HOW TO REACH TO THE POOR WITH MICROFINANCE

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Poverty

Poverty or Poor is expressed as lack of access to basic human needs including

- food
- Safe drinking water
- Sanitation facilities
- Health
- Shelter
- Education etc.
Poverty Cont'd

Poverty line specifies the minimum standard of living condition in the society to which everybody should be entitled.

Those who do not receive sufficient income to meet the Basic needs (food and non-food) are considered poor.

The cost of food items are determined on the basis of minimum calorie needs for an individual.
Poverty Line in Sri Lanka

- Official poverty line at national level in July 2010 is Rs. 3097 per person, per month
- Total population below poverty 15.2% (2007)
- Presently poverty alleviation programs are aimed at households with a family income below Rs. 15,000 per month (average size of family 4.1)
Microfinance

Definition:
Provision of a broad range of financial and non-financial services such as deposits, loans, payment of services, money transfers and insurance to poor and low-income households and their micro enterprises.

ADB
The Role of Microfinance

- Make the poor aware of their plight
- Social Mobilization through group interactions
- Training and Capacity Development
- Provision of Skill Training
- Enhancement of Financial Literacy
- Provision of seed capital for Income Generating Activities
What could be done?

“Deep within us dwell slumbering powers; powers that would astonish us, that we never dreamt of possessing; forces that would revolutionize our lives if aroused and put into action”.

ORISON MARDEN
Myths

Â People in poverty should not be given loans as they will default
Â They do not have the entrepreneurial spirit
Â They incapable of savings
Â Granting loans to the poor is CSR
Formation of Self Help Groups (SGH)

- Individuals of similar nature/close geographic location form groups
- They must be willing to help each other
- Group size 5 to 8
- Leadership is rotated
- They will meet weekly
- Minutes are recorded
- Motivation to work as a team

Among the most essential qualities of human spirit are to trust oneself and build trust with others

Gandhi
Poverty Alleviation Microfinance Project II (PAMP II)

- Commenced in 2009
- Total fund allocation Rs. 2.5 bn
- Total number of households to be covered 35,000
- Covers 14 districts including all districts in North and East together with bordering districts Puttlam, Polonnaruwa, Anuradhapura, Moneragala, Badulla and Ratnapura
PAMP II Cont’d.

• Initial Loan Rs. 50,000 for agriculture and Rs. 100,000 for non-agriculture
• Second loan Rs. 100,000 for agriculture, Rs. 150,000 for non- agriculture
• Total beneficiaries 16,422 (up to date)
• Loans disbursed Rs. 737.4 mn
Breaking out of the Shackles of Poverty

- Vision Building
- Collective Planning (Mission)
- Savings Mobilization
- Collective Action
- Income Generating Activities
Vision Building

- Engage with Brain Storming sessions with the Poor
- Support the Change in Attitude and building Self Confidence
Vision Building Contd.

Â Brain Storming

- Why do you need groups
- Do you have a voice
- Do you believe that you are a small man
- The socio economic problems that you face
- SWOT Analysis
- Your aspirations
- What would you be in three years
Vision Building Contd.

- Support the Change in Attitude and building Self Confidence
  - What will I be in three years, five years ten years
  - My future vision
  - Our future vision (vision as a Group)
  - Yes I can do it
  - Yes we can do it
Collective Planning

- Plan as a Group
  - Evaluate strength of each person and the group
  - Resource gap
- Start with available resources
- Start Small
- Use the strength of the group
- Dedicate your self to get results
Collective Planning Cont’d

• Learn to be smart
• Do not criticize each other
• Be positive
• Help each other
• Discuss what you could get from inside as well as outside
• Get ready to explain your plan to outsiders
Collective Planning cont.

Â Plan to utilize your strengths and resources, group’s strengths and resources and the loan
Â The expected outcome
Â Write what was discussed in your group, in your group book
Â You have planned your group’s future action

Think positive – Yes we will do it
Savings Mobilization

Saving is not *Income - Consumption*

- It the result of sacrifice of consumption for tomorrow.
- Inculcation of Saving habit
- Savings are for emergencies
- To be used for getting better results/hire returns
- To prove to the bank that you are economically sound
Savings Mobilization contd.

• With the habit of savings a person has a good standing in life
• Where do you save?
• Save individually
• Save as a group
• This will result in the creation of a group with financial discipline
Collective Action

These are based on the home garden

- Awareness building
  - What should be grown
  - Cash crops
  - Food crops
  - Animal husbandry/poultry
  - The benefit of keeping one’s environment clean
  - Live fence
Collective Action cont.

Food security of Family

- To make food available conveniently
  - Nutritional value
  - To keep the garden clean
  - To make home garden a resource centre
  - Family’s health and nutrition
Income Generating Activities (IGAs)

To allow group members to identify income generating activities

There are three types of IGAs

- To improve the present activities
- Start new IGAs
- To enhance income by undertaking some IGA
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Income Generating Activities (IGA)

To make them aware of

- Simple income and expenditure statements
- Cash Flow

In the process they have to consider

1. Production
2. Sale
3. Cost of Production
4. Interest payment
Formation of Societies

A Society will be formed by members of 10 to 12 groups.
This is called a Centre before the Company is registered.
The purpose is to give sustainability as a Microfinance Institution/Organization for marketing, providing services etc.
THANK YOU