



*Adding value to the future*

# HOW MICROFINANCE IMPROVES LIVES IN SRI LANKA

## Impressum

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Pragathi Sewa Padanama

Sareeram Sri Lanka National Foundation

YMCA Batticaloa

*This brochure is dedicated to  
all those who have made microfinance the success story  
that it is today.*

# Adding value to the future

Applying sustainable  
economic principles

GTZ spotlight of the year 2008

**The German Technical Cooperation (GTZ)** is an international cooperation enterprise for sustainable development with worldwide operations. For 30 years, it has been providing viable, forward looking solutions for political, economic, ecological and social development in a globalised world. GTZ supports complex reform and change processes, often working under difficult conditions. Its corporate objective is to improve people's living conditions on a sustainable basis. The main client of GTZ is the German Federal Ministry for Economic Cooperation and Development (BMZ).

**Promotion of the Microfinance Sector (ProMiS)** is a comprehensive programme implemented by the Sri Lankan Ministry of Finance and Planning in partnership with the German Technical Cooperation (GTZ) on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

**Adding value to the future - applying sustainable economic principles** underlines GTZ's holistic approach. The spotlight of the year places German development cooperation's concept of sustainable development, the principles of the social and ecological market economy in German development policy, and the guiding principles of GTZ corporate policy in an overall values-oriented context.

The consequences of globalisation make the topic more important than ever from a development-policy stance. Global structural policy, international trade regimes and the problems of environmental degradation and climate change are all impacting on our partner countries and require an appropriate response on the part of development cooperation.

# How microfinance adds value to the future

Evidence from the millions of microfinance clients around the world demonstrates that access to financial services enables poor people to increase their household incomes, build assets, and reduce their vulnerability to the crises that are so much a part of their daily lives. Access to financial services also translates into better nutrition and improved health outcomes, such as higher immunization rates. It allows poor people to plan for their future and send more of their children to school for longer. It has made women clients more confident and assertive and thus better able to confront gender inequities.\*

ProMiS has researched more than sixty such persons and families island wide over a period of two years. The findings were overwhelming and moving. Twenty-one of the most compelling stories have been documented in this brochure, vividly demonstrating how microfinance has added value to the lives of these people, providing them with assistance that would see them through well into the future.

The frankness and sincerity with which they related their personal experiences opened our eyes to areas we had not envisaged before. To them microfinance means more than access to financial services. It is a multi-faceted benefactor that affords them the means to rebuild their lives, plan for their future and that of their children, empower themselves with self-esteem, integrate into the social fabric by enjoying access to social networks, and making productive contributions towards the welfare of their families and that of the community.

To facilitate a deeper understanding of how microfinance has added value to the future of these people's lives, we have grouped the stories under the following categories:

- Empowering women
- Ensuring education
- Reconstructing lives
- Strengthening families
- Supporting lives in conflict-affected areas
- Improving housing conditions
- Enhancing entrepreneurship

Our special thanks go to the staff of the microfinance institutions (MFIs) who extended their unstinted support to us in documenting these stories. Without them, this brochure would not have been possible and without their dedication and commitment there would still be thousands of people struggling to gain access to a better life.

We wish to thank: Mr Daniel Devarajan David and Mrs R.C. Constantine of YMCA Batticaloa, Mr S.W. Kiriarachchi and Mr L.T. Kamalsiri of Agro Micro Finance, Mr Lasantha Mendis of Lak Jaya Microfinance Ltd., the Gunawardana family of Pragathi Sewa Padanama, Mr Sathis de Mel and Mr Mahinda Wickramasingha of the Arthacharya Foundation, Mr Logesparan and Mr Pandambalam of Sareeram Sri Lanka National Foundation Batticaloa, Mrs Kanthi and her charming team at the Habaraduwa Participatory Development Foundation, Mr Ravi Tissera and Mr Rohana Kumara of Lanka Orix Leasing Company, and Mr Faridur Rahman of BRAC Sri Lanka.

Last but not least, we wish to extend our thanks to all those who took the time to answer our questions and for the many cups of tea, tons of sugar and unending hospitality they offered to us during the interviews. This brochure is dedicated to all of them.

\* Littlefield / Jonathan / Hashemi. 2003. Is Microfinance an Effective Strategy to Reach the Millennium Development Goals?

# EMPOWERING WOMEN

Spurred by a vision for the women of Bangladesh, Nobel peace laureate Professor Yunus, established Grameen Bank, the first microfinance institution in the country targeting exclusively women. Probably, recognizing the truth of the adage, “educate a woman you educate a family”, he adapted it insightfully to the field of finance, realizing that the same was true in this instance too, “finance a woman you finance a family”. For not only are women more prompt

in repaying loans, they are also known to utilize additional income more responsibly, channeling it towards the development of the family, especially that of the children.

Evidence has shown that children of mothers who are active members of Grameen Banks have received better nutrition and better education. Thus, empowering women is not an end in itself but a means of enhancing the progress of thousands of families and bettering the prospects of future generations.



திருயி

Ancho

Milgm

*Stitching up the pieces -  
A tapestry inspired by self  
empowerment*

**Mrs Prashanthy - Tailor  
Batticaloa District, Eastern Province  
MFI: BRAC Sri Lanka**

The tsunami of 2004 may have damaged her sewing machine, but not her tenacity of purpose. The wife of a professional tailor now working abroad, Mrs Prashanthy had learned the craft from him but was now at a loss without her sewing machine. Although determined that this mishap would not deter her, she was faced with the reality as a young woman of 25 years, of not having any means to empower herself without ready-at-hand male support, since her husband was abroad.

Realizing this, she registered with BRAC Sri Lanka to enable her to receive the benefits of its microfinance services. The loan she obtained from them gave her the much-needed financial power to get back on her feet. With it, she was able, not only to repair her damaged machine but also to fit it with an electric motor helping her to work faster increasing the output. As a result, the turnover in her modest tailoring business increased and with it the demand not only for numbers, but for a greater variety of garments too.







**Mrs Prashanthy is a client of BRAC Sri Lanka,  
a partner of ProMiS**

In a matter of just two years she had advanced sufficiently to be able to apply for a second loan with which to widen her market further, even merchandizing directly to shops. Enthused with ambition she reflects: “who knows, my husband might even return from his job abroad to establish our very own tailoring business ... and all this due to the loans I received from BRAC Sri Lanka.”



## *A tale of sweet success*

At the age of ten little Kiythmohamed Kachiumma found herself in a world surrounded by candy and lollipops. What more could a little girl wish for? But that was just fantasy. For soon the cruel irony of fate saw her on the wrong side of this equation, as the hard realities of poverty, abruptly ended her education at the tender age of ten. From then on, she was just a candy store assistant in her mother's shop, a little Cinderella selling lollipops and groundnuts to eager boys and girls who called at her mother's store, rather than being one of them, enjoying the candies herself.

At eighteen she was married, a teenager, with the responsibilities of a woman. Before long she was a mother, one who knew very well the importance of a secure childhood and a good education, something she had been deprived of. So, with resolution and courage she approached the YMCA Batticaloa for a loan to give her children what she had missed out on. With the modest 750 rupees (5 Euro) she received she set up a small shop and made such a success of it that the YMCA Batticaloa did not hesitate to grant her four more loans, one

### **Mrs Kiythmohamed Kachiumma – Grocery Shop Batticaloa District, Eastern Province MFI: YMCA Batticaloa**

to the tune of 50,000 rupees (330 Euro). Business was good, since apart from hers, the other shops were a distance away on the main road. This steady customer base was an incentive for her to apply for a further loan of 100,000 rupees (670 Euro). Being an excellent loan recipient, the YMCA Batticaloa did not hesitate this time too. With it, she not only expanded her shop, but also diversified her business, raising ducks for eggs and meat. Yet, she still continued her mother's initial venture of lollipops, groundnuts and sweets.

Her life is more bountiful now. Her children are studying well and could look forward to a good future. One child has even reached the Advanced Level grade and may soon qualify for University. The other is in grade 10, and the youngest in grade 4. What a satisfaction for a mother who was compelled to drop out in grade 3! In fact, their quality of life has improved all round. Her husband, a one-time pavement fish hawker, now plies his trade on a motorbike. They have even been able to save 8,000 rupees (55 Euro), all this, thanks to the YMCA Batticaloa.



Mrs Kiythmohamed Kachiumma is a client of YMCA Batticaloa, a partner of ProMiS.

## *On the spice trail to success*

**Ms S.L. Ruwanmali – Spice Trader  
Galle District, Southern Province  
MFI: Agro Micro Finance**

37-year-old Ms S.L. Ruwanmali was disgruntled with the wages she earned from her employment in Colombo. She realized that she could do more to improve her livelihood if only she put her mind to it. Enthusiastic and determined, she quit her job, returned to her hometown and set up a business, processing and selling spices. The enterprise involved about nine types of spices, which she processed herself and sold in a small shop of her own. This brought her an income of only 7,000 rupees (50 Euro) a month, not very much more than she had earned before. Not having a grinder of her own,

she was compelled to have her spices ground outside, the cost of which ate into profits drastically. The problem then lay with the operational costs. If this was fine-tuned, she envisaged, she would not only increase her monthly return, but would in fact, cause it to double.

Possessing her own grinder was then an imperative. Not having the capital to purchase one she applied to Agro Micro Finance for a loan. 30,000 rupees (200 Euro) of the first 50,000 rupees (330 Euro) she received was utilized to purchase a grinder, the balance went towards stabilizing working capital. Her business picked up so well that she soon became a role model for others. Following in her footsteps, her niece approached Agro Micro Finance for a loan of 50,000 rupees (330 Euro), which she utilized to set up a mushroom farm. Selling her produce at her aunt's shop she now earns an additional income to help supplement her regular earnings.

Grateful to Agro Micro Finance for having empowered her with the means to streamline her life, Ruwanmali looks forward to a stable future.



**Ms S.L. Ruwanmali is a client of Agro Micro Finance,  
a partner of ProMiS.**



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# ENSURING EDUCATION

In an increasingly complex and competitive world, education has become an extremely important factor of success for future generations. Sri Lanka has a comparatively high literacy rate, as education is mandatory. She has also produced some renowned authors, artists and erudite professionals. Yet, there are some to whom education, “the pearl of great price“, is outside their range of affordability and are compelled to miss out on schooling

due to economic reasons. The following case studies show how microfinance has assisted many such people. Beneficiaries have used the increased profits they earned thanks to microfinance, to ensure a steady education and a brighter future for their children. For some young scholars, microfinance can even be a lot of fun...



*“My savings box is yellow  
and I keep it under my  
bed!”*



**Children at Punchi Taru (“Little Star”) pre-school  
Anuradhapura District, North-Central Province  
MFI: Pragathi Sewa Padanama**

...says five year old Hiruni. “Mine is blue and it’s on top of the cupboard where it’s safe,” says Nishal, five. “I have two boxes! I filled up my red one, so now I have a new green one,” says four year old Nadeesha proudly.

The thirty children at Punchi Taru (“Little Star”) pre-school are all young savers. At this stage in their lives, they are just having fun slotting 1, 2 and 5 rupee coins into their colourful savings boxes every day. Although they may be too young to realise it, this is a vital time in their education about the value of savings and dealing with money.

The Pragathi Sewa Padanama is a small MFI with two branches in Anuradhapura. Among other services, they provide savings schemes for school children from low-income families up to the age of eighteen. Founded in 1994 with a mere seven members, the Pragathi Sewa Padanama now has over 6,000 and holds the saving accounts of over 500 children in this area.





“Starting from pre-school, the kids regularly put spare coins into their savings boxes. Whatever they save in a month is counted by our field officers and the amount recorded in the child’s own passbook,” says Mr Priyantha of the Pragathi Sewa Foundation. “When they turn six, they then join as a member of a children’s society where they remain up to their eighteenth birthday. It’s only at eighteen that they can withdraw from their savings and use them towards higher education or to fund a small business.”

“Our greatest goal is to mould future successful citizens,” says Mr Priyantha. “Those who understand the role savings play in building a better future for themselves and their families.”

As the pre-schoolers of Punchi Taru have demonstrated, a thrift culture begins and develops in the youngest of minds.

These young children are clients of the Pragathi Sewa Padanama, a partner of ProMiS.

*“I want to ensure a brighter future for my son and my younger brother”*



**Ms A.D. Priyangika – Tailor  
Avisawella, Western Province  
MFI: Lak Jaya Microfinance Limited**

For a single mother with a young brother and 15 year old son to support, Ms Priyangika used to struggle to make ends meet. Her former job at a Korean soft toy factory brought in around 8,000 rupees (61 Euro) a month. However, this was not enough to safeguard her family’s future and the education of her son and brother, who both still go to school.

In 2002, Ms Priyangika decided to start her own teddy bear-making business using material sourced from her old factory. With the help of a Lak Jaya micro loan in 2003 – the first of four so far – Ms Priyangika was empowered to expand and diversify her business. She now employs five part-time tailors and produces a range of clothing and accessories.

Her monthly income has since doubled to around 15,000 rupees (114 Euro) and she uses the profits from her business to improve the house she owns and shares with her small family. She also saves for the continued education of her two dependents as she understands that education is the key to their success. Ms Priyangika therefore saves much of the profits from her clothing business for their education, ensuring a brighter future for them all.

**Ms Priyangika is a client of Lak Jaya Microfinance Limited,  
a partner of ProMiS.**



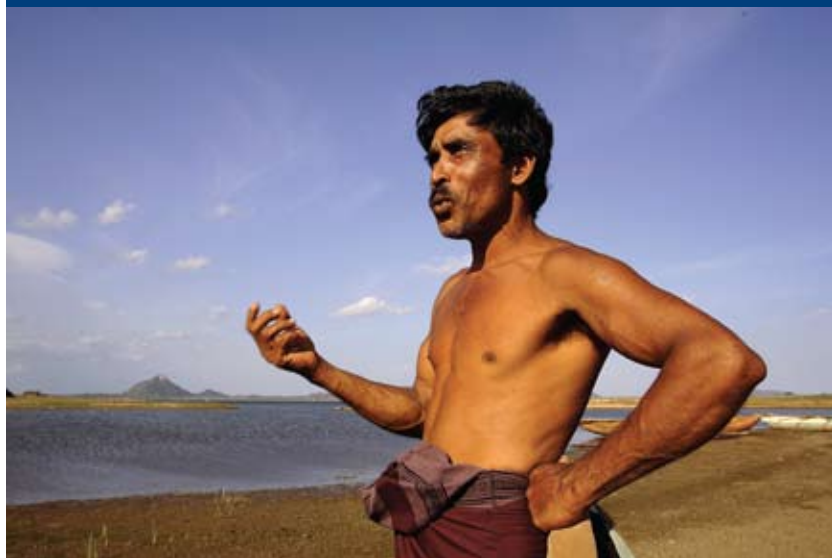
*“A good education is the ticket to a better life”*

**Mr Jayathilake – Reservoir Fisherman  
Hambantota District, Southern Province  
MFI: Agro Micro Finance**

Lunuganwehara Reservoir has been the place of work for Mr Jayathilake for the last 23 years. Four nights a week he takes his canoe out on the reservoir and catches large and small fresh water fish using nets. On a good night he catches around 20 kilograms – about 1,600 rupees (12 Euro) worth. As chairman of the Fisheries Society in his area, he represents the 200 fishermen who earn their living from the reservoir and he voices their concerns to the government.

Mr Jayathilake heard about the training and loan scheme offered by Agro Micro Finance in early 2006. “I had always rented my canoes before. I wanted to have two of my own – one for myself and the other for my eldest son who goes fishing with me,” he remarks. “So I took out a loan of 50,000 rupees (380 Euro) and bought a pair of second-hand fiberglass canoes and some new nets.”

Mr Jayathilake has since seen his profits more than double and has managed to put away savings for his three children’s schooling. “A good education is the ticket to a better life,” he says. As well as building a new extension to his simple home with his now higher profits, Mr Jayathilake will soon apply for a second loan to buy a motorcycle and another canoe to rent to other fishermen.



Mr Jayathilake is a client of Agro Micro Finance,  
a partner of ProMiS.



# RECONSTRUCTING LIVES

To many, microfinance has provided more than mere financial services. When the December 2004 tsunami devastated large parts of Sri Lanka's coastal area it destroyed much more than what people had built up until then. Most certainly their homes, livelihood, property, all that they had spent their lives painstakingly building up, were washed away with the waves. So also were their hopes, their confidence and their courage to rise up and start again. Assistance poured in from many quarters

and microfinance played a major role in helping to rebuild their lives. Special loan schemes were established with reduced interest rates giving quick access to financial services on easy repayment terms. In addition, savings and insurance facilities were provided and instruction in business administration and bookkeeping. Many microfinance institutions also helped through the broad social networks they had established to help these people overcome the horrible consequences of the 2004 Asian tsunami.





*“We work  
as a team”*

A few days before the dawn of 2005, the Asian tsunami devastated almost half of Sri Lanka’s coastline. The home belonging to Mr Gunadasa and his wife Sirimathi was partially destroyed and their 40-year-old carpentry business badly affected.

“After the tsunami the government granted us 100,000 rupees (769 Euro) to rebuild our house and restart our livelihood,” says Mr Gunadasa. “I used some of the money to buy carpentry machines worth 29,000 rupees (223 Euro)”. Two of his four sons work in their father’s business making household furniture and fixtures. Their mother supplements the family income by spinning rope from coconut fibres.

**Mr Don Dadallage Gunadasa & Mrs Sirimathi  
Malika Munasinghe – Carpenters  
Habaraduwa District, Southern Province  
MFI : Habaraduwa Participatory Development Foundation**

Before the tsunami Mr Gunadasa could never afford to buy machinery and therefore had to rent from others. Besides gaining access to financial services such as micro-loans, being members of the Habaraduwa Participatory Development Foundation (HPDF) has benefited this family’s social situation and taught them how to manage their money better. They feel that they are part of a supportive team of eleven within their CBO (community based organization). “We all help one another and support those members who are in a difficult social or financial situation. At weekly meetings we discuss any problems we have and find solutions together. We each contribute 10 rupees (8 Cents) towards the ‘group savings’ and 20 Rupees (16 Cents) a month towards social security. So far we have collected around 4,400 rupees (34 Euro) and can withdraw from our share any time we need to. We also have personal savings of over 25,000 rupees (192 rupees) in our HPDF savings account,” says Sirimathi.

The value that the Gunadasas place on being part of the HPDF goes beyond savings and loans. They feel their future is protected beneath the umbrella of their CBO.



Mr Don Dadallage Gunadasa & Mrs Sirimathi Malika Munasinghe are clients of the Habaraduwa Participatory Development Foundation, a partner of ProMiS.




*Tenacious and determined,  
Easwari finds a way*



**Mrs P. Easwari - Pastries and Quick Meals  
Batticaloa District, Eastern Province  
MFI: Sareeram Sri Lanka National Foundation**

House reconstruction after the 2004 tsunami, even with government assistance is an expensive piecemeal effort due to the ever-increasing cost of building materials. Easwari found herself in the same situation. For ten years now she has run a small eatery selling bread rolls filled with vegetables, fish or meat and inexpensive quick meals of “kothu rotti”, “wade” and boiled manioc, popular with the rural folk. Her husband, who is a peasant farmer, brings in a modest income to cushion the family expenses. But their joint effort is in no way sufficient to meet the expenses of running a household of five children and reconstructing a house too.

Resigned acceptance is not a part of Easwari’s philosophy of life. Spurred by the belief that if there is a will there is a way, Easwari applied herself to the task of finding it. Sareeram Sri Lanka National Foundation, a microfinance company that had opened in her area, seemed the best answer so she applied for assistance. With the loans she received, one to the tune of 75,000 rupees (500 Euro), she replenishes the firewood required for the stove and meets the on-

A woman with dark hair pulled back, wearing a gold and brown patterned top and a small earring, is holding a baby. The baby is wearing a white sleeveless top with colorful heart patterns. They are positioned in front of a blue, textured wall. The woman is looking off to the side with a thoughtful expression.

going expenses for provisions needed to prepare food for the eatery. Easwari makes 500-600 bread rolls each morning, and in the evening, food for around 50 people. It is hard work, but she is industrious and pragmatic. The profits from this business go towards reconstruction and if the house and their lives could be reconstructed, then the effort, she feels, is surely worthwhile. The family is happy that they are slowly but steadily getting ahead, and thankful to the financial assistance they received from Sareeram without which they would not have been able to achieve what they have.

**Mrs P. Easwari is a client of Sareeram Sri Lanka National Foundation, a partner of ProMiS.**

*Saved and restored from  
the raging sea ...  
The reality of  
Mr Liyanage's life*

**Mr A. Liyanage – Fisherman  
Galle District, Southern Province  
MFI: Agro Micro Finance**

Both the bounty and the destructiveness of the sea have touched Mr Liyanage's life, a southern fisherman, one of the numerous who lost their means of livelihood after the 2004 tsunami. In the thick of the ravages, an international charity organization donated him a new boat and a new net. Unfortunately, the net was too small to bring in a substantial catch. So he approached Agro Micro Finance for capital to finance a bigger net. His first loan of 15,000 rupees (100 Euro) brought him not only a new net but a bicycle too, an added bonus that enabled him to ride 5 to 6 km from his residence selling his fish to a wider market. Earlier, he either supplied his clients on foot walking from house to house, or hawked his catch by the roadside.

Mr Liyanage's earnings have clearly increased since he obtained the loan. In fact, it has doubled from 300 rupees (2 Euro) a day, to a daily profit of 700 rupees (5 Euro) now. With the prawn season that starts in October, profits, he anticipates, will receive an added boost.





**Mr A. Liyanage is a client of Agro Micro Finance,  
a partner of ProMiS.**

With his business now stabilized and progressing well Mr Liyanage is looking forward to taking another loan, this time to buy an even bigger net. This would enable him to harvest not only a larger number but also the bigger varieties of fish, the ones that are in demand in the more sophisticated markets. He would then be able to sell to supermarkets and hotels at a better price.

With his life reconstructed, he is pleased with the great improvements made and smiles confidently looking forward to an even better future.



*“It was our clients  
that were directly affected  
by the tsunami”*



**Mr Udumalagela Acharage Tekla – Gold Jeweller  
Habarduwa, Southern Province  
MFI: Habaraduwa Participatory Development Foundation**

46 year old Mr Tekla has been in the family gold business for twelve years, having inherited it from his father. Following the catastrophic Asian tsunami in 2004 which affected thousands of small businesses in Sri Lanka, the Teklas received a low-interest ‘tsunami loan’ from the Habaraduwa Participatory Development Foundation.

“It was our clients – small gold shops along the South coast of Hikkaduwa and Galle – that were directly affected by the tsunami,” Mr Tekla says. “Even though my business is far enough away from the sea and wasn’t hit, we still qualified for a ‘tsunami loan’ because our clients’ businesses on the coast were completely devastated.”

This knock-on effect made it necessary for Mr Tekla to seek a micro-loan to keep his business afloat. His wife and two sons make up



the family business and the gold sales generate up to 23,000 rupees (175 Euro) a month. Gold jewellery is central to certain Sri Lankan ceremonies like engagements and weddings. Demand for Mr Tekla's product is high – sometimes surpassing the amount he can produce. He keeps costs down by doing all the work by hand, without the use of expensive machinery.

A special annual chore increases the family earnings even more: once a year he and his wife carefully sweep up the whole house and workshop. Amongst the dust and sand they find up to eight grams of gold dust and granules worth 16,200 rupees (123 Euro). Using a water technique, Mr Tekla then separates the gold from other matter and melts it down for later use.

**Mr Tekla is a client of the Habaraduwa Participatory Development Foundation, a partner of ProMiS.**

# STRENGTHENING FAMILIES

The family is the smallest social unit and especially in Asia, it is the nucleus of society. Here, families are closely knit and family ties are paramount. Many have family businesses selling shoes, food, metal spare parts and a thousand varieties of other things. In these circumstances, assistance

provided for individual development tends to impact the entire family. A chance to utilize personal strengths and skills is seen as a family opportunity, benefiting the entire unit. The following case studies throw light on how microfinance can strengthen families.



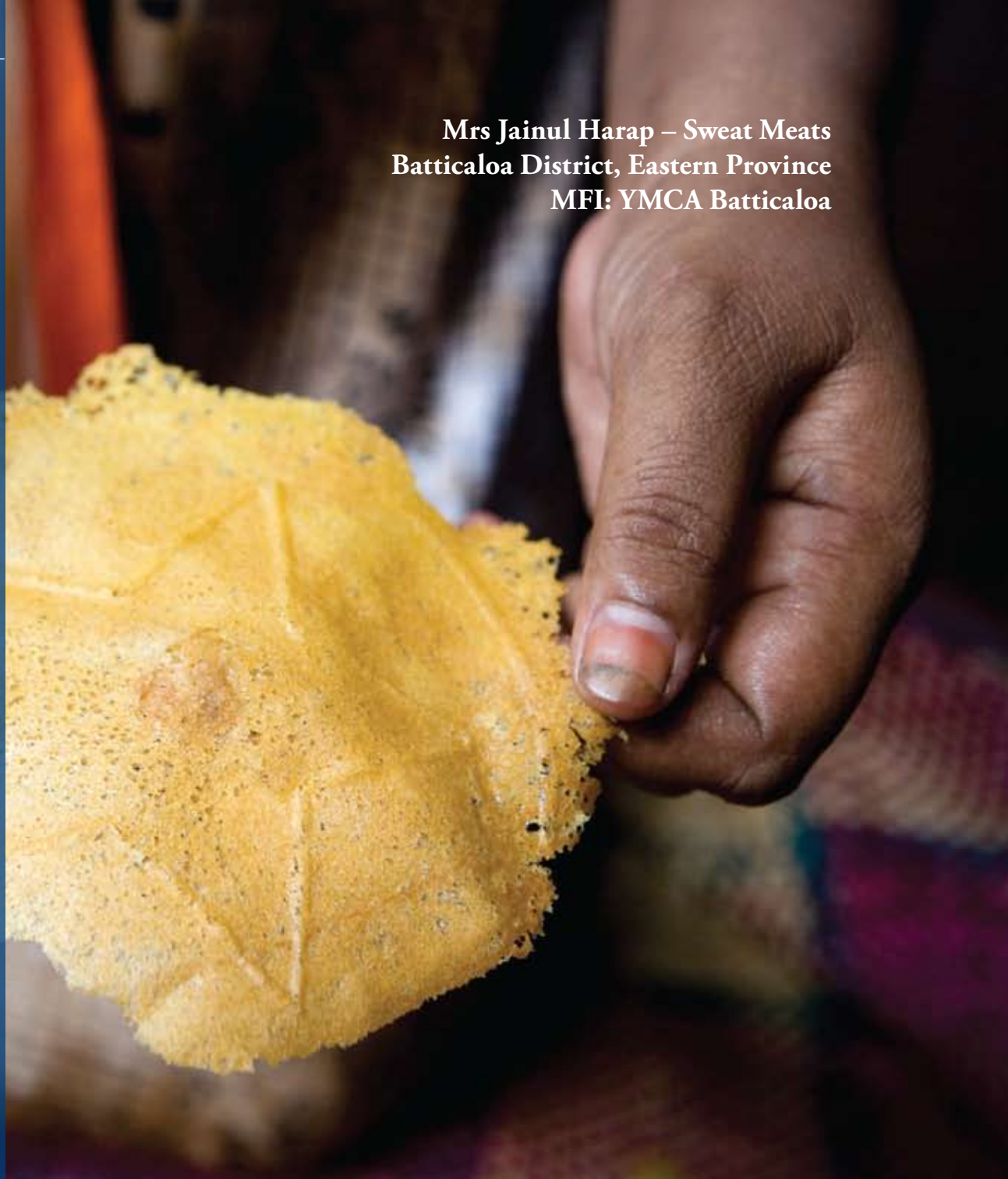


## *Sharing their load together*

For many years, Mrs Jainul Harap's husband traveled the road alone, steering the family's finances on his own with his modest income as an automobile driver. With two young daughters who were growing up fast into womanhood for whom future plans needed to be made, Mrs Harap realized that a dual effort would now be required to help steer the family budget. So, in an endeavour to assist, she applied for a loan with the YMCA Batticaloa with which she ventured out on an enterprise to produce "Nice", a pancake shaped sweat meat that was much in demand. With the 3,000 rupees (20 Euro) she received she worked tirelessly, turning out 300 numbers of Nice per day. Being a close-knit family, her sister and two daughters assisted her too. As the business flourished she obtained four more loans with which she widened her market, supplying Nice to several shops and undertaking orders direct.

This was, however, just a seasonal business with production confined to the warm, sunny season only, as Nice tended to lose its crispness when exposed to damp. But, as an industrious woman, Jainul Harap would not be deterred and before long, she diversified into tailoring ladies garments to tide over the

**Mrs Jainul Harap – Sweat Meats  
Batticaloa District, Eastern Province  
MFI: YMCA Batticaloa**





rainy season. With the help of the additional income she is able to pay back her fifth loan of 30,000 rupees (200 Euro). The road, she acknowledges happily, has been eased, thanks to the assistance provided by the YMCA Batticaloa. Her family is now well on the way to stability, for which she is exceedingly grateful.



**Mrs Jainul Harap is a client of YMCA Batticaloa, a partner of ProMiS.**

*Strong and resilient -  
facing the future with  
confidence*



**Mr and Mrs Nawaratne – Shoemakers  
Matara Town, Southern Province  
MFI: Arthacharya Foundation**

A shoemaker by trade from the age of fourteen, Mr Nawaratne was left utterly devastated by the 2004 tsunami that washed away his business. The relentless waves, he reflects philosophically, may have washed away their livelihood, but unlike in the case of so many others, it did not take away their lives. Inspired by the belief that they owed it in gratitude to stand strong as a family and act positively, he was quick to apply for a tsunami loan at the special rate of 6% per annum, from the newly opened Matara branch of the Arthacharya Foundation.

His prompt action was the beginning of a new start. With the 10,000 rupees (67 Euro) they first obtained, Nawaratne and Susila bought the material needed for making shoes. They were also lucky

to receive a donation of a sewing machine from an international charity organization to help them on the road to recovery. Soon a second loan of 25,000 rupees (165 Euro) was in the offing. With it, they purchased display racks for a new range of footwear named after their daughters, Hashini and Sashini. The business was now burgeoning into a family concern with even the girls joining in to weave shoe straps by hand, after school hours. Sustained by the loans and the help of his family, Mr Nawaratne is now producing sufficient shoes to meet the growing demand.

“I’ll be forever thankful,” he says in his typical style, “that my family was spared and with these special loans from the Arthacharya Foundation, so also my business.”



**Mr and Mrs Nawaratne are clients of the Arthacharya Foundation, a partner of ProMiS.**

*“We find Lak Jaya’s  
interest rates reasonable”*



**Naim Mohamed – Metallurgy and Spare Parts Business  
Avissawella, Western Province  
MFI: Lak Jaya Microfinance Limited**

The growing success of Mr Mohamed’s fifteen year old business hinges on the dedication of his two sons, Fais and Nilva. The first of two Lak Jaya micro-loans that 68 year old Mohamed received in 2003 enabled him to afford a helper and expand his business.

His younger son, 25 year old Fias, successfully applied for a second loan in 2005, after he returned to Sri Lanka from work in the Middle East. The Mohamed family now enjoys net profits of four times the amount they were earning at the birth of their business. Making in the region of 20,000 rupees (152 Euro) net a month, after selling items of up to 70,000 rupees (532 Euro), the whole family has benefited immensely.

“My eldest son, Nilva, has three children under ten,” Mr Mohamed says. “We hope that with continued financial assistance from MFIs like Lak Jaya, at least one of them will ensure the business survives into the future.”

He adds: “As Muslims, we are generally not permitted to pay interest. But we find Lak Jaya’s interest rates reasonable. So we opted to apply for the loan and have been very happy with this choice and the services provided to us.”



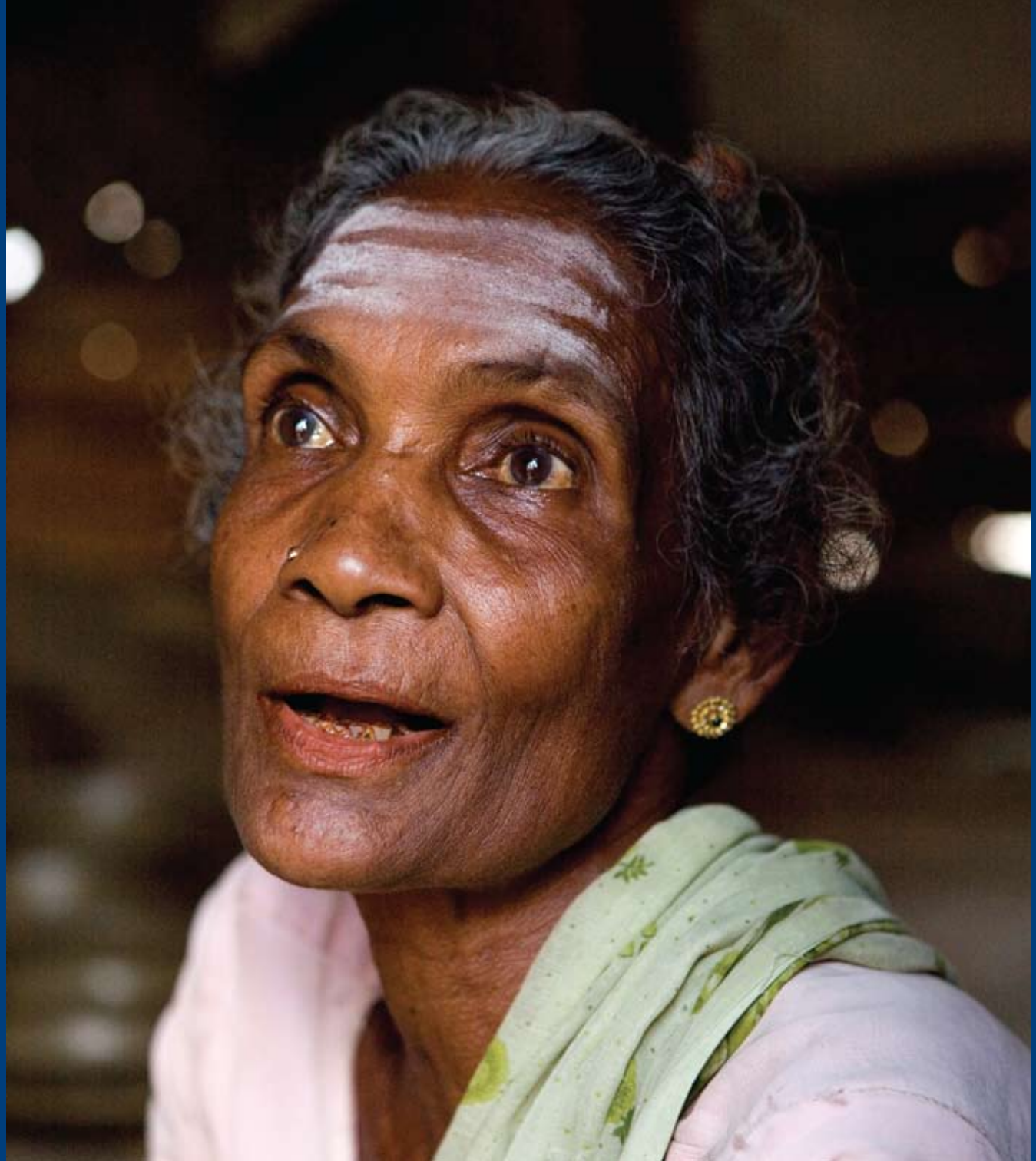
Mr Mohamed is a client of Lak Jaya Microfinance Limited, a partner of ProMiS.

# SUPPORTING LIVES IN CONFLICT-AFFECTED AREAS

Sri Lanka has been affected by conflict for over twenty years and to many families, this tragedy is an everyday experience. Those in the conflict-affected areas of the North and East are faced not only with escalating commodity costs, but also with scarcity of resources, lack of formal

employment and a sense of uncertainty for the future that overshadows the entire area. Access to financial services in these circumstances gives them the much-needed support to endure these trying conditions.





## *Taking conflict in her stride*



### **Mrs Pathuma Weevy – Milling and Weaving Batticaloa District, Eastern Province MFI: YMCA Batticaloa**

Mrs Pathuma Weevy has known conflict for most of her life. Living in the conflict-affected area of Batticaloa, to her it seemed just a vagary of life. Ever since she lost her husband in a fatal accident, her life has been a struggle to bring up her two children single-handed, further compounded by the hardships of an area directly affected by conflict. Down-to-earth and sensible she did not lament her fate. Instead, she applied her tenacity to an assortment of jobs, pounding rice to produce flour, much in demand for the preparation of indigenous foods such as “pittu”, “string hoppers” and “hoppers”. She also raised poultry and wove mats, buying the required reed and drying it herself.

Recognizing her industriousness the YMCA Batticaloa gave her five loans for which she is genuinely grateful.

“Five loans, which no one else would have given me“, she exclaims!

What’s more, the loans allow for a grace period of two months during the rainy season, when repayment is temporarily halted,



since profit in this season is low. The first loan was for 5,000 rupees (30 Euro) and the last for 45,000 rupees (300 Euro). These she used as working capital to improve her trade. With the income she raised her two children. Her daughter is now self-sufficiently employed in the cashew business. Her profits, she used to finance the building of a new house for her family. The YMCA Batticaloa has been her crutch supporting her throughout hard times, which now seem to be coming to an end, thanks to microfinance. With eagerness and gratitude she looks forward to happier days with her family in her new house.



**Mrs Pathuma Weevy is a client of YMCA Batticaloa, a partner of ProMiS.**

*Every dark cloud has a silver lining*



**Mrs Senthamilselvi – Broom Making  
Batticaloa District, Eastern Province  
MFI: YMCA Batticaloa**

Yet another resident of the conflict-affected area, Mrs Senthamilselvi was sadly denied the joy of enjoying her husband's support in raising her daughter, as she lost him while she was still pregnant. With this misfortune, it seemed to her as if her personal conflict had just begun. Yet with resilience, determined to sweep aside the hardships, she joined the YMCA Batticaloa and obtained a loan for 3,000 rupees (20 Euro) with which she set up her own little enterprise of making and selling brooms. Business was steady, but all she could make after meeting overheads was a modest profit of 5,000 rupees (30 Euro) a month. Undeterred, she bought herself a mortar and pestle and undertook pounding rice for a fee, in an attempt to enhance her earnings. Ambitious to do even better, she obtained a further loan of 50,000 rupees (330 Euro) to expand her business beyond the village. Soon, she was able to meet the demand for brooms in the adjoining towns too. Business has caught up so well that she is now contemplating employing an assistant.



Having lacked a proper home, she has moved residence with her daughter on numerous occasions before, but now lives in a little house of her own, built on her own land. After fencing it, she built a well to ensure she had her own water supply. She now has plans to construct a better house than the one they are presently living in, and that too very soon. In addition, she also has savings with the YMCA Batticaloa with a current balance of 10,000 rupees (67 Euro). Her daughter, who she brought up single-handed, will sit the GCE O/Level examination at the end of the year. Although still living in a conflict-affected area, she is pleased that her personal conflict is steadily approaching an end, thanks to the YMCA Batticaloa.

**Mrs Senthamilselvi is a client of YMCA Batticaloa,  
a partner of ProMiS.**

# IMPROVING HOUSING CONDITIONS

Quality of life goes hand-in-hand with the quality of living conditions, and both are part of a value added future. Improved housing conditions strongly impact the physical and emotional well-being of a family and microfinance has played its part in maintaining this well-being. Either

through direct housing loans for the improvement of living conditions, or indirectly through an increased household income which is then invested into improving housing conditions, microfinance has been instrumental in adding value to the lives of many.



*“We needed money to repair the roof of our house”*

Life on Dunsinane tea estate was greatly improved for 40 year old Mr Jothival in late 2003. He has worked on this 600 hectare estate filling and transporting sacks of green leaf tea for most of his life. He and his wife, her mother and sister and their four children all live together under the same roof.

When Lak Jaya granted a substantial loan in three batches to Dunsinane in September 2003, Mr Jothival wasted no time in applying for a loan of 15,000 rupees (115 Euro). His plans to fix his leaking roof and ceiling could finally be carried out.



**Mr Palaniyandy Jothival – Sundry Worker (Tea sacks)  
Nuwara Eliya District, Central Highlands  
MFI: Lak Jaya Microfinance Limited**

With such a large family to shelter, Mr Jothival decided to build a wattle and daub extension ten years ago. The tiny area that once contained the living, sleeping quarters, kitchen and dining area is now exclusively used as a living space. With the help of the loan, Mr Jothival says he can maintain everything better – even using part of the extension as storage space for building material and fertilizer for the carrots and leeks he grows behind his house.

Dunsinane’s medical officer and his team run regular health checks and hygiene awareness campaigns around the estate. Mr Jothival recognises that with the extra space and room to dispose of waste responsibly, his family can maintain a higher level of hygiene. They are at lower risk from contracting respiratory diseases and tuberculosis which often plague people living in the wet and windy climate of Dunsinane.

Mr Jothival is a client of Lak Jaya Microfinance Limited, a partner of ProMiS.





*Energizing their lives –  
lighting up their way*



**Mr I.M. Karunaratne – Labourer**  
**Matale District, Central Province**  
**MFI: Lanka Orix Leasing Company (LOLC)**

A quantum leap from kerosene oil to a solar panel was the major break-through that helped Mr Karunaratne illuminate his family's life. A daily paid labourer of Dambulla with a wife and three young boys, aged 9 months to 12 years, life was by no means easy on a fluctuating wage of 400 rupees (2.50 Euro) a day. Hardworking and productive, he supplemented this income by cultivating onions, but was faced with the additional hazard of staving off maundering elephants from the farm. Life seemed to him a mean deal which he could lighten if only he had the 50,000 rupees (330 Euro) required for a solar panel that would supply his family with a much needed basic necessity – electricity. “We are tired of having to use kerosene lamps,” he explains. “I want to do something that would give our three boys a better future than we have had.”



**Mr M. I. Karunaratne is a client of LOLC,  
a partner of ProMiS.**

Leasing seemed a reluctant option till LOLC came forward with an affordable installment plan, involving a monthly payment of 1,700 rupees (11 Euro) that he readily opted for. Karunaratne purchased the solar panel, thanks to LOLC, making a remarkable difference to the family's life style. Now, not only have they sufficient electricity for domestic lighting, but also to power a TV set and a cassette recorder, keeping the children not only entertained but also in touch with the world, impacting their education. Yes, Karunaratne is a genuinely happy man for he has made a real difference in his children's lives. The elephants too have had a rude surprise. With sufficient power from the solar panel, Karunaratne now keeps a light burning in his onion plot throughout the night to keep the wild elephants away. Having overcome this hazard too, he channels the additional income from the onions to paying back the lease and renewing the battery for the solar panel as and when required.



# ENHANCING ENTREPRENEURSHIP

The entrepreneurial poor are by far the biggest target group that has benefited from microfinancial services. Providing them with the financial means to develop their most important asset, microfinance helps their natural skills and strengths burgeon into productive enterprises. Affording both direct and indirect financial services microfinance

institutions also extend to them business development training, simple bookkeeping skills and advise on better marketing, thereby giving them the edge to organize and run their businesses better. With better business management bringing in increased profits, the ability of clients to pay back their loans increases too.



*“Our daily profits  
have tripled”*

**Mr N.P.D. Uranga – Curd Producer  
Hambantota District, Southern Province  
MFI: Agro Micro Finance**

Mr Eranga has been producing buffalo curd as his father did before him for over 23 years. His whole family is involved in the business and his father still travels by motorcycle everyday to collect 120 litres of milk from a town 30 km away from home. The milk is then boiled in huge metal cauldrons over an open fire, poured into individual clay curd pots, mixed with a culture and left to set.

Up to a few years ago, they used a bicycle to collect the milk and distribute the curd to their buyers. They had taken out a small loan previously from a different MFI, but were not satisfied with its interest rates and application process. Then the first of two micro loans from the MFI Agro Micro Finance changed the scale of their business completely. With a loan of 50,000 rupees (380 Euro) in June 2004 Mr Eranga bought a new motorcycle. He then bought a three-wheeler with a second loan of 100,000 rupees (760 Euro). “With the new vehicles not only could we collect more milk and deliver more curd, but could do this more often,” Mr Eranga says happily. “We can produce and sell up to 220 pots of curd every day. Our daily profits have since tripled.”



Mr Eranga is a client of Agro Micro Finance,  
a partner of ProMiS.

“The curd produced in this region is very good. Although business was slow for a few months after the tsunami, there has always been high demand for my product since,” he adds. “Now is the time to expand.” Mr Eranga intends to begin producing yoghurt as well and has completed a business training course with Agro Micro Finance’s partner Agromart and has requested a loan of 150,000 Rupees (1,154 Euro) to set it up.



*Nothing ventured  
nothing gained*

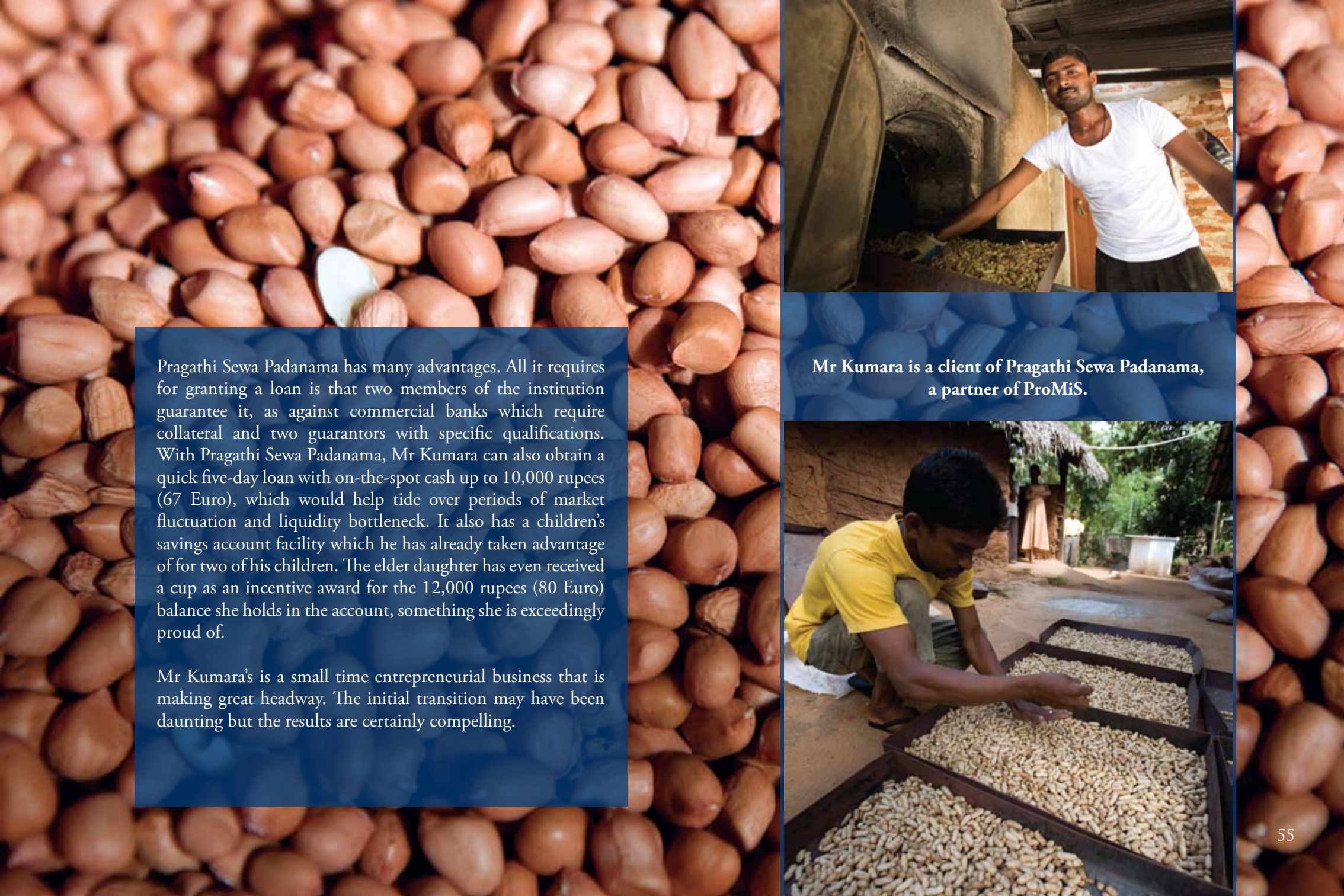


**Mr Ranga Kumara**  
**Peanut Processing and Distribution Business**  
**Anuradhapura District, North Central Province**  
**MFI: Pragathi Sewa Padanama**

After working in a flower shop in Colombo for eight years and completing a stint for three more years abroad, Mr Kumara felt the need to explore new horizons. Spurred by the challenge of entrepreneurship he moved into an entirely new venture in his home village and started a fully registered peanut processing business. The question, as is usually the case was finding the required capital. Not having any capital assets of his own, an entrepreneurial enterprise at this juncture would surely appear rather foolhardy. But not to Mr Kumara.

His first move was to join Pragathi Sewa Padanama, a microfinance institution. He then confidently invested 50,000 rupees (333 Euro) he had saved, together with 30,000 rupees (200 Euro) he had obtained as a loan from Pragathi Sewa Padanama, to build an oven in which to process peanuts, and a storeroom to stock raw materials and packaged finished products. With another loan of 150,000 rupees (1,000 Euro) he expanded the business further, employing two workers. Business is good with peak periods in January and April and the loan fully repaid. His next move is to apply for a 300,000 rupees (2,000 Euro) loan to buy a three-wheeled vehicle, locally known as a trishaw, to help widen the reach of his distribution.





Pragathi Sewa Padanama has many advantages. All it requires for granting a loan is that two members of the institution guarantee it, as against commercial banks which require collateral and two guarantors with specific qualifications. With Pragathi Sewa Padanama, Mr Kumara can also obtain a quick five-day loan with on-the-spot cash up to 10,000 rupees (67 Euro), which would help tide over periods of market fluctuation and liquidity bottleneck. It also has a children's savings account facility which he has already taken advantage of for two of his children. The elder daughter has even received a cup as an incentive award for the 12,000 rupees (80 Euro) balance she holds in the account, something she is exceedingly proud of.

Mr Kumara's is a small time entrepreneurial business that is making great headway. The initial transition may have been daunting but the results are certainly compelling.



**Mr Kumara is a client of Pragathi Sewa Padanama, a partner of ProMiS.**





*All it takes is motivation*

Mrs Rahmathuma Hachmohamad, the wife of a street hawker and the mother of eight children, has had it hard, borrowing money from friends, neighbours and moneylenders to make ends meet. Motivated by a desire to start a business of her own, she decided to set up a textile shop. For many years the shop did poorly, generating an income that was barely sufficient. She had not realized that her problem was poor marketing till she joined the YMCA Batticaloa. Not long after, the YMCA Batticaloa afforded her the free service of a Field Officer, to receive training on how to market her products better.

Marketing knowledge alone would not suffice. She needed capital too. Here again the YMCA Batticaloa came to her assistance with

**Mrs Rahmathuma Hachmohamad – Textile Shop  
Batticaloa District, Eastern Province  
MFI: YMCA Batticaloa**

five loans with which to expand her business. As her business is now doing well she has applied for another loan of 100,000 rupees (670 Euro). She can now afford to put by for extra stock; to meet the increased festival demands that surface during the country's diverse religious seasons. She is immensely grateful to the YMCA Batticaloa for both the training in marketing and the financial support she has received.

With business now stabilized and hardships, a thing of the past, Mrs Hachmohamad is looking forward to many more fruitful years with the YMCA Batticaloa.



Mrs Rahmathuma Hachmohamad is a client of YMCA Batticaloa, a partner of ProMiS.

*“The business training and special loan packages have helped me to become self-reliant”*

**Ms H.I. Malkanthi – Fish Seller  
Matara Town, Southern Province  
MFI: Arthacharya Foundation**

38 year old Ms Malkanthi has suffered a double tragedy over the past three years of her life. In late 2004, her home was left severely damaged and business badly affected by the tsunami. Then, in early 2006 her husband died leaving her to care for four children on her own.

Her late husband used to sell fresh fish by bicycle door-to-door. Then in the months preceding the tsunami, he built a simple stall and started selling fish on the roadside. Every day at dawn, Ms Malkanthi takes a three-wheeler to the neighbouring seaside town of Mirissa to buy 40-50 kilos of assorted fish and brings it back to her tiny roadside stall. She manages to make about 600 rupees (4.60 Euro) in profits a day.

Ms Malkanthi says she now feels more confident with the support of the Arthacharya Foundation. “The business training and special loan packages have helped me to become self-reliant,” she says. “With both, my society savings and savings at People’s Bank, I can give my four children a much better future. The most important thing is their education.”





Ms H.I. Malkanthi is a client of the Arthacharya Foundation, a partner of ProMiS.

ProMiS – Promotion of the Microfinance Sector

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