

# **CHALLENGES OF ISLAMIC MICROFINANCE IN SRI LANKA; WITH SPECIAL REFERENCE TO COMMERCIAL CREDIT- HEAD OFFICE**

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**Abstract:** Islamic Microfinance has been identified as an important tool in increasing the productivity of poor and help to economic development. The main objective of this study is to empirically analyze the challenges of Islamic Microfinance in Sri Lanka. Thus Islamic Microfinance of Sri Lanka also faces remarkable challenges while growing fast in the nation. This is because of lack of financial techniques and human resources. The purpose of this research is to investigate serious challenges of Islamic Microfinance in Sri Lanka. Therefore, this study examines the impact of selected challenges in Islamic Microfinance and it is practiced by Commercial Credit. A qualitative study is carried out which include personal interview, questionnaire and secondary data materials. Questionnaires are dealing with selected challenges in Islamic Microfinance. The target population for this study considers the staff of Commercial Credit Head office. A simple random sampling technique is used to select the respondents surveyed for this study. For data statistical analysis, the researcher applied statistical package for Social Science (SPSS) 16.0 computer software package under which person Coefficient, Coefficient of determination and Regression analysis were calculated to analyze data. This study is identified the challenges of Islamic Microfinance in Sri Lanka. Findings indicate that there is a significant positive relationship between selected challenges in Islamic Microfinance from the sample point of view. The study recommends for Islamic Microfinance staff working in market needs adequate training, motivate the staff, use the latest technological systems, government must invest in supportive financial infrastructure and appropriate Shari'ah supervisory board. This research reveals that staffs at Commercial Credit have perceptions that the selected challenges are impacted on practices of Commercial Credit.

**Keywords:** Microfinance, Commercial credit, Challenges, Shari'ah View