

EXECUTIVE SUMMARY

In Sri Lanka rural poverty ratio was recorded as 60 percent in 1950 and it has reduced to 9.4 percent by 2009/10. Further, national poverty ratio had been reduced from 26 percent in 1990 to 8.9 percent by 2009/10. Successive governments had followed a number of strategies such as enactment and implementation of Land Development Ordinance, implementation of redistribution policies including free health and free education as well as provisions of food subsidy and micro-finance for the poor. They had largely contributed for the achievements in poverty reduction. In the present scenario, micro-finance is being used widely as a strategy for poverty alleviation all over the world. The Samurdhi programme- a major poverty alleviation programme of the government- use micro-finance strategy under the Samurdhi Bank Unions which was implemented from 1996 onward under the Article 5 (d) of the Samurdhi Authority Act Number 30 of 1995.

This study was conducted in Kalutara, Kurunegala, Batticaloa, Anuradhapura, Monaragala, Ratnapura, Vavuniya and Jaffna districts with the objective of performance evaluation of the Samurdhi Banks and to identify issues and difficulties faced by both beneficiaries and officers related to service delivery. The total sample was 547 including the Samurdhi Bank customers; Samurdhi beneficiaries and non-beneficiaries and officers.

As revealed by the survey, around 20 percents of the Bank customers are non-beneficiaries. Of the total customers, 12.8 percent (61) were former Samurdhi recipients. However, of them only 41 percent had returned their subsidy due to improvement of family income. Fifty percent of the bank customers mentioned that they did not face any problem related to service delivery. The positive features of the Samurdhi Bank include low interest rate for credit, customer could repay the loan installment and deposit money through filed level SDO without visiting the bank, improvements in banking habits, cooperation and affability of staff, creating job opportunities through credit for income generation activities, improvement of family income as well as social networks. Social insurance scheme which was implemented under the micro-finance programme is another major positive point for the poor.

There are also some weak points in the Bank programme. First, though the Samurdhi Authority of Sri Lanka (SASL) issued the same circulars and direction for the Banks all over the country, in many occasions these directions specially decisions on maximum loan amount and collateral were implemented in different ways even within the same Divisional Secretariat Division (DSD). Second, the Authority had adopted blanket approach in implementing the rules and regulations without concern for specific conditions in different areas. Third, weak point was the non-implementation of proper, systematic and regular evaluation system for the officers. Fourth, Initial

and maximum loan amount was not sufficient when compared to the present situation. Fifth, theoretically sound but practically difficult conditions were applied for many customers. Those were problems such as need to maintain regulated proportion of group and share accounts to apply for a loan. Sixth, was not paying enough attention of the Samurdhi Banks on youth and other marginalized groups such as widows and differently abled people. With regard to the whole Samurdhi programme poor targeting was another major weakness.

The decentralization of decision making power, increase of initial and maximum loan amount, proper, systematic and regular evaluation system for officers, introduction and implementation of rating system for small groups, village societies, bank unions, ensuring the delivery of circulars on time and adaptation of modern technology by officers are the main suggestion given by research team towards more efficient and effective service delivery. In the mean time, officers suggested that there should also be a loan scheme for them facilitated through the Samurdhi Banks.