

ABSTRACT

Microfinance has been functioning as a mode for financing poor people for three decades. There is a widely accepted belief that microfinance can influence the life of poor people. Some studies have proved its positive impact in increasing income. However according to some studies it has a mixed impact on income. Some scholars have observed the negative impact of microfinance. Most of the time what is anticipated by us is the social effect from microfinance rather than the financial effect. Education is one of the decisive factors for social and economic development. Education is directly connected with human capital. The concept of human capital has been considered as a factor for economic development since the 1950s. People are deprived of education as a result of poverty. Since microfinance is considered as a poverty reducing tool, reasonable expectations are placed on microfinance and its positive impact on education. Outside Sri Lanka many studies have been carried out which have revealed the positive and negative impact between education and microfinance. However not many studies have been instigated in Sri Lanka and most of them did not focus on micro finance and education. Being a country which has on the one hand a hundred years of microfinance history and on the other hand seventy years of free education system, studies should have been initiated focusing on education and microfinance. This study is concerned with household education expenses. Due to quality issues in the free education system, most of the households are compelled to rely on private tuition. In addition to tuition, school transport hire and expenditure for text books are the other major education expenses. As a result of time and resource constraints and due to some MFIs not being allowed to collect savings from the public, this study is focused on micro credit and education expenses. A considerable amount of participants had more than one type of education expenses. While the tuition fees expenses are the most common among them, it is a common expense even among other people of the country who are not microfinance clients. In this study we have revealed that some participants are depending only on business. Other households are doing jobs or are involved in other income generating activities in addition to the business. Micro credit has more significance for affecting education expenses in situations like the households depending only on business.