

A STUDY ON THE IMPACT OF DEBT RECOVERY STRATEGIES USED BY MICRO FINANCE INSTITUTIONS: EVIDENCE FROM SABARAGAMUWA PROVINCE

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Industry observations denoted a contemporary issue in recovering the loans provided by Micro Finance Institutions (MFIs'). Thus, a comparative study has been conducted, focusing on analysing and understanding the current strategies that are being used by MFIs' to deal with non-performing loans. Further, the study focus on suggesting suitable debt recovery strategies that can be adopted by MFIs'. The data is gathered primarily based on in-depth interviews and questioners. Seven MFIs' were selected from the population based on the nature of the ownership of MFIs'. The gathered data was dropped down and analysed by using thematic analysis which direct with cross case synthesis, pattern of matching technique, and rival explanations and also according to four analytical techniques of Yin, R. (1984). The study revealed that the debt recovery generates the major revenue for MFIs' which assures the sustainability of the MFIs', while allowing them to cater to another set of poor in that area. However, the post bad-debt recovery strategies that are being used by MFIs' currently such as recovery from savings or guarantors' income, reminders, promise register and legal actions are less result oriented. Ultimately, the findings denoted that, pre-debt recovery strategies such as a high quality formal and informal pre-lending customer screening process, enhancement of skills of the field officers, who's given with the responsibility of assuring the feasibility of the customer and portfolio tracking after the disbursement of the loan, enhancement of social capital among the group network system by providing business development services, improving financial literacy of customer can make a huge influence of the loan repayments which is possibly minimizes the default risk of non-performing loans.

Keywords: *Micro Finance Institutions, Debt Recovery Strategies, Non-Performing Loans*