Small and Medium Scale Entrepreneurs Assisted by the Samurdhi Programme in Sri Lanka: Strategies, Outcomes, Impacts and Challenges

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EXECUTIVE SUMMARY

The national poverty alleviation programme, ‘Samurdhi’ has been initiated in 1995 with the objective to mobilize youth, women and disadvantaged groups for economic and social development activities to promote their social stability and thereby eradicate poverty. The programme adopts three approaches; safety net, rural development and microfinance and banking. This study focused on the livelihood development component of the rural development approach.

The main objective of the study was to evaluate the present situation of Samurdhi entrepreneurs with the aim of identifying factors that affected their success and also the contribution of this intervention in alleviating poverty with respect to all three sectors in the country: rural, estate and urban. The specific objectives were (i) to identify livelihood development strategies of Samurdi programme, (ii) to study the rate of success of the intervention, (iii) to examine the level of success of enterprises, (iv) to identify the factors contributing to the success of the enterprises, (v) to ascertain the barriers and constraints faced by the unsuccessful entrepreneurs, (vi) to assess the contribution of these enterprises in alleviating poverty and (vii) to propose strategies to improve the programme in the future to have profitable and sustainable small and medium scale livelihood enterprises.

Participatory approach was used to collect data and the tools used were a survey, interviews, discussions, direct observation and case studies and both quantitative and qualitative data were collected. Three districts, Colombo, Moneragala and Badulla representing urban, rural and estate sectors respectively were selected purposively for the sample survey. Multi-staged random sampling technique was used to identify respondents for the sample survey and 450 respondents participated. Further, primary data were collected through focus group discussions and key informant interviews held with national level officials attached to the programme and with officials, community leaders and other relevant stakeholders of respective study locations.

The majority of beneficiaries (81%) in the sample belonged to the age group 30-59 years while it constituted a considerable number of senior citizens (14%) and a limited number of youth (5%).

Reflecting the core policy of the Samurdhi programme to encourage higher participation of women and marginalized groups over two thirds of the
entire sample (69%) consisted of women and 10 percent of widows/widowers and a fewer of divorced/separated. In general, the programme seemed to accommodate a higher number of less educated beneficiaries (74%). Nearly a half of the sample had more than four members in their families, which in turn was an advantage as far as unpaid family labour is concerned in terms of their livelihood activities.

Most of the families were less vulnerable to economic tremors as the most number of families (39%) had three income sources and only a six percent had one source. Further the majority enjoyed satisfactory socio-economic condition.

The main objective of the component is to empower the Samurdhi recipients and low income families by increasing their income through livelihood projects and obtain their contribution to the national development. The majority of beneficiaries (81%) were made aware of the programme mainly by the respective Samurdhi Development Officers (SDOs). Of the entire sample, over half (51%) were from Samurdhi recipient families, 41 percent from low income families while eight percent belong to the category ‘family with potential to progress more’.

Almost all (99%) in the entire sample had been granted loans/credit facilities while grants or assets needed in the enterprises for 28 percent, training for 18 percent and other services for eight percent, with more thrust on financing.

Reliance on loan facilities among the beneficiaries is also a notable feature. Of the loans, nearly two thirds (61%) were self-employment loans followed by agricultural loans (35%). A three quarter of the total number of loans received was in the range of Rs.5,001-50,000. A higher number of beneficiaries in Colombo have requested loans of Rs.75,001-200,000. The loan recovery rate of the programme was at a very high level as only two had been considered as bad debts during the period 2010-2015.

Just over one forth (28%) of beneficiaries in the entire sample have received at least one grant to develop their enterprises and of them, 90 percent had received one grant. Therefore, in terms of the majority, the grants have not been provided to the same family. In half of the grants 50 percent was provided as grants while the balance money as a credit facility, nearly one third (32%) as 50 percent grant and balance money from the beneficiary and 18 percent have received the 100 percent grant.

In Colombo, the grants were mainly related to the sewing/textile business
while in Moneragala it was mainly agriculture related items and in Badulla it was livestock management related items. Therefore, items provided were mainly location and enterprise specific.

Of the entire sample 18 percent have received at least one training opportunity from the Samurdhi to develop their enterprises and training was also related to the location and enterprise.

Only eight percent in the sample had received at least one other service from the Samurdhi to develop their enterprises and services provided were organizing village fairs, trade exhibitions, exposure visits, coordination between agencies and organizing competitions for entrepreneurs.

The credit facilities had helped the majority of beneficiaries (95%) in the ways either to improve the existing businesses or to initiate a new business. In addition, the majority who received grants, training and other services stated it as being useful.

With regard to the services delivered the services provided by the programme were largely satisfactory.

Apart from the favourable view towards the role of SDOs in the field and SDOs in the Samurdhi Bank and Samurdhi Bank Managers the majority (92%) upheld the support of the small group which was observed to be instrumental in the implementation of the credit scheme.

The study found that still many beneficiaries require credit facilities, grants, training and other services from the programme to improve the existing business or to initiate a new business or to re-open the closed business. Therefore, data shows that the majority of entrepreneurs want to depend on the Samurdhi Programme further to improve their livelihood activities.

One to four livelihood activities of a household had been supported by the programme. The study found that only one percent in Colombo had not initiated an activity, hence a great majority initiating a venture can be regarded as a remarkable feat of the programme. Further, of the sample of 450, 616 livelihood activities had been supported by the programme. Those related to cultivation, industry, livestock management and services and the activities supported were based on the location and the sector.
Insufficient family income was the main reason for the majority (70%) to initiate the livelihood activities apart from inherited family ventures (14%).

Of the sample, the percentage of activities managed successfully has increased to ten folds and activities managed with difficulties have decreased by 46 percent. This indicates that the programme has contributed to make positive changes on the activities managed by the beneficiaries. However, an increased number of new entrants have failed in their activities establishing the findings of empirical studies.

Over two thirds (68%) of households that did not record a sufficient income at the time of joining the programme have halved at the time of the study. This indicates that the programme uplifted the living conditions of the families and the contribution was significant in Moneragala and Badulla as they were more vulnerable at the start compared to beneficiaries in Colombo.

With the intervention, nearly two thirds (62%) were able to increase the number of working hours or days in their activities and over half of the beneficiaries had been able to raise the permanent and movable capitals respectively, while, a fewer number were able to increase the number of casual employees and the number of permanent employees in their livelihood activities. However, the programme has failed in the respect of reducing poverty by creating employment as per its goal as the increase of job opportunities for others remains minimal.

Nearly two thirds of beneficiaries reported an increase in their knowledge, in capacities and even more had experienced an increase in their social contacts and networks which is helpful in business activities. At household level, a significant proportion have improved their quality of life such as housing conditions, food habits, investment in education, investment in health of family members, savings, assets after the intervention.

Further, over 80 percent believed that the intervention gave new impetus to unity and harmony of the community. A similar number of beneficiaries believed the capacity of their community to face difficult situations has been improved while around half of them believed that the infrastructure facilities of the village improved due to the activities of the intervention such as Shramadana.

Just over one fourth of the sample (27%) stated that they would rely on money lenders with high interest rates and another equal number stated
no improvement would have occurred in their enterprises/businesses/cultivation, if the Samurdhi programme did not exist. It highlights the fact that the programme is in favour of the poor to improve their living conditions.

In the three locations, it was found that the activities supported were location specific as more activities in Colombo were industry related while in Moneragala it was cultivation related and livestock management related activities reported in Badulla. It was also observed little variation among successful activities, activities performed with difficulties and activities that ceased to function, except in Moneragala. In Moneragala, brick making was identified to be only in the list of unsuccessful activities. The study also found that successful activities had assets with more value compared to that of other two categories.

Personal traits were believed to play a vital role in successful enterprises followed by the assistance received from the Samurdhi and market and product quality factors.

The difficulties faced by the beneficiaries when operating ventures reported market factors, animal/pest attacks and infrastructure limitations as barriers to develop their activities. Possible reasons for business closures were market factors, poor health condition and other personal and environmental factors.

Recommendations based on the findings and observations of the study have been made under 12 themes — policies and strategies, circulars, beneficiary selection, credit facilities/loans, Samurdhi banks, grants, training, other services, performances of self-help groups/small groups, monitoring and follow-up, implementers and project management and other suggestions—with the objective of improving the livelihood development component of the Samurdhi programme in the future.