



**Lanka Microfinance
Practitioners' Association**

ANNUAL REPORT 2013

Vision

A “Dynamic & Sustainable Microfinance Sector for an Inclusive Financial System in Sri Lanka”

Mission

To “contribute to the development of sustainable and effective microfinance service by, supporting all the stakeholders in the sector and creating a conducive environment through collective action in an effective and efficient manner”.

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Message from the LMFPA President



On behalf of the members of LMFPA it gives me great pleasure to deliver the President's message for the 8th year celebration of the Association.

Year 2013 was indeed a challenging one for many microfinance practitioners who were earnestly expecting a regulatory framework for the sector. During this year LMFPA shifted its focus a lot on bringing the proposed Microfinance Act being implemented. The latest draft had incorporated much of the feedback from LMFPA and positive reception was found from majority of stakeholders of the sector and it was also approved by the Cabinet to be presented to the Parliament during the course of the year. LMFPA also addressed all the members of Parliament and stakeholders through its publication "Microfinance for Development & Equity" highlighting the importance of a prudential regulatory system and held many discussions with the regulators and politicians both government and opposition yet the enactment of Microfinance regulation still seems elusive. However, the delay in policy decision making should not deter our relentless service of uplifting the low income segment of the population.

With the view of improving the microfinance sector operations, LMFPA had discussions with several organizations during the year which would later translate into successful programmes in 2014. Discussions with Insurance Board of Sri Lanka were held to promote micro insurance in the sector. LMFPA also had discussions with the Institute of Chartered Accountants to implement accounting standards for the microfinance industry. And also there were discussions with HelpAge Sri Lanka to promote the services of microfinance to the senior citizens of the country.

LMFPA greatly appreciates the financial assistance rendered by Plan Sri Lanka in organizing several Training of Trainer programmes on Financial Competency and & Life Skills Improvement which were held in Colombo, Ratnapura and Matara. The programmes were focused as a balanced approach to see the social, economic and environmental factors through the lens of financial value and was positively received by all the participants..

I take this opportunity to convey my sincere appreciation to our members, stakeholders, partners, board of directors and staff for their continued dedication and support towards the successful sustainability of LMFPA every year.

S.W. Kiriarachchi
Hony President – 2013/2014

Corporate Information

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Tel: + 94 11 4367621, 4369612

Fax: +94 11 2827109

Email: info@lankamicrofinance.com

Web: www.microfinance.lk

Legal Form: Re-registered under the Companies Act no.7 of 2007 Registration no- GA 136

Auditors: M/s Ernst & Young Chartered Accountants

Secretaries: RNH Holdings (Pvt) Ltd

Bankers: Commercial Bank of Ceylon PLC

The Board of Directors



Mr. S. W. Kiriarachchi
- Hony. President

Mr. Kiriarachchi is the Chairman of Agro Micro Finance and a Director of Agromart Foundation and has vast experience in Microfinance and community development fields. Mr. Kiriarachchi has immense hands-on experience in administration, agriculture, human resource management with his career in the public sector. He is a Retired Secretary who served as secretary to the Chief Ministry and Ministry of Agriculture, Lands, Irrigation, High ways, Local Government, Transport, Industries, Housing and Construction, etc. He also held the posts of Chairman Wayamba Development Authority, Passenger Transport Board Machinery Authority, Industrial Service Bureau, Human Resources Development Authority and Wayamba Training Institute. Mr. Kiriarachchi also served as the President of LMFPA in the years 2010 and 2011 and his wide experience and knowledge in Microfinance and administration had given the LMFPA an unprecedented driving force to move forward with dignity.



Mr. Imran Nafeer
- Hony. Secretary

Mr. Imran Nafeer is a Director of Muslim Aid Micro Credit Company and has experience and exposure both local and international level as a Microfinance consultant in various aspects including Social Performance Management, Research & Product Development, Islamic Microfinance and Micro Insurance. He is an accredited trainer of CGAP and Frankfurt School of Finance & Management. Recently he was awarded as a certified Social Auditor from CERISE France on behalf of LMFPA. He holds an Honours Degree in B. Com. (Marketing) Special from the University of Sri Jayawardenapura. He obtained Post Graduate Qualifications in Marketing from Chartered Institute of Marketing (UK) and in International Relations from Bandaranaike Centre for International Studies (BCIS). He also serves as a lecturer in the Microfinance Diploma course by the Institute of Bankers of Sri Lanka (IBSL).



Ms. Samantha Udayangani
- Hony. Treasurer

Ms. Samantha Udayangani holds a BBA (Special) from University of Colombo. She is an Associate Chartered Accountant of the Institute of Chartered Accountants of Sri Lanka. Since starting her career as an Accounts Trainee at KPMG, Chartered Accountants in 2005, she was promoted as a supervisor, Senior supervisor and Assistant Manager Audit. She has over seven years audit exposure through handling financial statement audit in various sectors. Currently she serves as Head of Accounts at BRAC Lanka Finance PLC (BLFP). Before joining BLFP she served as Chief Accountant in BRAC Lanka (Guarantee) Limited. Currently she is reading for MBA Finance at University of Colombo.



**Mr. Wasantha
Gunawardena**
- Hony. Vice President

Mr. Wasantha Gunawardana is the Manager of People's Microfinance Ltd since 2010. He started his career as a Resident Project Manager of Berendina Foundation and later joined Lakjaya Microfinance Ltd as Head of Operations.

He has over 22 years of experience in the Microfinance sector as a practitioner and trainer.



**Ms. Suseema
Jayathilake**
- Hony. Asst. Secretary

Mrs. Suseema Jayathilake is the Secretary of Temperance Youth Club of Sri Lanka which is a regional based microfinance institute in Sri Lanka. She is an experienced microfinance practitioner and Human Resource Development trainer. She has worked extensively in the grassroots level and has more than 13 years of experience in participatory rural development. She has a professional qualification certificate course in micro finance conducted by Distance Learning Center Colombo.



Mr. P. A. Adikari
- Director

Mr. Adikari served more than 23 years as an Administrative Officer and Accountant at the Sri Lanka Paddy Marketing Board. He was also the General Manager of the Farmer Product Marketing Organization in Badulla for 4 years. He is the Founder Member of the Uva Govijana Kendraya started in 1995 and is currently holding the Chief Executive position there.



**Mrs. Rohini
Samarasekara**
- Director

Mrs. Samarasekara is the Coordinator of Gampola Udalalatha Prajashakthi Development Foundation which is a regional based microfinance institute in Sri Lanka. She is an experienced microfinance practitioner and a rural development trainer. She has extensively worked in the grassroots level and has more than 20 years of experience in participatory rural development and among others; she has obtained professional qualifications through Certificate courses in Rural Development conducted by University of Sri Jayawardhanapura.

Mr. Fonseka is a Graduate from the University of Charleston WV USA in Business Administration and a Post Graduate Diploma Holder in Business Administration from PIM-SUJ and a former President PIM alumni association. He also holds a Diploma in International Trade Shipping and Logistics and a certificate in Micro Finance.



Mr. Ramesh Fonseka
- Director

Mr. Fonseka has over 10 years hands on experience in MFI and currently holds the post of AGM-MIS/Compliance at Prime Grameen Micro Finance Ltd. Prior to it he has held many coveted posts as Deputy Director at Grameen Micro Finance Ltd and Senior AGM Ceylinco Grameen Automobiles Ltd. He started his career as a Factory Executive at Anglo Asian Supermarkets Ltd and became one of the youngest Regional Managers at Bata Shoe Company (Ceylon)Ltd. Prior to joining the Ceylinco Group in 2004 he held the post of Marketing Manager E.S.F. International Forwarders.

Mr. Nayagam is the Executive Director of Vision Fund Lanka since 2007 and has acquired in-depth knowledge in microfinance through overseas training and international experience. He served at Hatton National Bank as the Deputy General Manager (Operations) prior to joining Vision Fund Lanka and has over 35 years experience as a professional banker. He was trained in commercial and retail banking in Deutsche Bank AG, Germany and in restructuring Industrial Enterprises at the Bank of America Washington DC. He has also followed senior residential management programs in the National University of Singapore, and Ashridge Management School in London. He is a member of the Chartered Institute of Management London (MCIM) He also serves on several other boards and committees.



Mr. Prince Nayagam
- Director

A Director of Berendina Microfinance Institute (Guarantee) Limited (BMI), Mr. Atapattu was also the Chief Executive Officer – Sarvodaya Rural Enterprises Development Services (REDS), Deputy Managing Director of Sarvodaya Economic Enterprises Development Services (Guarantee) Ltd. He has conducted assignments nationally and internationally and has presented research papers on Microfinance at conferences and workshops held in Sri Lanka as well as abroad. He holds a B. Sc. (Agric), Post-graduate Diploma in Economic Development and a Masters in Business Administration (MBA) – University of Lincoln – UK. He is an expert in Microfinance and Business Development Services for SME's. His international exposure and networking is of great value to LMFP.



Mr. Anura Atapattu
- Director

Dr. Sunil Liyanage is CEO of CB Lanka Microfinance since January 2010. He holds Bsc(Agriculture), Msc (Forestry) MPhil and PhD. He also holds post graduate diplomas/Trainings from University of Georgia USA, University of Phillipine and ICRAF Kenya. He started his career as an Assistant lecturer and later joined the government sector as a senior executive. He has 20 years experiences in the government sector ending as Director-technical of DWLC.



Dr. Sunil Liyanage
- Director

He has over 13 years experience in the microfinance sector. He is a CGAP trainer and also AIM-City Microfinance Trainer. He is a Boulder certified Microfinance Management professional. He has followed several programs related to microfinance including Market Research for Microfinance Product Development, Microfinance Management certificate program, Participatory Wealth Ranking and Microfin. He also followed TOT programs in ILO-ITC on Small business management and value chain development. He was also trained at Cody Institute of Canada on Rural Microfinance Management He also conducts business planning process using GOPP and LFA tools.

He worked as Director-Training and Director-Enterprise Services of SEEDS from 2000 to 2008. Prior to joining CBLM, he was attached to NECDEP project as Senior Consultant.

He has attended many international symposium and TOT programs and travelled over 35 countries and gained lot of experiences in microfinance and SME development sectors.

A founder member of LMFPFA, Mr. Bisowela Gunasekara has previously served the LMFPFA as Treasurer, Secretary and Manager. He is a Journalist by profession. He is also an experienced banker since 1968 and has worked at People's Bank and Seylan Merchant Bank. In 1977 Mr. Bisowela started his Microfinance career through a Children's Savings Programme with the help of Sarvodaya movement. During this period he was working for Sarvodaya movement and with the guidance of its chairman Dr. A. T. Ariyaratne he was able to start SEEDS (GTE) Ltd and for 13years served in its Advisory panel.



**Mr. Bisowela
Gunasekara**
- Director

He also served in the advisory panel of Sewalanka Foundation and pioneered its microfinance programmes and managed the organization's community mobilization programmes. At the same time he served at the Arthacharya Foundation microfinance initiatives and served as one of the directors of the board.

Presently Mr. Bisowela is the Chairman and Managing Director of Sustainable Appropriate Projects Co. Ltd (SAPCO) and Community Based Microfinance Institution Network (CBM IN). He is also the Director and Treasurer of SIYB Association of Sri Lanka (ILO)

Mr. Keerawella holds a B. Com. (Special) Degree from the University of Sri Jayawardenapura. He also holds an Advance Certificate in Banking & Finance from the Institute of Bankers of Sri Lanka and is an Intermediate of Chartered Accountancy (ICA).



**Mr. Kapila
Keerawella
- Director**

Mr. Keerawella was nominated to the Board of Directors representing the Sri Lanka Savings Bank Ltd (SLSB) which is a licensed specialized bank fully owned by the government of Sri Lanka.

Mr. Keerawella is presently working in the capacity of Senior Manager - Credit Services of SLSB covering Microfinance, Commercial credit, Leasing and Hire purchase and Recoveries. He brings with him a wealth of knowledge in the Finance and Banking industry for more than 13 years in Finance Company, Commercial Bank and specialized bank categories.

He counts vast experience in Corporate and Project finance, Bank operations, Real estate and Property development, Leasing and Hire purchase, SME Banking and Microfinance.



**Mr. A. Senthuran
- Director**

Mr. Senthuran is the Director of Centre for Livelihood Credit Management Services which is a Northern Province microfinance institute in Sri Lanka. He holds a B.Com (Finance) Degree and Post Graduate Diploma in Conflict Resolution – University of Colombo. He is an experienced microfinance practitioner and trainer.

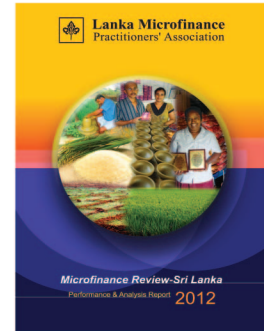
Our Members

- 01 Agro Micro Finance
- 02 Akmeemana Women's Development Society
- 03 Arthavida Intermediary Ltd
- 04 Asia Asset Finance Ltd
- 05 Berendina Microfinance Institute (Gte) Ltd
- 06 Brac Lanka Finance PLC
- 07 Care Investments (Pvt) Ltd
- 08 Central Finance PLC
- 09 Centre for Livelihood Credit Management Services
- 10 CB Lanka Microfinance
- 11 Centre for Human Development
- 12 Colombo District Business Development Co-op Society
- 13 Commercial Credit and Finance PLC
- 14 Development Facilitators (Pvt) Ltd
- 15 Dr. S. P. Premaratne
- 16 Deshodaya Development Finance Company Ltd
- 17 Dumbara Micro Credit Company
- 18 Eclof Lanka (Gte) Ltd
- 19 Eksath Lanka Subasadaka Padanama
- 20 Etimos Lanka (Pvt) Ltd
- 21 Gampola Udapalatha Prajashakthi Foundation
- 22 Graduate Investment Ltd
- 23 Habaraduwa Participatory Development Foundation
- 24 Hambantota Women's Development Federation
- 25 IDEAs Consultancy (Pvt) Ltd
- 26 Janatha Microfinance (Pvt) Ltd
- 27 Lak Jaya Microfinance Ltd
- 28 LOLC Micro Credit Ltd
- 29 Muslim Aid Micro Credit (Gte) Ltd
- 30 OpenArc Systems Management (Pvt) Ltd
- 31 People's Microfinance Ltd
- 32 People's Rural Development Association
- 33 Praja Shakthi Padanama –Galagedara
- 34 Pragathi Sewa Foundation
- 35 Prajashakthi Eksath Sangamaya
- 36 Prajashakthi Sanwardana Padanama – Pathahewaheta
- 37 Prime Grameen Microfinance Ltd
- 38 Puttalam District Isuru Development Company
- 39 Rajarata Praja Kendraya
- 40 Rajarata Sahabageethwa Sanwardana Padanama
- 41 Rajeeda Holdings (Pvt) Ltd
- 42 Sabaragamuwa Child Development Federation
- 43 SANASA Development Bank Ltd
- 44 South Asia Partnership Sri Lanka
- 45 Sareeram Sri Lanka National Foundation
- 46 SEEDS (Gte) Ltd
- 47 Saviya Development Foundation
- 48 Senkada Micro Credit Company Ltd
- 49 Sewalanka Community Financial Services Limited
- 50 Silvereen Micro Credit Company Ltd
- 51 SIYB Association of Sri Lanka
- 52 Sri Lanka Business Development Centre
- 53 Sri Lanka Savings Bank
- 54 Stromme Micro Finance Asia (Gte) Ltd
- 55 SAPCO
- 56 Temperance Youth Club of Sri Lanka
- 57 INDECOS
- 58 Uva Govijana Kendraya
- 59 Vision Fund Lanka Ltd
- 60 Women & Child Development Foundation
- 61 Y GRO Ltd
- 62 Yes Foundation
- 63 YMCA Batticaloa

Major Activities during 2013/2014

Microfinance Review – Sri Lanka: Performance & Analysis Report 2012

For the 3rd consecutive year LMFPA completed its annual publication titled “Microfinance Review Sri Lanka: Performance & Analysis Report”. The publication will serve as a sector overview as it includes data of major stakeholders in the industry irrespective of LMFPA membership. It is the LMFPA’s expectation that this publication, like its predecessors will enable our stakeholder organizations to enhance their visibility for effective advocacy on issues affecting the growth and expansion of the micro-finance industry.



Translation of the Universal Standards of Social Performance Management (USSPM)

Developed through broad industry consultation, the Social Performance Task Force (SPTF) Universal Standards for Social Performance Management are a set of management standards that apply to all microfinance institutions pursuing a double bottom line. Meeting the standards signifies that an institution has strong social performance management (SPM) practices. To achieve this, an MFI must:

1. Define and monitor social goals
2. Ensure, board, management and employee commitment to social goals
3. Treat clients responsibly
4. Design products, services, delivery methods and channels that meet clients’ needs and preferences
5. Treat employees responsibly and
6. Balance financial and social performance



LMFPA was entrusted by Microfinance Centre Poland to translate the USSPM manual into Sinhala and Tamil. The translations were duly completed and distributed to all the members of LMFPA. The translations were also posted on the LMFPA website.

Participation in the Asia Conference on Financial Inclusion and Financial Literacy

Several senior officials from LMFPFA were invited to the Asia Conference on Financial Inclusion and Financial Literacy organized by the Central Bank of Sri Lanka in collaboration with the Commonwealth Secretariat on the 19th and 20th March 2013. The objective of the conference was to provide a comprehensive knowledge on principles and best practices of financial inclusion fostering financial literacy programmes and share experiences among participants in this respect.

Enabling Dialogue in Trincomalee

LMFPFA extended its outreach in organizing Enabling Dialogues by organizing one in Trincomalee on 3rd May 2013. The theme was on the Universal Standards for Social Performance. Around 40 participants were present for the programme which was sponsored by Plan Sri Lanka.



Partnership with CEPA on research study

The Centre for Poverty Analysis (CEPA) partnered with LMFPFA to conduct a research study on female entrepreneurs' access to financial services. This study which is sponsored by the World Bank purposes to build more knowledge with a gender perspective and facilitate cross regional lesson learning and dialogue that can influence change among in-country stakeholders. This is the first research conducted by LMFPFA which will greatly benefit microfinance practitioners in product development and market penetration giving special attention to women empowerment and female entrepreneurship. The objectives of this study were to:

- Identify constraints as well as approaches that have enhanced female entrepreneurship and productive use of finance in Sri Lanka
- Present actionable recommendations that can be integrated in development operations which will include technical design elements based on best practices, implementation and target mechanisms, suggested approaches and guiding principles that can be used by development practitioners during design and implementation of such development projects.
- Dissemination materials and activities that will primarily target development practitioners. Efforts will also be made to target policy makers in Sri Lanka's rural development and microfinance sectors

LMFPFA provided technical assistance for the research and coordinated the field visits of CEPA representatives. The final report will be issued by World Bank with the reports of other countries.

Discussions with Regulators and Political Figures

During 2013 LMFPFA focused a lot of attention to meet with key officials, and political figures to lobby for the implementation of the proposed Microfinance Act. Below are some pictures of such meetings.



(L to R)- Mr. Bisowela Gunasekara (Director LMFPFA) Hon. Dr. Sarath Amunugama & Mr. Dayananda Muthukumarana (Former Director LMFPFA)



(L to R)- Mr. Ranil Wickramasinghe, Mr. Daya Muthukumarana (Former Director LMFPFA), Mr. Ramesh Fonseka (Director LMFPFA), Mr. Imran Nafeer (Hony Secretary LMFPFA)



(L to R)- Mr. Anura Atapattu (Director LMFPFA), Mr. M. M. Attanayake (Past President LMFPFA), Hon. Vasudeva Nanayakara & Mr. Bisowela Gunasekara (Director LMFPFA)



(L to R)- Mr. Bisowela Gunasekara (Director LMFPFA), Mr. Dayananda Muthukumarana (Former Director LMFPFA), Mr. M. M. Attanayake (Past President LMFPFA), Mr. Ajith Nivad Kabraal, Mr. S. W. Kiriarachchi (Chairman Agro Micro Finance) & Mr. Yasitha Munasinghe (Manager LMFPFA)



(L to R) – Mr. Yasitha Munasinghe (Manager LMFPFA), Mr. S. W. Kiriarachchi (Hony. President LMFPFA) & MP Sajith Premadasa



(L to R)- Mr. Anura Atapattu (Director LMFPFA), Mr. Daya Muthukumarana (Former Director LMFPFA, MP Eran Wickaramaratne, Mr. Imran Nafeer (Hony Secretary LMFPFA) & Mr. Yasitha Munasinghe (Manager LMFPFA)



(L to R) – Mr. Wasantha Gunawardena (Hony Vice President LMFPFA), Mr. Bisowela Gunasekara (Director LMFPFA), MP Anura Dissanayake, Mr. S. W. Kiriarachchi (Hony. President LMFPFA) & Mr. Anura Atapattu (Director LMFPFA)

Enabling Dialogue on Microfinance for Senior Citizens with Help Age Sri Lanka

Protection of Rights of Elders Act No. 09 of 2000 provides a provision not to discriminate senior citizens purely by their age, when providing any service, including finances. Nevertheless, financial institutions in Sri Lanka have not taken any serious interest to provide financial support to needy senior citizens. Instead, banking institutions have drawn mechanisms to obtain deposits from senior citizens while paying only a marginally high interest rate. It is the right time that financial institutions in Sri Lanka align its focus to this ageing population, reap benefits and create win - win situations.

These were the key issues that were discussed during the Enabling Dialogue LMFPFA organized in association with HelpAge Sri Lanka on 29th January 2014 at the Sri Lanka Foundation Institute in Colombo. The workshop opened the lid on the devastating plight of the old people in Sri Lanka where they are discarded; throwing out the vast knowledge and experience that would have been contributed to the economic prosperity of the country.



Mr. Bisowela Gunasekara, Director of LMFPFA stressed that the government assistance for this segment should increase. This is more evident when it comes to senior citizens as banks show them the door when it comes to lending for senior citizens.

“Banks are keener to get the senior citizens to invest their pensions in fixed deposits,” he said and added that banks have forgotten that the knowledge and entrepreneur skills of senior citizens and its mostly the informal and micro finance segment that help senior citizens to obtain credit.

Mr. Dayal Perera, Programme Director of HelpAge said that in Sri Lanka’s population of 20.2 million, 12.4 per cent or more than 2.4 million people are aged over 60, and when compared to other countries, it is a very high figure. He said that the Sri Lankan figures are higher than in the South Asian countries and some other countries while the female population of 60 years plus is increasing. He said that if the country does not use the talents, the knowledge and experience of these people, then they become dependent. Thus when they seek family assistance they are considered a burden to society and the world.

Dr. S.P. Premaratne, Senior Lecturer, Department of Economics, University of Colombo speaking on “Micro Finance Model for Senior Citizens” conceded that there has been no research carried out in Sri Lanka to find the number of people above 60 years who have benefited by micro finance or any sort of lending scheme.

He said that most of these senior citizens die of despair due to heart attacks and other such diseases because they feel no security of their future and there is no guarantee of continuing their income.

The presentation by Berendina Microfinance on their partnership project with HelpAge Sri Lanka in extending microfinance services to senior citizens was encouraging to other member organizations who saw the potential of this neglected segment of the population.

Workshop on International Financial Reporting Standards



Following the discussions LMFPFA had with the Institute of Chartered Accountants of Sri Lanka (ICASL) in 2013 to develop accounting standards for the microfinance sector a workshop was conducted for LMFPFA members on 20th February 2014 to assess the current accounting issues in the Sri Lankan Microfinance sector. The current microfinance sector still largely remains unregulated. Many small and medium scaled MFIs operating in this sector are being left to self regulate themselves for their continuity and sustainability. In doing so it's important for MFIs to adopt best practices and principles in maintaining their portfolio records and bookkeeping records. The ICASL had stated that accounting standards can only be drafted under a regulatory environment. Following the workshop the ICASL is in the development of an accounting principles guideline for Sri Lankan MFIs to follow.

Discussions on Micro Insurance

The benefits of Microfinance are universally acknowledged and the practice of microfinance is already common in developing countries. In comparison however, micro insurance which has the potential to significantly aid millions of poverty stricken people, has received limited attention in Sri Lanka. Therefore LMFPFA held discussions with the Insurance Board of Sri Lanka (IBSL) in March 2013 to address this issue by creating more awareness on micro insurance among Microfinance Institutes. In addition to this LMFPFA had discussions with some insurance providers and reinsurers to introduce a micro insurance product to the sector.



(L to R) – Mrs. Indrani Sugathadasa
(Chairperson IBSL),
Mr. Channa Jayatileke (Past President
LMFPFA)
& Mr. Imran Nafeer (Hon Secretary LMFPFA)



Following this discussion the IBSL organized a workshop on Micro Insurance together with LMFPFA at the Taj Samudra Colombo in May 2014. The objectives of the workshop were:

1. To share successful empirical evidences and recent developments in Microfinance
2. To build up an understanding of the relationship between Microfinance and Micro Insurance sectors and
3. To discuss the way forward for the microfinance sector in Sri Lanka.

The resource person for this event was Dr. Antonis Malagardis, Programme Director of GIZ Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (RFPI Asia). The workshop drew many stakeholders of the Sri Lankan insurance industry as well as microfinance practitioners. At the conclusion of the workshop the participants decided to form a committee comprising representatives from IBSL, LMFPFA, Insurance Association and Insurance companies to steer the establishment of a regulatory framework for micro insurance in Sri Lanka.

“Wealthy Family” Training of Trainers Programmes with Plan Sri Lanka

LMFPA together with Plan Sri Lanka conducted a series of Training of Trainers Programme titled “Wealthy Family” in Colombo, Ratnapura and Matara. The training was conducted by Ms. Subodhanie Dissanayake, former Asst. Deputy Country Director of Plan Sri Lanka.



Through colourful visual graphics depicting a unique storyline of fictitious characters, the participants were able to grasp the concept of Financial Competency of the household, community and society at large without the much usage of technical jargon as the materials used were developed in simple language. The content was well received by all the participants who gave very positive feedback to LMFFPA and Plan Sri Lanka for organizing the programme. This encouraged LMFFPA to conduct similar training programmes together with Plan Sri Lanka during the year. Therefore after conducting 02 successful “Wealthy Family” Training of Trainers Programme in Colombo, LMFFPA organized two more programmes last November and December in Ratnapura and Matara respectively. Several trainers from the previous programmes in May and September 2013 facilitated the sessions for the 3rd and 4th batch of trainers. LMFFPA received positive feedback from all the participants.

Credit Mapping for LMFPA Members

LMFPA organized a Focused Group Discussion on Micro Credit Mapping on the 24th of January 2014 at the Rural Development Training & Research Institute in Colombo. The objective of this discussion was to collect member feedback to design a comprehensive borrowers mapping for future references to support the lending decisions of credit managers. The pilot programme will be initiated from the Kegalle district.

The proposed map will provide information on:

1. Client segregation – to have an idea on multiple borrowings
2. Demographical penetration
3. Client saturation



Credit Managers of the particular district will benefit from obtaining these details to reduce over-indebtedness and focus more on Social Performance Management. New entrants to the microfinance industry can also benefit from this as they can find reference on where to perform market penetration and the volume. It also must be stated that upon the successful implementation of the pilot project, LMFPA looks forward to expand this venture into national level.

Credit Information System for LMFPA Members

During several discussion forums of LMFPA the need for a Credit Information System (CIS) was raised as one of the methods to curb the issue of multiple borrowing and over-indebtedness. To address this issue LMFPA has decided to develop a Credit Information system for its members. A workshop in parallel with the one on Credit Mapping was held to get member feedback. The participants pointed out that primary data that would be needed from such a system would be:

- Client NIC Number
- Full name of client
- Number of loans
- Loan amount
- Current outstanding
- Arrears amount
- Number of Days in arrears

The confidentiality of these data is of utmost priority hence LMFPA sought seek legal counsel in this regard. Furthermore LMFPA will look into further consultation from IT experts for system design. LMFPA intends to pilot the CIS system from the Kegalle and Batticaloa district and further expand into national level.

Code of Conduct for LMFPA Members



In January 2014, a code of Conduct was developed for LMFPA members to ensure that the highest level of professionalism, ethical conduct and good governance are observed by Microfinance practitioners and their employees. A workshop was organized on 13th February 2014 to obtain member feedback and following the events that transpired in Batticaloa in April 2014; this Code of Conduct was further modified and is now implemented. The guidelines cover 9 areas namely:

1. Maintaining Integrity
2. Maintaining Quality of Service
3. Avoiding Over-indebtedness
4. Maintaining Transparency
5. Conducting of Fair Practices
6. Privacy of Client Information
7. Integrating Social Values into Operations
8. Developing a Feedback Mechanism and
9. Maintaining healthy competition

Any breach in the Code of Conduct by an MFI will be reviewed by the Ethics Committee and Professional Ombudsman appointed by LMFPA.

Key initiatives to resolve Microfinance conflict in Batticaloa



(L to R) – Mrs. Renuka Rathnahewage - CEO Sewa Finance, Mr. Anura Atapattu - Director LMFPA, Mr. M. M. Attanayake - CEO Lak Jaya Microfinance
Mr. Prince Nayagam - Director LMFPA, Mr. Charitha Ratwatte - Managing Director SLBDC, Hon. Minister Basil Rajapakse
Mr. S. W. Kiriarachchi - Hony. President LMFPA, Dr. Harsha Kumara Nawaratne - Chairman Sewa Finance & Sevalanka Foundation
Mr. Yasitha Munasinghe - Manager LMFPA

The overnight restrictions imposed by the Government authorities in the Batticaloa district in early April set abuzz in the microfinance sector with fears of an imminent major crisis. LMFPA sought to address this situation as swiftly as possible. With the assistance of Dr. Harsha Kumara Nawaratne, Chairman of Sewa Finance and Sevalanka Foundation the LMFPA had discussions with the Minister of Economic Development Hon. Basil Rajapakse on 10th April 2014 with the objective of resolving the issues pertaining to Microfinance in Batticaloa. The Hon. Minister was very attentive and offered his immediate support. The Hon. Minister advised there be an open dialogue between the District Secretariat and LMFPA to resolve the current situation in Batticaloa and proceeded to speak with the District Secretary of Batticaloa and asked her to have a dialogue with LMFPA. The Hon. Minister also promised to send a representative from his ministry to this meeting. In addition to this the Hon Minister also welcomed LMFPA's involvement and feedback in the future discussions with regards to the proposed Microfinance Act. He also invited LMFPA to send its proposal to work closely with the Divineguma Project.

Following the meeting with the Hon. Minister, LMFPA had a successful meeting with the Government Agent of Batticaloa on 23rd April 2014. The association was able to come to a mutual agreement on several items of the guidelines that the GA had issued to microfinance practitioners earlier. The discussion with the GA was after the meeting LMFPA had with member representatives on the previous day where LMFPA and members operating in Batticaloa came to a consensus on the terms and conditions to be discussed with the GA.



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WRHF/CAS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANKA MICRO FINANCE PRACTITIONERS' ASSOCIATION

Report on the Financial Statements

We have audited the accompanying financial statements of Lanka Micro Finance Practitioners' Association, which comprise the Statement of financial position as at 31 December 2013, and Statement of comprehensive income, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Members of Board Management are responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standard for Small and Medium-Sized Entities. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements assessing the accounting principles used and significant estimates made by the Board of Management, evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Association maintained proper accounting records for the year ended 31 December 2013 and the financial statements give a true and fair view of the Association's state of affairs as at 31 December 2013 and its deficit and cash flows for the year then ended in accordance with Sri Lanka Financial Reporting Standards for Small and Medium-Sized Entities.

27, April, 2014
Galle.

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31st December 2013

	Note	2013 Rs.	2012 Rs.
Incoming Resources	3	3,723,723	7,228,968
Project Expenditure	4	<u>(3,071,838)</u>	<u>(3,881,044)</u>
Net surplus on projects		651,885	3,347,924
Administrative Expenses	5	(2,183,536)	(2,313,513)
Bad Debtors		<u>(418,500)</u>	<u>(11,000)</u>
Net Surplus on Operating Activities		(1,950,151)	1,023,411
Finance Costs		<u>(6,440)</u>	<u>(6,350)</u>
Net Surplus / (Deficit) before Tax		(1,956,591)	1,017,061
Income Tax Expenses	6	<u>(18,816)</u>	<u>(48,296)</u>
Net Surplus / (Deficit) after Tax		<u><u>(1,975,407)</u></u>	<u><u>968,765</u></u>

The Accounting Policies and Notes on pages 05 through 13 form an integral part of the financial statements.

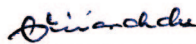


STATEMENT OF FINANCIAL POSITION

As at 31st December 2013

	Note	2013 Rs.	2012 Rs.
ASSETS			
Non Current Assets			
Property Plant & Equipment	07	155,822	180,667
Investment	08	500,000	-
		<u>655,822</u>	<u>180,667</u>
Current Assets			
Debtors	09	519,040	843,308
Cash at Bank	10	148,518	2,278,587
		<u>667,558</u>	<u>3,121,895</u>
		<u>1,323,380</u>	<u>3,302,562</u>
Current Liabilities			
Creditors	11	77,243	81,018
		<u>77,243</u>	<u>81,018</u>
FUNDING & LIABILITIES			
Accumulated Fund	12	1,246,137	3,221,544
		<u>1,246,137</u>	<u>3,221,544</u>
		<u>1,323,380</u>	<u>3,302,562</u>

The Board of Management is responsible for the preparation and presentation of these financial statements.
Signed for and on behalf of Lanka Micro Finance Practitioners' Association by,


.....
Member of Board of Management


.....
Member of Board of Management

April 27, 2014



CASH FLOW STATEMENT

Year Ended 31st December 2013

	2013	2012
	Rs.	Rs.
Cash Flows From / (Used in) Operating Activities		
Profit/ (Loss) before tax from continuing operations	(1,956,591)	1,017,061
Adjustments for		
Depreciation	40,345	57,765
Operating Profit/(Loss) before Working Capital Changes	<u>(1,916,246)</u>	<u>1,074,826</u>
(Increase)/ Decrease in Trade and Other Receivables	324,268	(484,808)
Increase/ (Decrease) in Trade and Other Payables	(3,775)	(67,886)
Cash Generated from Operations	<u>(1,595,753)</u>	<u>522,132</u>
Income Tax Paid	(18,816)	(42,721)
Net Cash From/(Used in) Operating Activities	<u>(1,614,570)</u>	<u>479,411</u>
Cash Flows from / (Used in) Investing Activities		
Acquisition of Property, Plant & Equipment	(15,500)	(115,300)
Acquisition Investment	(500,000)	(1,527)
Net Cash Flows from/(Used in) Investing Activities	<u>(515,500)</u>	<u>(116,827)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>(2,130,069)</u>	<u>362,584</u>
Cash and Cash Equivalents at the beginning of the year	2,278,587	1,916,003
Cash and Cash Equivalents at the end of the year	<u>148,518</u>	<u>2,278,587</u>

The accounting policies and notes on pages 5 through 13 form an integral part of the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

1. GENERAL INFORMATION

1.1 The Lanka Microfinance Practitioners' Association is incorporated as a non-profit Organization under the Companies Act No. 7 of 2007.

1.2 The organization domiciled in Sri Lanka and the principle place of the activity of the Organization is located at No.112/A Maddumagewatta, Nugegoda.

Except for the certain activities that will conclude on the realisation of their relevant activities in accordance with the relevant terms of reference, the financial statements have been prepared on a going concern basis.

1.3 The notes to the financial statements on pages 05 to 13 are integral part of the financial statements.

1.4 The principal activities of the organization are provided below:

To promote membership among Micro Finance Institutions (MFIs) locally, advocate for a policy Environment for collective action by MFIs, promote the adoption and installation of internationally accepted performance standard for the MFIs develop and strengthen system for information collection, promote the expansion of the formal financial market as Micro Finance Service , protect and strengthen the capacity of the MFIs, develop and operational an independent performance monitoring system for MFIs' and mobilize resources and network with Government , donors, funding agencies, investors and commercial loan providers.

The financial' statement of Lanka Micro Finance Practitioners' Association year ended December 31 2013 were authorized for issue in accordance with a resolution of the Board of Management 27th April 2014



NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General Policies

2.1.1 Basis of Preparation

The balance sheet, statements of financial activities and the cash flows, together with the Accounting Policies and Notes of the financial statements as at December 31, 2013 and for year then ended, comply with the Sri Lanka Statement of Recommended Practice for Not-for-Profit organisations including Non Governmental Organisations issued by the Institute of Chartered Accountants of Sri Lanka.

The financial statements have been prepared on a historical basis.

2.1.2 Taxation

(a) Current Taxes

Income tax is provided in accordance with the provision of the Inland Revenue Act No.38 of 2000 section 102 of the Inland Revenue Act No. 10 of 2006 and amendments thereon; and based on the elements of grants received after April 01, 2005.



NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2013

2.2 Accounting for the receipt and utilization of funds

2.2.1 Funds

(a) Unrestricted Funds

Unrestricted funds are those that are available for use by the Organization at the discretion of the Board, in furtherance of the general objectives of the Organization and which are not designated for any specific purpose.

(b) Restricted Funds

Restricted Funds are the funds where grants are received for use in an identified project or activity, such funds are held in a fund account and transferred to the statement of financial activities account to match with expenses incurred in respect of that identified project. Unutilized funds are held in their respective fund accounts and included under accumulated fund in the balance sheet until such time as they are required. Funds collected through a fund raising activity for any specific or defined purpose are also included under this category. The activities for which these restricted funds may be and are being used are identified in the notes to the financial statements.

(C) Designated Funds

Unrestricted funds designate by the board to a specific purpose identified as designated funds. The activities for which these funds may be used are identified in the life of the assets.

2.2.2 Grant and subsidies

Grant and subsidiaries related to assets are generally deferred in the balance sheet and credit to the statement of financial activities over the useful life of the assets.

2.3 Valuation of Assets and their Measurement Bases

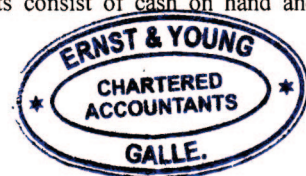
2.3.1 Receivable

Receivables are stated at the amounts they are estimated realized.

2.3.2 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash on hand and deposits in banks.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

2.3.3 Property, Plant and Equipment

a) Cost and Valuation

All items of property, plant and equipment is recorded at cost less accumulated depreciation.

b) Restoration Costs

The provision for depreciation is calculated by using a straight line method on the cost of all property, plant and equipment in order to write off such amount over the following estimated useful lives by equal installments. The annual rates of depreciation currently being use by the organization are;

c) Depreciation

As a result of determining depreciation charge separately for significant parts, and beginning to depreciation items of Property, Plant and Equipment from the time they are available for use (rather than adopting method whereby property, plant and equipments are depreciated fully in the year of disposal, with no such charge being accounted for in the year of acquisition).

Office Equipment	Over 5 Years
Computer and software	Over 5 Years
Furniture and Fittings	Over 10 Years

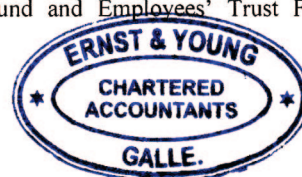
2.4 Liabilities and Provisions

2.4.1 Provisions

Provisions are recognized when the organization has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

a) Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively



NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2013

2.5 Statements of Financial Activities

2.5.1 Income recognition

(a) Incoming Resources

Income realized from restricted funds is recognized in the statements of financial activities only when there is certainty that all of the conditions for receipt of the funds have been complied with and the relevant expenditure that it is expected to compensate has been incurred and charged to the statement of financial activities. Unutilized funds are carried forward as such in the balance sheet. All other income is recognized when the society is legally entitled to use of such funds and the amount can be quantified. This would include income receivable through fund raising activities.

(b) Others

Other income is recognised on an accrual basis

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.5.2 Expenditure Recognition

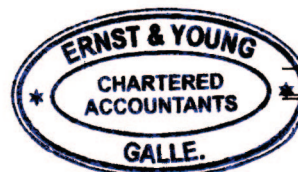
Expenses in carrying out the projects and other activities of the organization are recognized in the statement of financial activities during the period in which they are incurred. Other expenses incurred in administering and running the society and in restoring and maintaining the property, plant and equipment to perform at expected levels are accounted for on an accrual basis and charged to the statement of financial activities. The society has adopted the "Function of expense" method to present fairly the elements of organization activities in its statement of financial activities.



NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31st December 2013

	2013	2012
	Rs.	Rs.
03 INCOMING RESOURCES		
Restricted funds (Projects)	2,240,031	5,749,520
Membership Income	717,500	675,000
Designated funds	-	1,527
Interest Income	151,332	177,175
Membership Registration	70,000	70,000
Book Sale Income	97,000	61,500
Advertising	-	13,500
Miscellaneous Income	447,860	480,746
	<u>3,723,723</u>	<u>7,228,968</u>
04 PROJECT EXPENDITURE		
Project Costs (4.1)	<u>3,071,838</u>	<u>3,881,044</u>
04.1 Project Costs		
Enabling Dialogues	114,045	1,453,792
TOT Programmes	2,282,793	1,069,589
Data Collection Project	415,000	669,677
FB Act Workshop & Lobbying	180,000	443,166
PPI & SPM	80,000	244,820
	<u>3,071,838</u>	<u>3,881,044</u>
05 ADMINISTRATIVE EXPENSES		
Staff	862,500	777,750
Travelling & Others	103,627	390,615
Auditors remuneration	66,259	65,688
Secretary fee	108,500	20,000
Printing & Stationary	92,933	27,770
Office Maintenance	29,083	21,549
Postage	66,625	55,948
Web Site Development	25,200	18,100
AGM Expenses	108,314	133,703
EGM Expenses	-	23,960
Telephone	44,867	52,816
Electricity	29,863	34,707
Mobile Allowances	18,000	15,000
Computer Repair	3,100	-
Rent	307,340	281,600
Welfare Society Membership Fees	5,000	2,700
Sundry Expenses	38,289	21,049
Water	9,475	7,425
Depreciation	40,346	57,765
Documentation Expenses	-	561
Internet Charges	29,124	31,914
Membership Fee	135,490	55,017
Other Expenses	40,600	217,877
Amendment Articles of Association	19,000	-
	<u>2,183,536</u>	<u>2,313,513</u>



NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31st December 2013

06 INCOME TAX EXPENSES	2013	2012
	Rs.	Rs.
Total grants received	2,240,031	5,749,520
Net funding received liable to tax	<u>2,240,031</u>	<u>5,749,520</u>
3% thereof	67,201	172,486
Tax payable thereon at 28%	<u>18,816</u>	<u>48,296</u>

Applicable rates of tax and the relevant tax regimes

As per the Inland Revenue Act No.10 of 2006 and amendments thereon, all Non Governmental Organizations are liable to 3% of all the grants received during the year are taxable at 28% subject to certain specified exemptions.



NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31st December 2013

07 PROPERTY, PLANT & EQUIPMENT

At Cost / Valuation	Balance as at 1/1/2013 Rs	Additions during the year Rs	Disposals During the Year Rs	Balance as at 31/12/2013 Rs
Office Equipment	558,223	-	-	558,223
Computers & Network	328,461	15,500	-	343,961
Furniture & Fittings	162,528	-	-	162,528
	<u>1,049,212</u>	<u>15,500</u>	<u>-</u>	<u>1,064,712</u>
Depreciation and Impairment	Balance As at 1/1/2013 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31/12/2013 Rs.
Office Equipment	463,023	22,400	-	485,423
Computers & Network	326,126	1,693	-	327,819
Furniture & Fittings	79,396	16,253	-	95,649
	<u>868,545</u>	<u>40,345</u>	<u>-</u>	<u>908,890</u>
Net Book Value as at December 31, 2013	<u><u>180,667</u></u>			<u><u>155,822</u></u>

08 INVESTMENTS

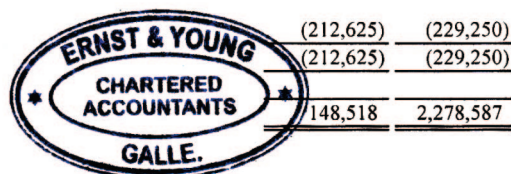
	2013 Rs.	2012 Rs.
Investments in Fixed Deposits	500,000	-
	<u>500,000</u>	<u>-</u>

09 DEBTORS

	2013 Rs.	2012 Rs.
Funds Receivables	296,633	297,090
Membership Subscription	128,000	423,500
Refundable deposit	75,000	105,000
WHT Receivables	14,076	17,718
Income Tax Receivable	5,332	-
	<u>519,040</u>	<u>843,308</u>

10 CASH AND CASH EQUIVALENTS

	2013 Rs.	2012 Rs.
Favourable Cash & Cash Equivalents balance		
Commercial Bank -1200019410	-	-
Commercial Bank -1190023870	361,143	2,503,013
Cash in Hand	-	4,824
	<u>361,143</u>	<u>2,507,837</u>
Unfavourable Cash & Cash Equivalent Balances		
Commercial Bank -1200019410	(212,625)	(229,250)
	<u>(212,625)</u>	<u>(229,250)</u>
Total Cash and Cash Equivalents	<u>148,518</u>	<u>2,278,587</u>



NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31st December 2013

11 CREDITORS

	2013 Rs.	2012 Rs.
Accrued expenses	77,243	32,722
IncomeTax payables	-	48,296
	<u>77,243</u>	<u>81,018</u>

12 ACCUMULATED FUNDS

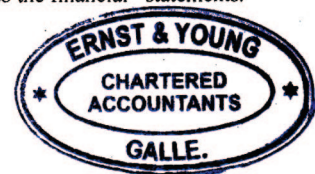
	2013 Rs.	2012 Rs.
Balance at beginning of the year	3,221,544	2,252,779
Surplus / (Deficit) for the year	(1,975,407)	968,765
Balance at end of the year	<u>1,246,137</u>	<u>3,221,544</u>

13 Capital commitments and contingencies

The organisation does not have significant commitments and contingent liabilities as at the balance sheet date

14 Events occurring after the balance sheet date

There is no material subsequent events that require adjustments or disclosures to the financial statements.





**Lanka Microfinance
Practitioners' Association**

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