

**THE IMPACT OF BANK LOAN ON SME's IN SRI LANKA
SPECIAL REFERENCE TO LANKAPUTHRA DEVELOPMENT
BANK**



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ABSTRACT

Business Development Loans and advances in Lankaputhra Development Bank aims at country's economic growth depict clear-cut differences between a government development bank and a normal commercial bank as Loan scheme designed to assist new and existing businesses at concessionary rates and terms that support the economic growth of the country. Since Sri Lanka economy has been growing, the question arises whether this trend is applicable in the context of LDB's SME's growth with given loans. The study mainly aims at evaluating the LDB's loans on SME's organizational sales growth (OSG) in Sri Lanka. The key findings of this study shows as follows. The study based on the primary data gathered through a questionnaire survey along with the personal interview from a sample of 380 client respondents who represented 10% of the entire population of LDB's SME loan acquired clients in Sri Lanka and descriptive methods has been adapted to analyze the data.

Findings of the study has been given in that current distribution of credit can be identified as highest rank with respect to manufacturing (MAL) and agriculture and fisheries (AFL) and moderate level of distribution can be seen with respect to tourism (TOL) while other sectors such as traders (TRL), construction (COL), financial and business services (FBL) and other services (OSL) are identified as lower distribution by Lankaputhra development bank in Sri Lanka. Moreover, impact of loans and advances on SME's business performance is identified strongly. Further, it concludes that TOL is the most critical sector impacted toward higher growth. Finally, this study recommends that more credit distribution has to be allocated for highly impacting sector.

Key words: *SME Loans, Organizational Growth*

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