

# A Study on Poverty Alleviation in Sri Lanka: Empirical Study of Samurdhi Programme

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\* This article is about the transformations taking place in the rural poor villages in the dry-zone of Sri Lanka with the implementation of poverty alleviation programme since 1995. Based on the original empirical survey conducted in Sri Lanka in 2002, I have presented the brief analysis of the study and the findings of the research.

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## 1. Introduction

Sri Lanka is predominantly a rural society in terms of population distribution by sector and employment structure. Sri Lanka has 19.6 million population and officially, over 75 per cent of the population is categorized as rural though there is a slightly decrease shown in the proportion since independence. Still, 45 per cent of the employed category is agricultural workers. It was a colony for nearly 400 years and ruled by Portugal, Netherlands and British until 1948 when Sri Lanka got political freedom. During the colonial period much attention of the rulers were paid to the commercial sector and they neglected the traditional agricultural in the rural sector.

As a result, major socio-economic problems of the economy like unemployment, underemployment, landlessness, low-income levels, low level of education and low standards of living have a disproportionate impact on the rural sector. This caused the major problem of income disparity between the rural and the urban population. The poverty, therefore, mainly a

rural problem and severe poverty could be seen in the rural areas in the dry zone districts than in urban areas in Sri Lanka.

Sri Lanka at present has launched a poverty alleviation programme called 'Samurdhi' which means prosperity since 1995. I conducted my field survey to examine the impact on Samurdhi programme in 2002 and in this article I discuss the problem of poverty in Sri Lanka, research methodology and findings of the present study thereon.

## **2. The Poverty in Sri Lanka**

The World Development Report (2003) has revealed that, out of 19.6 million population of Sri Lanka, 45.4 per cent - nearly half - live on less than US\$2 a day and 6.6 per cent live on less than US\$1 a day. The report has concluded that 25 per cent of the population in Sri Lanka lives below the poverty line [World Bank 2003]. Accordingly, we can see that the poverty has been increased gradually within the last decade, from 22.4 per cent in 1993 to 25.0 per cent in 2003. These are also indicators of failures of the development and poverty alleviation attempts so far adopted in the country.

### **2.1. The Rural Poverty in Sri Lanka**

According to a survey, 29 per cent of the rural households is poor while urban it is 13 per cent, which shows more than two folds of the rural poverty, compared with the urban poverty [Department of Census and Statistics 2000]. The rural sector will remain as it is in the present form for many years to come since there is no considerable structural change.

## **3. Field Survey and Research Methodology**

The methodology of the study is mainly based on the first hand data collected through a questionnaire survey and interviews. In addition to the participants, the Samurdhi officers (*Niyamakas*), Divisional Secretaries, and Grama Niladharis were interviewed as a part of the field survey. In short, all stakeholders of the Samurdhi programme were taken into consideration and interviewed during the survey. Moreover, the official records, published and unpublished materials were considered as additional sources. The study covered areas such as self-employment income generating projects, savings and credit through micro-finance programme and participation of public work programme.

The field survey was conducted in Badulla District in Sri Lanka in 2002.

Badulla District was selected with a special purpose, because it was the poorest district out of the 25 districts in Sri Lanka in terms of household per capita income [Department of Census and Statistics 1995/96]. Badulla District is the seventh largest district and covers 2861 square kilometers in the dry zone Uva province. It has a population of about 822,000 and population density is 291 per square kilometer. Number of total households is 168,870 and the average size of a household is 4.8 members, which is very close to the national average size of 4.5 members. The location of Badulla District is situated adjoining Kandy and Nuwara-Eliya Districts, and it contains 14 Divisional Secretary Divisions. Out of the 14 Divisional Secretaries divisions, Hali-Ela Division was selected for the study, comprising 19,920 households. The total population of the Hali-Ela Division was 83,845 and they live in 56 Grama Niladhari Divisions (GND). Size of the area covers 168 square kilometers in Hali-Ela [Uva Provincial Council 1999].

The present field survey was conducted in the Hali-Ela and Uduwara Grama Niladhari divisions where 381 Samurdhi beneficiaries were interviewed and collected the data for the study.

#### **4. What is Samurdhi Programme**

On the other hand, Samurdhi (prosperity) programme, typifies the new approach to poverty alleviation. In 1995, Samurdhi programme (SP) replaced the Janasaviya programme, the first state programme, to adopt the new methodologies. It was the largest item on the government's welfare budget, approximately 15 percent of the total welfare social infrastructure budget, if education and health are excluded. Samurdhi programme consists of three components — *First*, income transfer programme; *Second*, Credit programme; and *Third*, Rural infrastructure programme.

##### **4.1. Income Transfer Programme**

The eligibility to the income transfer or poor assistance of Samurdhi programme was earlier monthly household income of Rs.1000/= or less. However, later, Samurdhi has revised the criteria of poor assistance programme in early 2002 and the minimum eligibility income level was raised to Rs.1500/=. The poor assistance programme contained the following values in 2002 (Table-1).

**Table-1 Percentage Distribution of Poor Assistance in 2002**

Value of Assistance Rs.	Number of Families	Percentage %
1000/=	3,998	0.25%
700/=	5,74,217	35.66%
350/=	3,12,684	19.42%
250/=	2,31,534	14.37%
400/=	3,38,401	21.02%
140/=	1,49,511	9.28%
500/=	(cancelled <sup>1</sup> )	—
<b>Total</b>	<b>16,10,345</b>	<b>100%</b>

Source: Ministry of Samurdhi, "Progress 2002, Programmes 2003"

Note: 1 Assistance of Rs.500/= for the families of disappeared persons has been cancelled after the revision of Samurdhi eligibility criteria due to the shortage of funds.

The total number of 16,10,345 participants got the poor assistance of Samurdhi programme in 2002 island-wide. The majority of the beneficiaries got relief of Rs.400/= or less per month and only 35 percent got Rs.700/= (Table-1). The poor assistance was in the form of food stamps which can be used to purchase goods from the co-operative stores. Rs.400/= per month is too little to a family to sustain where ultra poverty line is Rs.3227/=per family in 1998. Due to the fact that it is just a nominal assistance, it may not be an inspiration factor to the participants.

My own survey examined their total income from all aspects to the family and estimated that the 54 per cent of the Samurdhi beneficiary families drew the monthly household income of less than Rs.4000/= (Table-2).

**Table-2 Monthly Household Income of the Sample in 2002**

Income Group	Male	Female	Total	Percentage	Cumulative Percentage
Below 999	0	03	03	0.8%	0.8%
1000-2499	46	43	89	23.4%	24.2%
2500-3999	58	57	115	30.2%	54.4%
4000-5499	49	55	104	27.3%	81.7%
5500-6999	23	14	37	9.7%	91.4%
7000-8499	7	10	17	4.4%	95.8%
8500-above	9	07	16	4.2%	100.0%
<b>Total</b>	<b>192</b>	<b>189</b>	<b>381</b>	<b>100%</b>	

Source: Own Survey

Out of 54 percent (or 207) lowest 44 percent (or 92) earned maximum around Rs.2500/= per month. When it calculates to the per capita income of average family of 4.5 it comes to Rs.555/= per person per month and it was inadequate for a person's minimum calorie requirements when compared with the already established calorie norms in 1998. For instant, the ultra poverty line based on meeting minimum calorie requirements, was Rs.717/= per person per month, which transformed into Rs.3227 for a 4.5 average member household. The higher poverty line was Rs.860/= per person per month or Rs.3872.30 per household per month [Aturupane et al 1998; Gunatilaka et al. 1999]. This shows nearly half of the Samurdhi beneficiaries lived below the poverty line even though they were benefited with the SP for more than seven years.

On the other hand, 18 percent of the participants drew an income of Rs.5500 and above and they may be deemed to come out of poverty. Although, it is difficult to measure objectively whether the beneficiaries have escaped from poverty or not the study of Khandker & Chowdhury [1995] on escape from poverty could be worth use in this regard. They estimated in their intensive study on micro-credit programmes in Bangladesh, that *it takes about five years to move out of poverty and seven years for economic graduation for participants. The meaning of 'coming out of poverty' is rising above a designated poverty line in terms of real per capita income. Further, the study established that the income required for 2112-calorie intake per person per day as poverty line* [1995: 17-18]. *A member is economically graduated if he stops taking loan from microcredit programme irrespective of continuing with the programme or not* [1995: 33].

However, the Samurdhi programme does not have an exit criteria and all the participants tend to receive the poor assistance although they have escaped from poverty. Thus, it is time to establish an exit criteria for Samurdhi programme.

Moreover, there were 9 per cent high income earners who earned more than Rs.7000/= per month and identified as non-poor in the Samurdhi programme. The Samurdhi programme was already criticized for the distributing of poor assistance to the non-poor.

#### **4.2. Microcredit Programme and Problems Related to Loans Defaults**

I have examined the microcredit programme and its problems. The survey found important problems related to the microcredit. 16 percent of loans were defaulted due to the investment and other socio-economic problems. Through the interviews and bank records, the present study recorded the data. It was found that although some borrowers were voluntary defaulters many of them had faced investment problems.

#### 4.2.1. Loan Investment Problems

The present study has seen that the highest default was in crop failure (30%) and second highest recorded in investment failure (22%) due to not having skills in investment. According to the results of the interview, they were examined and analysis has been done. I interviewed 305 borrowers who obtained loans from Samurdhi Banks and 49 respondents (16 percent), 21 males and 28 females answered that they had defaulted due to various 'investment problems'. Among defaulters majority was females because of the very reason that female borrowers were higher than that of males. On contrast, 256 (84 percent), 88 and 168 males and females, respectively, said that they had 'no investment problems'(Table 3.).

**Table-3 Investmet Problems of the microcredit programme**

Investmet Problem	Male	Female	Total	Percentage
No Investment Problems	(88)	(168)	(256)	84.0%
1. Crop Failure	8	7	15	5.0%
2. Investment Failure due to Lack of Investment Skills	5	6	11	3.6%
3. Capital Consumed due to Crisis	2	5	7	2.2%
4. Theft of Capital or Crop	1	3	4	1.3%
5. Inadequate income generation from Investment	2	2	4	1.3%
6. Unspecified	3	5	8	2.6%
<b>Total</b>	<b>21</b>	<b>28</b>	<b>49</b>	<b>100%</b>

Source: Own survey

Table-3 presents the investment problems found in the survey as follows; *Firstly*, it shows 5 percent of the borrowers had the 'crop failure'. *Secondly*, another 3.6 percent had investment failure due to 'lack of investment skills'. *Thirdly*, about 2.2 percent of the loan borrowers had 'consumed the capital' due to economic crisis. *Fourthly*, 1.3 percent of borrowers had faced 'theft of capital or crop', *Fifthly*, 1.3 percent of borrowers had the 'inadequate returns of income from the investment' and, *Finally*, 2.6 percent of borrowers had 'unspecified problems' and fallen defaults.

In the thesis I have discussed special three case studies regarding investment problems.

#### 4.2.2. Breaking of Samurdhi Groups- A major Problem:

Out of the 305 total loan borrowers, the survey identified 45 respondents have been dropped from their original groups in the microcredit programme. I interviewed 45 respondents

(14%) and tried to find out the reasons for drop out from groups. Five major problems were found in the study that caused the breaking of Samurdhi groups, i.e. briefly 1. Loan default and leave the group; 2. Personal miss-match and leave the group; 3. Problem of child-care; 4. Problem of household work; and, 5. Due to husband's decision leave the group.

## **5. Contribution of Man Hours After Samurdhi**

The present study examined the weekly manhours before and after Samurdhi with the same set of sample and found significant decrease in the total manhours, which reduced from 2060 to 1925 after Samurdhi. The important point was that the total number of males in the labour force has been decreased from 29 to 24 and it depicts that the welfare consumption grant reduces the labour supply and male beneficiaries preferred more leisure hours than female beneficiaries.

## **6. Major Findings of the Study**

I shall summarize all findings of the study as follows.

### **6.1. Non-poor gets Poor relief**

The present study found that the Samurdhi relief such as food stamp gets the non poor too. It was found that 9 percent of the beneficiaries were non-poor in the Samurdhi programme (Table-2). Those beneficiaries were in the top 10 percent income group and those well-off people too enjoy the Samurdhi poor relief and other social security benefits.

### **6.2. Poor Beneficiaries Remain as Poor Yet**

54 percent of the beneficiaries in the Samurdhi programme is still remaining as poor under the poverty line. Moreover, out of 54 percent (or 207) lowest 44 percent (or 92) earned maximum around Rs.2500/= per month per family (or Rs.555/= per head) and those beneficiaries live in abysmal poverty. Compared to the World Bank definition, they were earning less than US\$1 per day per head (parity rate: US\$1 = SLRs.90). The important point is that, although the Samurdhi exercised for more than seven years, nearly half of its participants live below the poverty line yet.

### **6.3. Food Transfer Programme Reduces Labour Participation**

The labor participation of the Samurdhi beneficiaries was found reduced compared to that of before Samurdhi. Weekly 01-19 hours reduced from 9 respondents to 7 respondents,

whereas 20-39 manhours of labor remained unchanged. Then, 40-59 manhours again reduced from 20 to 17 labour. Again 60-79 manhours remained unchanged. It was revealed the average decrease number of manhours per head was 27 hours per week and when it was translated into working days (1 day= roughly 8 manhours or more) it comes to about 3 days a week. The important finding was that the total number of males in the labour force has been decreased from 29 to 24 and it depicts that the welfare consumption grant reduces the labour supply and male beneficiaries preferred more leisure hours.

#### **6.4. Serious Loan Default in Microcredit:**

The present study revealed that 16 percent of loans default up to June 2002. And the 14 percent of groups do not function due to conflicts.

### **7. Recommendations**

#### **7.1. Recommendations for Sustainable Poverty Alleviation**

**7.1.1.** The study recommends to establish a specific exit criteria for the poverty alleviation programme. For instant, five years or seven years a member to participate.

#### **7.2. Recommendations for Defaulted Loans**

**7.2.1.** In case of permanent default, allotting a fresh loan from 'group fund' to another member in the group - who is willing to receive the loan and has ability to make use of it - and utilize the interest there on similar to the repayment installments of the defaulted member.

**7.2.2.** Monthly loan installments should be changed to weekly installments, which makes the amount of installment smaller and easy for the borrower to repay it. If Samurdhi Bank follows the strategy of world's famous and successful Grameen Bank perfectly, it can be achieved the objectives successfully. There should be a serious screening system to avoid voluntary defaulters.

#### **7.3. Recommendations on Group Breaking**

**7.3.1.** The self-selecting procedure should be adopted to the groups formation for long life. Training programmes on investment skills should be implemented and beneficiaries should be trained before release the loan. The Branch Manager of Samurdhi should be a well informed officer and should make field visits as far as possible to avoid conflicts in the groups and indirectly the participants would motivate more.

**7.3.2.** It is known that everybody in the group cannot escape from poverty. Thus, proactive members may be accepted for loans after about 3 years even the group is not there. (The end).