

**RARE**

# HOW SUCCESSFULLY LINKAGE PROGRAMS CAN REACH THE POOR IN SRI LANKA

## THE CASE OF Sarvodaya Economic Enterprise Development Services (GTE) LTD - PLAN SRI LANKA- PEOPLE'S BANK MICROFINANCE PROJECT AT POLPITHIGAMA

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THE FACULTY OF COMMERCE AND MANAGEMENT STUDIES  
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# **How successfully Linkage programs can reach the poor in Sri Lanka**

## **The case of SEEDS - Plan Sri Lanka- People's Bank Microfinance Project at Polpithigama**

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### **Abstract**

The formal financial sector may achieve financial sustainability but little outreach to poor clients. In consequence of that a vast potential of financial access for the poor is declining leaving an underserved low income market. The lack of Strategic Partnerships become a marked problem in turn affect on achieving the targets of reaching absolute poor as well as on sustainable financial soundness. This research investigates the importance of establishing a proper symbiotic relationship between Commercial Banks and Other Microfinance institutions in best delivering Micro Credits by an efficient utilization of their strengths in connection with Social engineering and sound institutional capacity. The aim of this research was to investigate the potential of improving poor people's access to formal financial services by banks' and NGOs' within the experience SEEDS GTE LTD- Plan Sri Lanka EEG- Bank Linkage Program .Meantime to investigate the value addition to the SEEDS\_ Plan Sri Lanka linkage program to ensure its successful growth. Also the study focused on investigating NGOs role in keeping with reaching poor, the prospects for sustainability and finally the contribution extended by donors and government. The unit of study is the Microfinance pilot project of SEEDS GTE LTD – Plan Sri Lanka- Peoples Bank. This was launched at Polpithigama, Kurunegala District covering 126 villages via 41 GNDs. The study used the case study method to come up with generalized findings and interpretations. The case is analyzed according to the contribution in extending financial and other services to the poor. Therefore program was analyzed with respect to the areas viz., Member growth, quality of services, Sustainability and the success of reaching poor, within the Microfinance evaluation framework proposed by Elizabeth Rhyne. Both primary and secondary data was gathered .Secondary Data was gathered from annual reports, other specific publications and historical data records .Primary data was collected through semi-structured interviews with selected key informants in SEEDS, Plan Sri Lanka and people's Bank. Study reveals that SEEDS – Plan Sri Lanka pilot project has formed 105 EEGs achieving 43.75% progress which is lagging behind the target of 240 EEGs during the first year. The project contributed in getting poorest of the poor in to the stream by reaching 52% of members which is also



lagging behind the targeted amount of 90%. It is recommended to keep partnerships among NGOs, Government and Banks by harmonizing financial as well as non financial services in meaning full manner to successfully reach the poor. NGOs must play a crucial role in group formation, nurturing SHGs in the pre – Micro enterprise stage, capacity building and enhancing credit absorption capacities. SHGs are identified as suitable forum of channeling services viz., health, literacy, legal, social awareness etc to the target group. Study reveals that in today's context banks are still having a vested interest in lending poor under a sustainable Microfinance delivery system. They believe that the only competitive advantage in formation of a successful SHG model is the strong 'Credit Plus' approach. The study further recommends the efficiency; and quality of training rendered by individuals to be enhanced. Also it emphasizes the importance of applying strong PWR to reach poorest of the poor and Continues assessment of feedback from the groups and other related parties. Banks view SHGs as viable marketing channels for future banking business. One of the major findings of the program is that strong conscious of managing delinquency through out the program. It is recommended to cultivate strong conscious of managing delinquency, the duration of staying members continuously with the group. NGOs must develop the capabilities of bankers on SHG promotion since the NGOs have enough accumulated expertise.