level Analysis of the Respondents .....                                      | 77        |
| 6.4 Discussion of Research Information .....   | 77        |
| 6.4.1 Discussion for Objective .....   | 77        |
| 6.5 Findings from Hypothesis Testing .....   | 81        |
| 6.4 Chapter Summary.....   | 82        |
| <b>CHAPTER -7.....</b>   | <b>83</b> |
| <b>CONCLUSION AND RECOMMENDATION.....</b>  | <b>83</b> |
| <b>7.1 Introduction.....</b>   | <b>83</b> |
| 7.2 Conclusions.....   | 83        |
| 7.2.1 First Objective .....  | 83        |
| 7.2.2 Second Objective .....   | 84        |
| 7.2.3 Third Objective.....   | 84        |
| 7.2.4 The fifth objective.....   | 84        |

|  |            |
|--|------------|
| 7.2.5 The sixth objective.....           | 84         |
| 7.2.6 The seventh objective .....        | 85         |
| 7.3 Contributions of the Study.....      | 85         |
| 7.3 Recommendations .....                | 85         |
| 7.4 Limitations of the Study .....       | 86         |
| 7.5 Suggestions for Future Studies ..... | 86         |
| <b>LIST OF REFERENCES.....</b>           | <b>87</b>  |
| <b>APPENDIX –I.....</b>                  | <b>95</b>  |
| <b>APPENDIX – II.....</b>                | <b>107</b> |