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**Paving the Way Forward for Rural Finance  
An International Conference on Best Practices**

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**Case Study**

**Gender Targeting of Rural Financial Services:  
Is this Appropriate?**

**Best Practices by Women's Bank of Sri Lanka**

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This case study was made possible by support provided in part by the US Agency for International Development (USAID) Agreement No. LAG-A-00-96-90016-00 through Broadening Access and Strengthening Input Market Systems Collaborative Research Support Program (BASIS-CRSP) and the World Council of Credit Unions, Inc. (WOCCU).

All views, interpretations, recommendations, and conclusions expressed in this paper are those of the author (s) and not necessarily those of the supporting or collaborating institutions.

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## **Gender Targeting of Rural Finance. Best Practices by Women's Bank of Sri Lanka.**

### **Introduction**

Women's Bank is a Cooperative Society. It is a self-reliant membership organization built, owned and operated exclusively by the poor women in Sri Lanka. It is engaged in a mission to put the resources, ideas and support of its own members to raise their socio-economic and cultural status on the principle of self-help and mutual help without depending on never ending chain of government and external support.

It was registered in December 1991 under the Co-operative Societies Law No.5 of Sri Lanka as '**Colombo District Women's Thrift and Credit Co-operative Society Ltd**' consolidating 22 women's groups consisting of 250 members that have been promoted by the Praja Sahayaka Sewaya (PSS) – Community Assistance Service, a community based NGO with financial support that PSS has received from UNICEF, UNCHS / DANIDA, The Royal Netherlands Embassy and NORAD Funds amounting to about US\$75,000. This was popularly known as **Women's Bank**, both locally and internationally.

Being a primary level co-operative society initially it adopted a centralized management structure. All the groups formed were attached to the center. Accounts and operations were centralized. By 1993 Women's Bank realized that in order to enhance the participation of members more effectively and to improve the quality of management it is necessary to decentralize its operations. Accordingly five or more Women's Groups operating in close proximity were federated into one autonomous branch of the Women's Bank. The Treasurers of all Women's Groups form the Management Committee of this Bank Branch. These branches were administratively empowered to accept all forms of receipts from members of the attached groups and to disburse such funds at their discretion subject to co-operative law. They formed separate accounting units.

Within about two to three years time Women's Bank realized it had developed a product that cannot be confined only to Colombo District. It had a national demand. Various women's Groups far away from areas like Ampara and Polonnaruwa as well as adjoining districts Gampaha and Kalutara wanted to integrate with the Women's Bank movement. At this juncture the women's Bank had to face with the problem of its by-laws. According to Article 3 of Women's Bank by-laws it can operate only within the Colombo Administrative district. The necessity was arisen to restructure and reengineer Women's Bank constitution. Furthermore although it has restructured its management structure and was functioning as a sort of federation this too was not a formal arrangement. In restructuring Women's Bank by laws it wanted to in-cooperate all the innovative practices it has developed through years of experience in its new by-laws. This became a time consuming and painstaking exercise. Before drafting the new bylaws the proposals had to be discussed with all the groups and branches within the entire Colombo District. It also had to be discussed with groups and interested

individuals outside the district who have expressed their willingness to join the movement. The next bottleneck was to go through the department of Cooperative Development both at Provincial and National levels.

In Sri Lanka bureaucracy is highly reluctant to accept new concepts. They want to be stereotype. The Department of Cooperative Development has standard bylaws for promotion of new Cooperative Societies. If the standard by laws are adopted it makes the matters easy for the department. The tailor made bylaws have to be sent to the legal draftsman for legal clearance. However when this tug of war was going on between the Women's Bank and the Department of Cooperatives about 600 poor farmer women in Mahaweli Development area have already mobilized into groups and federated them into 5 bank branches under the Women's Banks proposed by-laws. By this time it was formalized as a national level co-operative society, these bank branches have disbursed Rs,2,159,500 (US\$ 22732) as loans. Finally in April 1998 women's Bank could restructure formally re-registering the Women's Bank as **'Sri Lanka Women's Development Service Cooperative Society (Women's Bank) Ltd.** It is a national level cooperative society built, owned and operated by poor women in Sri Lanka to serve themselves with their own resources pooling together.

In Sri Lanka there are only 23 national level cooperative societies engaged in thrift and credit. Except Women's Bank all the other 22 have been promoted by either public or private sector organized work forces. Their savings and loan recoveries are coming as deductions from their regular incomes from their pay sheets. Women's Bank is the only gender related cooperative society operating in far away hamlets and pockets and also in urban slums and shanties. Its loan recoveries have to be collected by themselves using group mechanism from their own irregular meager incomes. **Under all these constrains it had established a hundred percent loan recovery rate and spread into 14 out of the 25 districts in Sri Lanka.**

**Today it has become an ever-expanding movement. At the end of the year 2002 it has opened 44 Bank Branches in 8 districts with 970 groups consisting of around 13545 members. In another 6 districts it has mobilized around another 6000 poor women into about 500 Women's Groups. They are now in the process of federating into bank branches.**

### **Cooperative Movement in Sri Lanka.**

Cooperatives have been recognized as an effective tool for poverty alleviation and economic development in Sri Lanka long before the NGOs driven, donor funded community savings and credit systems and micro credit schemes emerged as strategic ways of improving the economic circumstances of the poor.

The cooperative movement in Sri Lanka was introduced in 1911 during the British Colonial rule with the objective of eradicating rural indebtedness and promoting thrift and savings among rural poor. Credit cooperative movement pioneered cooperative

practices in the country which got diversified in to the fields such as agriculture consumer business and small industries.

According to the statistics published by the Department of Co-operative Development 5,346,000 men and women in Sri Lanka have mobilized themselves into 11762 primary co-operative societies engaged in 17 types of economic activities by 1998. It includes 308 Multi-purpose co-operative societies with a membership of 3,584,500 and 7876 Thrift and Credit Co-operative Societies (TCCS) with the membership of 768,300. Women's Bank is also one of these 11762 co-operative societies. **But it is not just another co-operative society. It is special and different from all others. The following statistics bear ample evidence to this proposition.**

#### **Vital Statistics of Co-operatives engaged in Thrift and Credit -1998**

Category	Number	Membership	Savings SLR M.	Loans SLR M.
Rural Banks	299	2841000	11233.6	5554.8
TCCS	7876	768300	3506.1	1868
Women's Bank	01	7835	55.2	58.1

Rural Banks and TCCS have mobilized their funds during a period of more than 40 years. The bigger part of the savings of rural people around 53% collected by Rural Banks and 47% collected by TCCSs have seeped out of the areas of collection through investments in Treasury Bills and commercial bank deposits. **Women's Bank as a single cooperative within seven years of its operation has mobilized Rs 55.2 Million from its members and disbursed Rs 58.1 Million as loans using its own resources and internal generations.** These funds could be utilized within the same areas of operation for promoting living condition of the poor because of the best practices followed by the Women's Bank. None of the Women's Bank branches or their groups operate any account with a commercial bank. They deposit or invest all their funds only with their own members.

#### **Status of Women in Sri Lanka and Women's Bank**

Sri Lanka is the first country in the world to appoint a woman as the head of the Government. That was in 1960 when Mrs. Sirimavo Bandaranaike was appointed as the Prime Minister of Sri Lanka. Today we have a presidential system of government headed by Mrs. Chandrika Bandaranike Kumaratunge, another woman.

These are records that Sri Lanka has made in matters relating to gender. The mere fact of having female heads or making records has not improved the lot of average women in Sri Lanka.

Out of a population of 19 million, 52 percent in Sri Lanka are women. According to the statistics 74 % live in villages. Around 744,000 of Sri Lankan have been accounted as unpaid family workers according to the survey done by Statistical and Census

Department in 1999. Large number of these women is engaged in small-scale business activities either as hawkers or the venders in fairs. There are around 440 fairs held in small towns in different parts of the country. Most of the venders in these fairs are poor women. In the morning they borrow the working capital for their business at 5% interest for using that money from morning till evening on that day. It is settled in the evening with interest out of the business proceeds. For the next day they have to go through the same process.

A significant number of women in low-income families head their households. According to the statistics available this number is around 21 percent in rural areas, 40 percent in urban low-income settlements and the number estimated for the war affected Northeast was around 50 percent. Some husbands have died; some have run away with other women; husbands of some are unknown. The other households have male heads, but most of them are addicted to drug and alcohol. They spend more money on their drinks and smokes than the amount they provide to run the entire family. In most families, especially among poor households in villages, it is the responsibility of the women to look after the education and health of their children. Thus poor women in Sri Lanka are forced into heading their households and have emerged from their traditional role. They have to be the mother, father, protector and the breadwinner as well as the house maker. This situation has forced large number of rural women to go abroad as housemaids risking their lives. When they come back some find that their family lives have shattered. Husbands have already found another wife enjoying the hard money that she has sent from abroad; children are abandoned to their own fate. (According to the Government statistics 49 percent of 788,000 Sri Lankan workers abroad are working as housemaids).

It is under this backdrop that Women's Bank was promoted to find solutions to problems of poor women in Sri Lanka.

### **Management and Organizational Structure**

Women's Bank has established a unique management and organizational structure to ensure transparency and accountability at every point of its operation. It is rooted in small self-help and mutual help groups with a membership ranging from five to fifteen women living in same neighborhood. These groups formed the base and heart of the organizational structure. These groups have been formalized by the Article No 6 of its bylaws as follows.

#### **Groups**

'The membership is open only to the members of a women's group. A women's group is a group of five to fifteen low income women living in close proximity who have agreed to meet once a week and save Rs 5 per week and take collective decisions'.

Generally they should select their own chairwoman, secretary and the treasurer by consensus. They should meet once a week at one of the member's house. Through experience now they have developed the following agenda for this group meeting.

- to collect weekly saving of Rs 5 per person. This is compulsory. In addition there can be voluntary savings.
- to collect dues to 'Pradeshikaya' [Bank Branch] such as loan installments, deposits, welfare funds etc.
- to review what they have done during the past week.
- to decide on activities for the ensuing week.

**Thus these groups function as grass-root level planning and plan implementation units.**

Groups are entitled to use weekly savings at their discretion. This fund is used to provide emergency loans to group members with agreement of all the members. emergency loan is about Rs 100 at the beginning of a group. Usually during initial years of group formation almost all members are used to obtain these emergency loans, but when the groups are matured most of the members are not interested in small loans. This indicates they have improved economically through this group mechanism. Members in matured groups can obtain up to Rs 3000 to 4000 from the group savings.

These transactions are completely independent of Bank Branch normal transactions. They do not come into the Women's Bank's financial records.

Although it is the responsibility of the treasurer to keep the group savings in their cash box provided by the Women's Bank, by practice these funds have never been allowed to be idled in a cash box. Funds are always been in circulation, being used by a member to meet some economic need. Therefore Women's Bank does not have a problem of cash management.

**Pradeshikaya [Bank Branch].**

A new group takes at least eight months to reach the point of becoming a member of the Women's Bank. The group will open a group account in the relevant Pradeshikaya. Pradeshikaya is defined in Women's Bank bylaws in Article No 20 as follows;

'A Pradeshikaya is a federation of ten or more women's groups which had been in operation for more than eight months'. According to Article 20.1 a Pradeshikaya has individual members representing groups and group as a separate member.

Pradeshikaya is popularly known as Bank Branch. When a group opens an account it becomes eligible to transact with the Bank Branch. All loans to group members will be issued to the group account and will be covered by group liability. Each individual member should contribute Rs 125 to gain membership which includes Rs 100 for shares, Rs 10 for admission fees, Rs 5 for Compulsory Savings and Rs 10 for Welfare Contribution.

Branch is managed by a Committee of Management which is formed by the treasurers of attached groups. These group leaders take the issues of the members of their

respective groups that cannot be tackled at the group level. Bank Branches are independent account units for their resources.

Management Committee is responsible for the financial management of the branch but a problem of financial management does not arise for a bank branch as its finances are always being circulated among its own members and group leaders have the right to review its financial positions continuously. Management Committee of the Branch meets once a week and the issues they cannot tackle at the branch level are taken to national level.

### **Group Leaders Meeting.**

According to the Article No 21 there should be a forum of group leaders which should consist of treasurer, chairperson and the secretary of all the groups federated in to one particular bank branch. Management Committee of Bank Branches is elected at these group leaders meetings. These group leaders meeting are functioning as the general meeting of all the groups in a particular Pradeshikaya area.

### **National Council.**

National Council of the Women's Bank is consisted of all treasurers of all Bank Branches. National Council is responsible for formulating policy matters and taking strategic decisions. It functions as the apex body or operational center of the Women's Bank. Its functions include;

- Provision of basic training in keeping accounts and financial management.
- Provision of basic equipment to the bank branches.
- Mobilizing funds from external sources to supplement loanable resources to bank branches.
- Undertaking mobilization and sponsoring group formation.

### **National Executive Council.**

National Executive Council is represented by selected treasurers of the Bank Branches in a district. If a particular district is having only one branch it is entitled to nominate its branch treasurer to the National Executive Council. When an administrative district has more than ten bank branches such bank branches are entitled to elect two representatives.

National Executive committee is responsible to implement the policies and decisions taken by the National Council through the General Manager. The General manager is responsible to the Women's Bank to execute all decision taken at National Council level diligently and prudently. General Manager is the only full timer and non-member in the entire Women's Bank Movement. The current General Manager is the initial promoter of the Women's Bank as the Chairman of the PSS.

## **Savings and Credit Operations**

Savings of the members form the core capital of the Women's Bank. Members must first save to participate and to take loan. Low- income households have capacity to save



and often do save through informal channels. The Women's Bank is firmly rooted in the belief that the poor can save. Various types of savings have been promoted by the Women's Bank. Some are compulsory and others are voluntary. The following are types of savings that Women's Bank has introduced.

**Savings Balances of members of Women's Bank as at years ended 2001 and 2002.**

Membership	12828	13545	Av: per member	Av: per member
Category	2001 Rs SLR	2002 Rs SLR	2001	2002
Shares	24,832,000	36,412,900	1936	2688
Compulsory Savings	16,637,155	25,745,806	1297	1901
Members Savings	1,085,756	1,636,022	85	121
Welfare Fund	11,278,416	18,768,552	879	1386
Children's Savings	3,063,505	4,985,123	239	368
Group Savings	497,493	661,988	39	49
Group Welfare Fund	3,624,956	4,726,677	283	349
Fixed Term Deposits	5,975,900	10,728,000	466	792
Equipment Fund	168,761	374,625	13	28
Training Fund	151,283	354,261	12	26
Balance Net Profit	2,175,245	4,214,744	170	311
Statutory Reserve	2,923,990	5,837,780		
Non Member Savings	2,556,995	2,548,810		
Society Savings	367,625	394,102		
Education Fund		211,047		<b>16</b>
Rakhitha-697 members		3,875,320		<b>5560</b>
<b>TOTAL</b>	<b>75,339,080</b>	<b>121,264,710</b>	<b>587.3</b>	<b>895.2</b>
<b>US \$</b>	<b>784782</b>	<b>126317</b>	<b>6.1</b>	<b>9.3</b>

**Regular compulsory savings**

Each member should save Rs 5 monthly and deposited in the bank branch. In addition to this another five percent is deducted from the loans exceeding Rs 500 issued to a member as a strategy to build up members assets to increase loanable funds.

**Welfare Fund**

Each member has to contribute Rs 10 every month for a welfare fund which is used for payment of funeral expenses of a member or a family member of a member. In 1999 to enhance the welfare program Women's Bank introduced a welfare scheme named as 'SUBHANI'. Under this scheme each member has to deposit (refundable) Rs 3000 initially as once and for all payment. Members who deposit under this scheme need not make monthly contribution of welfare fund and the compulsory savings. This deposits carries 18% interest per year. Accordingly the yearly interest of Rs 540 on SUBHANI has to be allocated as follows;

- Rs 120 for the members compulsory savings account.

- Rs 12 is contribution for the management of the center.
- Rs 408 goes to the welfare fund.

### **'RAKHITHA'**

'RAKHITHA' is an insurance scheme introduced by Women's Bank in 2002 to insure the lives of the main breadwinner of the household. Under this scheme 697 members have insured the breadwinner, majority of them are husbands. Under this scheme if the breadwinner dies the member is entitled to receive a lump sum payment of Rs 50,000 out of this fund.

### **Credit Culture of the Bank Branch.**

Women's Bank membership is open only to members who have acquired a savings and credit culture by being a member of a women's group. All group members before being graduated to matured membership of the Women's Bank have to go through six loan stages as explained below.

#### **Loan Stage 1.**

From the day one of the formation of the women's group members can obtain loans from their weekly savings in the group for emergency purposes at 1% interest per week. This loan should be settled as soon as possible. These loans do not come into the Women's Bank financial records.

#### **Loan Stage 11.**

Upon becoming a member of the Pradeshikaya (Bank Branch) a member can take small monthly loans to be repaid in four weekly installments. The initial loan is Rs 250. Upon its successful repayment a second loan of Rs 375 can be obtained. Thereafter a loan of Rs 500 can be taken for three consecutive times and these loans can be settled within two months by weekly payments. A member can take all these loans in succession and becomes eligible for the next loan stage within five months time.

#### **Loan Stage 111.**

This stage starts with the loan amount is Rs 1,000 repayable within two to four months and will be followed by the loans of Rs 1,500 and Rs 2,000 loan consecutively with repayment periods of three to six months and four to eight months respectively.

#### **Loan Stage 1V.**

Under this stage the groups which have successfully gone through the above stages are entitled for a loan package which is calculated by multiplying Rs 2,500 by the number of matured members in the group. This package can be given to two or more members at the discretion of the group. The remaining members are entitled to obtain Rs 2,000 loan.

#### **Loan Stage V.**

Under this stage the groups which have successfully gone through the above stages are entitled for a loan package which is calculated by multiplying Rs 4,000 by the number of matured members in the group. This package can be given to two or more members

at the discretion of the group. The remaining members are entitled to obtain Rs 2,000 loan.

### **Loan Stage V1.**

Under this stage the groups which have successfully gone through the above stages are entitled for a loan package which is calculated by multiplying Rs 7,500 by the number of matured members in the group. This package can be given to two or more members at the discretion of the group. The remaining members are entitled to obtain Rs 2,000 loan.

The groups which complete the repayment of these loans successfully are entitled for enhanced loan packages, the amount of which is determined on the following criteria by the respective bank branches.

- Availability of the funds in the particular Bank Branch.
- Total assets belong to the group (shares, deposits, ect;)
- Feasibility of the investment proposal and the track record of the member's achievements.

When the group become matured it will be given enhanced loan package which is calculated as a ratio to the group assets. This ratio is determined by each branch on the basis of the branch financial capacity. The loan package allowed to each group can be allocated among group members in agreement with all the members. These enhanced loans are given as on account loan. A member who is entitled to certain amount of loan can obtain up-to that amount for any purpose in accordance with the following priorities.

- To settle old debts, to redeem pawn articles & mortgaged properties of the member. Each member should disclose all particulars relating to its debts and related problems to the group during the weekly meetings.
- To meet emergency needs.
- Income generation activities
- Housing and property development

However in between above priorities if the necessity arises for obtaining loans to meet medical expenses, funerals, other social obligations and children's education purposes, they also will be considered as priority requirements.

### **Interest on Loans**

All the above loans given under stage 01- 03 and two of Rs 2,000 loans under stage 4 should be settled with one percent rate of interest per week. From third loan of Rs 2,000 under stage 04 and the other higher loans given thereafter carry only 2% interest per month on reducing balance.

**Loan Portfolio of Women's Bank**

Loan Category	2001	2002	2001	2002
	Amount Rs	Amount Rs	Percentage	Percentage
Housing	19,944,450	29624150	22.98	20.5
Income Generation	13,782,175	22526850	15.88	15.63
Settling Debts	11,785,550	19621930	13.58	13.61
Releasing Pawns Items	5,346,625	8035050	6.16	5.57
Buying Gold/House .H. Equipment	2,664,800	5526450	3.07	3.83
Festivals/ Health Social Obligations	6,995,200	13331667	8.06	9.25
Education	2,719,981	6142772	3.13	4.26
Fixed Term Deposit Loans	2,748,365	7157350	3.17	4.96
Investment Loans	4,833,700	8167520	5.57	5.67
Consumption Loans	10,487,750	15446710	12.08	10.72
Other Loans	5,497,637	8579072	6.33	5.95
TOTAL SLR	86,806,243	144,159,521	100	100
US \$	904232	1501663		

**Economic and Social Impact of Women's Bank on Rural Poor**

Rural poor women face many hazards, breakdowns, and interruptions in their day-to-day economic lives such as snake bites, attacks by elephants on their farms as well as on their lives. They often face one crisis after another crisis. To face most of the crises they need money. They want moral and physical support. A significant number of rural women are the heads of their families. In most of the male-headed families also men are addicted to alcohol, smokes and gambling. For their extravagance husbands pawn whatever immovable they have, very often few jewelry and ornaments the wives have, sometimes even their cloths. When such money also wasted the next option of the gamblers is to mortgage the small paddy land they have.

They have few buffers to protect them or reserves to be used in times of emergencies. When the child falls sick when there are no provision in the kitchen to cook they face with a pathetic situation. After joining the group system under the Women's Bank they are now not alone. Thanks to the solidarity formed they have 10 to 15 friends in need. They have a reserve to turn in case of a financial need. They have their group leader very close by. When they want a small cash advance to buy a packet of a milk powder to feed the baby or to buy some educational equipment for the child to go to school the group fund with the group is always available to help them.

Women's Bank has provided a special emergency loan scheme for rural bank branches considering the special hazards that rural poor women has to face with. Under this scheme they can obtain an emergency loan up to Rs 5,000 at any moment to face an emergency without producing any document. Furthermore within about two years of

joining the Women's Bank all most all their financial encumbrances can be relived, because loans for settling old debts is the first priority in Women's Bank's credit culture. They can proudly wear their gold and ornaments, which were with the pawnbrokers. Women's Bank provides loans for these redemptions without keeping any of articles as security or executing any deeds of mortgages. This is a unique and distinguishing feature of the Women's Bank's demand driven credit flow. The only guarantee the Women's Bank rely on is the group's guarantee. It has worked successfully ensuring 100% loan recovery rate.

Women's Bank gives next priority in its loan culture to redeem mortgaged land and buildings. Under this schemes a large number rural women specially in Mahaweli Development areas had been fortunate to redeem their paddy fields which had been mortgaged to traders / money lenders.

This can be well explained from the story of Nagaswewa Women's Bank Branch.

Nagaswewa is a farming village in the District of Ampara. Since early 1980s in this village, 280 families have been resettled under the Mahaweli Development Program. Women's Bank could reach 148 of these families and formed 15 women's groups as early as 1996 (even before it was formalized as a national level cooperative society). According to latest records of Nagaswewa bank branch now it has 185 members with 20 groups. Out of them 41 farmer families had mortgaged their paddy fields and obtained loans ranging to Rs 5,000 to Rs 50,000 from the trader. Whatever the amount they received as loans the farmer had to give 1320 kg of paddy at the harvest time as the interest of the loan. This was a vicious circle. Their debts were adding on year by year.

Women's Bank commenced its mobilization process when this village was in this predicament. The paddy farmers had to buy their insecticides, pesticides, fertilizer and food items from the trader on credit. The trader comes to the paddy field at the harvest time and buys them far below the market or guaranteed price. Farmer is helpless. He has no choice but to offer the crops to his creditor. According to a calculation made it has been found a farmer could have purchased farming inputs required for two and half acres of paddy land for Rs 23,885, but when they buy these items on credit the trader has billed them for Rs 26,585. Thereafter every month till the settlement date ten percent interest is added.

After formation of Women's Bank Branch at Nagaswewa it had provided following loans to relieve these farmers from their indebtedness.

Loans for Settling Debts and for Housing of Nagaswewa Bank Branch.

Year	To redeem mortgages SLR	No of Loans	Housing Loans SLR	No of loans
1997	121500	17	209750	29
1998	142500	10	357500	35

1999	318000	15	548500	26
2000	201000	06	719000	37
2001	415600	14	996000	38
2002	722000	17	1108500	42
TOTAL	1920600	79	3939250	207
US\$ equivalent	20006		41034	

### **Improving Socio-Economic Status of Rural Women**

According to the treasurer of the Bo-Sevana Bank Branch, which had been formed in 1992 they have given loans 10 to buy three-wheelers ( a popular taxi in Sri Lanka), 4 to buy buses, 1 to buy a lorry, 8 to start hardware stores, 2 to buy vans, 4 to commence jewellery shops, 4 to buy lands and about 200 to improve their houses. The total membership of the bank branch is around 400. Most of these loans have been utilized to provide a stable income source for their husbands. Most of these men folks have opposed the Women's Bank activities in its initial stages. Now these poor women carry out their tasks with full blessings of their husbands. In 2002, when the Women's Bank introduced the insurance scheme named 'RAKHITHA' to insure the chief income earner of the house holds 697 women have brought their husbands / breadwinners under this scheme by paying once and for all installment of Rs.5560. For the purpose of executing this insurance scheme all these husbands had to come with their wives to the Women's Bank Branch.

Thus Women's Bank has significantly helped to improve the socio-economic situation of women within the household and breakup the isolation of them through greater social interaction. This is also a successful strategy that Women's Bank has adopted to face a challenge of insecurity that the poor women are facing.

### **Liberation from Money Lenders.**

As household in low-income families have no access to credit from formal sources they had to depend on moneylenders. They charge around 10 to 20 percent interest per month. If it is day's loan which is popular among hawkers this interest will be not for month, but only for the day. In addition they need security. It may be jewellery, radios, TVs, clocks, watches or some times even dresses. Very often it is some thing personnel to women folk in their homes, such as their ornaments.

This has been well explained by the story of Nagaswewa Bank Branch. In 2001 Out of Rs.86.806 Million of loans 19.74 % had been given to sette old debts and redeeming pawned and mortgaged assets.

### **School Children's Requisites**

In 2001 Women's Bank has provided Rs. 2.72 Million for educational purposes. Out of this Rs.1.8 Million has been given to provide schoolbooks and other requisites to schoolchildren. This is a remarkable improvement from its 1994 positions. According to records available only school requisites worth Rs. 400,000 had been supplied in

1994. This is a highly innovative system that Women's Bank has introduced. First it has given loans to 4 of its members to produce school books and other requisites. Then loans are arranged for one entrepreneur member from each bank branch to buy them wholesale from producer members. Then loans are arranged for the mother members of the school children to buy the school requisites for their children. Except the loans for final consumers other loans are instant loans settled as soon as they recover money from their sales. Thanks to this arrangements school dropouts among Women's Bank member families are not known.

### **Housing Improvement**

Women's Bank provides only affordable housing loans. It is a chain loan system. Loans are given to construct houses stage by stage. However as the loans given by Women's Bank are not accounted as specific loans but as on account basis at any time they can borrow the difference between her entitled loan amount and the balance to use for housing and income generation purposes. 22.98% loans given in 2001 was for housing. However in 2002 although loan amount for housing has increased from Rs 19.94 million to 29.62 million as a percentage to the years total it has reduced from 22.98 % to 20.5%.

### **Development of Management and Organizational Skill**

Women Bank has created about 1350 women group leaders who function as treasurers of women's groups. New group leaders are trained by the matured leaders. They have been given basic training in keeping accounts and are engaged in reviewing and monitoring of savings and credit operations. The more experienced and senior leaders play an active role in the management of Bank Branches. Meetings of group leaders are held monthly at cluster/zonal levels to discuss common problems and review progress.

There are more than 300 women leaders engaged in extension work. They have proven social skills for mobilization. They visit new communities, mobilize women and assist them to form into groups.

### **Sustainability and Replication**

#### **Viability of Women's Bank as a People's Alternative Development Movement.**

Thilakarathna in his case study 'Praja Sahayaka Sewaya' (PSS) [Community Assistance Service] written for the United Nations Centre for Human Settlements [HABITAT], in 1995 writes about the viability of the Women's Bank, project promoted by the PSS as follows;

' In the long term a primary society must be able to generate sufficient profit to remunerate two full time workers, meet other administrative costs and pay for services such as training. At present volunteers or group leaders carry out most of the administrative and accounting work on a voluntary basis. However as savings and credit operations expands voluntarism will need to be replaced by paid services. Current thinking on this issue is that a primary society must consist of at least 20

women's groups, which is a total membership of about 200 women. And in order to be viable such a unit must earn a net profit of Rs 6000 – 7500 / month.'

The present bank branches / Pradeshikas were known as primary societies in 1995. According to the 2002 accounts of the Women's Bank 44 bank branches have a net profit of Rs 4,214,744. This amounts to an around Rs 100351 per branch per year or Rs 8362 per month. Average number of members per branch is around 307 accounting for more than twenty groups per branch.

Although Women's Bank has not employed full timers except the General Manager according to the standard set by Professor Thilakarathne except for five bank branches others have proved to be financially viable and operationally efficient.

During the year 2002 Women's Bank has spent Rs 4,102,728 as management expenses and Rs 168,000 auditing expenses which had been paid to members who were providing part time services to bank branches. Accordingly bank branches have proved that they have the capacity to pay around Rs 97,062 per year per branch. Total expenditure of these 44 branches as overheads was Rs 1,284,503 and this includes rent paid to members for using their house space for the branch functions and transport paid to members for using their vehicles for women leaders traveling for training and extension work. In addition to that during 2002 out of Women's Bank's gross earnings, Rs 8,433,620 have been paid as interest to members for their deposits. Thus almost all Women's Bank expenses have become a source of income for its members.

In addition to the above the Women's Bank has developed the following additional sources of income for the maintenance of its center.

- Membership fee Rs 1 per member per month.
- Interest income from investment of Balance amounts of the grants received from UNICEF, UNCHS/ DANIDA Training Programme and SELEVIP. These balances have been invested in six branches to meet their credit needs. They have to pay 15 % interest to maintain the center and to meet the stationery expenses of the new branches.
- Bank Branches also should pay a part of interest payable 'SUBHANI' Welfare Fund holders for the maintenance of the center.

### **Lessons for Donor Community to learn from Women's Bank experience.**

According to the Central Bank Annual Report of Sri Lanka 1999 (P 95) 'the number of families who were receiving benefits under the Samurdhi Program was 2223303 by end of 1999. This accounts for about on half of the total number of the families in the country. According to the consumer finance and socio-economic survey of 1996/97 of Sri Lanka the population of house holds with less than Rs 3700 was 20%. This is about 800,000 families. The issue is not the income levels have not increased but the difficulty of identifying the most needy families.'



Samurdhi is donor funded poverty alleviation program by the Sri Lanka government. Samurdhi banking societies have enhanced access to an availability of credit for poor families while the savings and investment habit have been promoted.

During 1999 donor funds amounting to Rs 9,966 Million or US \$ 104 Million has been used to provide grants to these 2223303 families under the Samurdhi Program when the actual number of poor families according to the above survey was only about 800,000 in the country.

In contrast Women's Bank has provided Rs 144 Million or US \$ 1.5 Million of its own funds to provide assistance not in the form of grants or charities but in the form of loans to about 14,000 families in 2002 identifying real needy families through its group mechanism. If the Women's Bank had the opportunity of receiving technical and financial support from donors it could have covered the total number of 800,000 real needy families in Sri Lanka by now.

### **Replication**

In order to have an impact of the Women's Bank movement in national level it has a large number of areas to cover. Now it provides services only to about 20000 of the 800000 real needy families in the country. This is only a small fraction. Although Women's Bank is equipped with a large number of its own members experienced in working with communities, committed to the poor and working and living with them and not being directly involved in party politics, they are not full time workers. They are engaged in mobilization of new groups at the expense of the existing groups. Women's Bank is an organization owned by its present members. It is run by their capital. In that sense it is a private enterprise. Social mobilization and extension work is a welfare affair which has no justification to use the funds of a private enterprise. Therefore Women's Bank to be a national movement its extension activities have to be undertaken with some external funds. As such this is the issue of replication and expansion of Women's Bank movement now face. This is a question that the leadership of the Women's Bank interested in its expansion work has to answer.