



**Lanka Microfinance
Practitioners' Association**

**ANNUAL REPORT
2021/2022**

Vision

A “Dynamic & Sustainable Microfinance Sector for an Inclusive Financial System in Sri Lanka”

Mission

To “contribute to the development of sustainable and effective microfinance service by, supporting all the stakeholders in the sector and creating a conducive environment through collective action in an effective and efficient manner”.

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Message from the LMFPA President



I am very pleased to present the 16th Annual Report of the LMFPA to the members and all the stakeholders of the microfinance industry.

We are going through a challenging period not only to the Microfinance industry but to the entire country. I was pleased how as a professional organization we were able to gradually get-over the issues faced during 'lockdown' COVID period, due to dedication and determination displayed by the industry stakeholders before we were beaten by the present 'crisis'. I am sure with the normalization, we can successfully overcome the obstacles. Therefore we at LMFPA will have a big role to play as industrial 'catalysts' to guide and drive the industry in coming months.

One of the biggest challenges we faced was the continuous adverse publicity given to the industry due to some unscrupulous business elements who have been exploiting the situation, at our expense. Accordingly we had a successful discussion with the UN Reporter who was misled about the ground reality and was able to convince him that the actual microfinance activities are being carried out by our members, which position he accepted and agreed to contact LMFPA when he require any information on Sri Lanka microfinance. We were also able to continue our positive media campaign which we commenced through the Helpline which concluded in May 2022 and was able to have a SLBC radio interviews and newspaper write-ups etc. to counter the good work done by LMFPA.

Though we have had many discussions on expediting the proposed amendment act with the Minister and the Ministry Secretary, which revealed that the draft act has been referred to Legal Draftsman's Department, could not proceed beyond due to the subsequent changes in the administration. However once things settle down, LMFPA should continue this dialogue.

We had limited scope in continuing the capacity building programs due to prevailing situation. However the committee was able to conduct two very useful and timely zoom programs.

I take this opportunity to thank all the stakeholders who continued to help me to keep the LMFPA flag high which include the dynamic committee members.

At a challenging time like this, as microfinance practitioners we must work together with all stakeholders towards betterment of the industry.

Priyantha Dematagoda
Hony President - 2021/2022

Corporate Information

Address: 32, Suriyamal Mawatha, Divulapitiya, Boralesgamuwa

Tel: + 94 11 4369612

Fax: +94 11 2099511

Email: info.lmfpa@microfinance.lk

Web: www.microfinance.lk

Legal Form: Re-registered under the Companies Act no.7 of 2007 Registration no- GA 136

Auditors: Magamage & Co. Chartered Accountants

Secretaries: Hemba Waduge Thilanka Priyadarshana Sampath

Bankers: Commercial Bank of Ceylon PLC

The Board of Directors



Mr. Priyantha Dematagoda –
Hony. President

Mr. Priyantha Dematagoda is the General Manager/Chief Executive Officer of Sewa Community Credit Limited, is a Professional Banker with 23 years of Commercial Banking experience. He was a Faculty member of the Institute of Bankers of Sri Lanka (IBSL), Center for Banking Studies CBSL, and also serves as Trainer in various disciplines in banking at many Private and Government Commercial Banks in Sri Lanka. He is also a Certified Trainer in Microfinance by Frankfurt School for Finance and Management. He holds a Masters Degree in Business Studies and a Post Graduate Diploma in Business Administration from the University of Colombo. He also holds a Diploma in Human Rights (Institute of Human Rights Sri Lanka). He has also undergone professional training at National University of Singapore (NUS), and with the Association for Development Financing in Asia and Pacific (ADFIAP) and University of Sri Jayawardhanapura. Mr. Dematagoda has previously served as LMFPATreasurer during 2017/2018 and Vice President during 2019/2020 and 2020/2021.



Mr. Imran Nafeer
Hony. Secretary

Mr. Imran Nafeer is a Director of Muslim Aid Micro Credit Company and has experience and exposure both local and international level as a Microfinance consultant in various aspects including Social Performance Management, Research & Product Development, Islamic Microfinance and Micro Insurance. He is an accredited trainer of CGAP and Frankfurt School of Finance & Management. Recently he was awarded as a certified Social Auditor from CERISE France on behalf of LMFPAT. He holds an Honours Degree in B. Com. (Marketing) Special from the University of Sri Jayawardenapura. He obtained Post Graduate Qualifications in Marketing from Chartered Institute of Marketing (UK) and in International Relations from Bandaranaike Centre for International Studies (BCIS). He also serves as a lecturer in the Microfinance Diploma course by the Institute of Bankers of Sri Lanka (IBSL). Mr. Imran has served as LMFPAT Secretary from 2011 to 2013 and from 2015 to 2016. He has also served as LMFPAT president during 2017/2018.



**Mr. Gnanasiri
Abewardhana –**
Hony. Vice President

Mr. Gnanasiri Abewardhana counts more than 20 years of experience in financial service sector having commenced his career at Central Finance in 1995 and afterwards serving at People Leasing where he setup their respective leasing divisions & branch network. Later on He joined Asset Line Company Ltd in 2005 as Assistant Manager to steer the financial service cluster of the David Pieris Motor Company. He was promoted as Regional manager until 2008. He monitored & covered Branch Administration, Marketing function (Leasing Hire purchase, loan) & Recovery function in the following areas: Jaffna Mannar, Vavuniya, Anuradhapura, Puttalam, Trincomalee, Kurunegala, Polonnaruwa, Kuliyaipitiya, Rathnapura & Matara.

Mr. Abewardhana holds a Bsc Management Degree from University of Jayewardenepura. Currently he is the Vice President of Alumni Association of Public Administration Department in Sri Jayawardhanapura University and also an active Executive committee member in the Alumni Association of University of Sri Jayewardenepura. Currently he is working as General Manager and Chief Executive Officer in Dumbura Micro Credit since 2015.



**Mr. Wasantha
Gunawardhane -**
Hony. Treasurer

Mr. Wasantha Gunawardhane is the Senior Manager of People's Micro-Commerce Limited, a fully owned subsidiary of People's Leasing & Finance PLC which has state ownership through being the subsidiary of People's Bank. He obtains twenty four years exposure in microfinance & community development fields. Mr. Wasantha has vast work knowledge & experience in General Administration, Human Resource Management & Operations Management in NGO sector and co-operatives focused on Business Development & Animal Husbandry. Meantime being a chairman of co-operative sector he gathered corporate level management exposure.

He started his career as the first employee of Berendina and developed his career growth by being the resident project Manager in the same company. Thereafter he acted as Head of Field Operations in Lak Jaya Microfinance. Previously Mr. Wasantha served as the Hony. Vice President of LMFPFA in 2013/2014 and also as a Director in 2014/2015 and 2016/2017.



**Mrs. Tharanga
Ileperuma –**
Hony. Asst. Secretary

Ms. Tharanga Ileperuma is the General Manager and Executive Director of Agro Micro Investments Limited and holds the Directorship of Agro Micro Foundation (Guarantee) Limited. She started her career in 2004 joining to the Micro Finance industry. During her career over 14 years she has experience in Accounting, Auditing, Finance Management, Human resource Management and Administration.

She holds the membership of the Institute of Chartered Accountants in Sri Lanka as the Certified Business Accountant, and the membership of the Institute of AAT –SL. She completed the Post-graduate Diploma from Cardiff Metropolitan University-UK and holds a Masters in Business Administration (MBA) from the University of Sunderland – UK. She also has undergone trainings on Micro Finance in IBSL.



Mr. Chamika Weerasinghe
Director

Mr. Chamika Weerasinghe has over 20 years of experience in the field of banking and finance with regard to Micro Financing, SME Financing, Corporate Banking, Retail/Branch Banking, Trade Finance, Project Finance, and Credit Risk Management in the most respected banks in Sri Lanka including NDB Bank PLC, DFCC Bank PLC and Seylan Bank PLC. He has also held some Senior Management position in Finance and Micro Finance industry in local and South East Asian Region.

His relevant work experience also includes years of service as a veteran investment adviser in local and Asian region and provide advisory service on fund and liquidity management in finance and other versatile sectors as a key intermediate.

He earned his Bachelor of Commerce (Special) Degree from the University of Sri Jayawardenapura and Masters in Business Administration as well. He is also an Associate Member of Institute of Bankers of Sri Lanka.



Mr. Victor Rathnayake
Director

Mr. Victor Rathnayake is the Director of the MFI Nomic International Ltd. He is also the founder CEO of Grameen Micro Credit Co Ltd that introduced the Grameen concept to Sri Lanka back in 2000. He received comprehensive training in microfinance under Prof. Mohamed Yunus, Nobel prize winner for introducing Grameen concept to the world. Mr. Rathnayake was able to extend the microfinance business throughout Sri Lanka with 78 strong branch network with 2,498 staff and 364,000 borrowers during the period 2000-2008. He was also able to build up to 8,400 clientele with over Rs. 9 billion deposit base in 2008.

He later joined Bimpu Finance PLC in 2012 and commenced microfinance operations there. Under his leadership, the microfinance portfolio increased from zero to 1.5 billion. The customer base exceeded 67,000 with a net profit of Rs. 252 million within a short period of 22 months.

Having over 30 years of experience in the field of marketing and working with leading multinational organizations locally and internationally, he has trained over 8,000 youth in the field of microfinance.

Mr. Rathnayake is Bsc Graduate from the University of Peradeniya and a Post Graduate Diploma holder of Marketing Management at Sri Jayawardenapura University. He is also a fellow member the Chartered Institute of Marketing UK and certificate holder of Retail merchandising in Toronto Canada and Singapore.



Mr. Saman Ranaweera
Director

Mr. Saman Ranaweera is the Chief Manager - Busines Operations at Ventura Crystal Investments Ltd. He has over 27 years' of experience in the Microfinance sector with more than 22 years in the management and top management in leading Microfinance Institutions in the Industry.

He started his career as a Divisional Project Manager at Seeds Guarantee Ltd in 1993 where he served for 9 years prior to joining Agro Microfinance (GTE) Ltd as a Credit Manager. Prior to joining Ventura Crystal Investments Ltd, he also served as the Senior Manager – Field Operations at Lakjaya Microfinance Ltd and as the Senior Manager – Operations at Agro Microfinance (GTE) Ltd.

Mr. Ranaweera is a fully Certified Trainer of the Microfinance Distance Course by the Asian Development Bank Institute (ADB) and Tokyo Development Learning Centre (TDLC). He is also a Certified Trainer of GCAP. He has also attended various "Training of Trainers" programs conducted by Frankfurt School of Finance & Management and LMFPA & Plan Sri Lanka.



Mr. Ransith de Mel
Director

Mr. Ransith de Mel heads the operations of ECLOF LANKA (GTE) LTD a pioneering MNGO in Sri Lanka serving the Nation with a very strong program in "Fair Credit to Promote Human Development and Dignity". He commenced his career at The Central Finance Company and has served many Commercial Organizations. He has a strong financial background during his employment career for more than 30 years and possess strong work experience on Financial Management, Supply Chain Management, General Administration, Human Resources Management, Implementations of Systems, Processors and Process Controls etc. He has training in India on Group-based microfinance for collective empowerment.



Mr. A. Prasad Seneviratne
Director

Mr. Prasad Seneviratne who was an old boy of Trinity College Kandy, and obtained his Bachelors degree in Business Administration from the University of South Alabama in the USA, and has gained experience of being a Director on Board of several companies. He was the Managing Director of Silvergreen Finance Company Ltd, until June 2009 (which was registered under the central bank of Sri Lanka).

Presently he is functioning as the Managing Director of Silvergreen Micro Credit Company Ltd., Silvergreen Real Estate Company (pvt) Ltd., and Silvergreen Trade Solutions Company (pvt) Ltd., (previously known as Silvergreen Agencies Company (pvt) Ltd., the importers of brand new and recondition motor vehicles from Japan), and counts more than 14 years of experience in the mainstream financial sector.



**Mr. Bandula
Hennadige**
Director

Mr. Bandula Hennadige is the Executive Director of the South Asia Partnership- Sri Lanka (SAPSRI). He is a development professional with over 40 years of working experience. His areas of expertise include project development, regional planning, and management, monitoring and evaluation of medium and large-scale projects, rural infrastructure, food security, social mobilization, livelihood development and water and sanitation for marginalized communities.

He has gained much practical knowledge and experience while working in the public sector in various positions, including as a Project Director in the donor financed “Integrated Rural Development Programs” (IRDPs) that were implemented in the ’80s and ’90s in Sri Lanka. Additionally, he has served as Senior Program Officer in the Embassy of the Kingdom of the Royal Netherlands and has also managed donor-funded projects in the NGO sector.

Mr. Hennadige holds a B. Com degree from the University of Peradeniya and a Diploma in Industrial Development from the National Institute of Business Management. He also has a postgraduate master’s degree in economics from the University of Wales in the UK.



Mr. Felician Jayakody
Director

Mr Felician Jayakody joined Sarvodaya Development Finance Ltd from January 2018. He counts over 27 years of banking experience having served International and Local banks.

He has experience in Branch Banking, Trade Finance, Corporate / SME Banking, Leasing, Project financing, Relationship Banking, Syndications, Risk Management, Treasury, Process Development & Re- Engineering , Audit , Credit Administration, Recoveries , Islamic Banking , Compliance and FCBU.

He started his career at Hatton National Bank where he served for 11 years and moved to Nations Trust Bank as Customer Relationship Manager.

Prior to joining Emirates NBD Bank in the United Arab Emirates, he was the Regional Manager at Pan Asia Banking Corporation.

Having returned to Sri Lanka from the United Arab Emirates in June 2012, Mr. Felician has functioned as a Head of Corporate Banking / FCBU (WR) in Amana Bank Plc prior to joining SDF.

He has completed the Credit Management Diploma (IBSL), Diploma in International Factoring – UAE, Diploma in Computer Studies. He has a BSc in Business Administration from University of Sri Jayawardenapura, MBA (USA). as well as AIB (inter) SL Felician is a Fellow in Certified Managers at Cambridge Association of Managers (UK) and a Fellow of the Certified Professional Managers (Sri Lanka).



Mr. Conrad Ranawake
Director

Mr. Conrad Ranawake is the founder and Director of Institute for Development of Community Strengths (INDECOS) based in Matara. He holds a special degree in sociology from the University of Ceylon, Peradeniya. He commenced his career from the Marga Institute, served under Family Planning Association and Helpage Sri Lanka. In 1991 he was able to establish INDECOS with the support of a few senior government officers. During this 30 year period implemented over 100 community and health projects in Galle, Matara and Hambantota districts. (Southern Province) He was able to work with over 35 International funding agencies including the World Bank, UN Agencies, many High Commissions and Embassies.

As a NGO person he was able to form the Ruhunu NGO Forum in Matara district with the support of SLCDF and chaired nearly 10 years. In addition he assisted to form the National NGO Action Front (NNAF) and hold major key positions.

Mr. Ranawake has attended a series of training programs, study tours and conferences in 18 countries including USA, Canada, Japan, Australia, Botswana, Taiwan, Thailand, etc.

INDECOS commenced this micro finance program in 2005 as to serve women victims of Tsunami disaster in the costal belt of Matara district and currently cater over 7000 women members spread in 109 GN divisions. At present this program run as a sustainable program. INDECOS always thank Berandina Development Services, CIDA and GENINSA (Germany) for helping this remarkable program.

Mr. Ranawake consider LMFPFA as a valuable asset for the development of micro finance program.



Mr. Udaya Bandara
Director

Mr. Udaya Bandara currently performs his duties as the Chief Executive Officer of the Arthavida Intermediary Company Ltd (AIL), which has been operated in the Micro Finance industry in Sri Lanka in a successful manner nearly thirty years period.

Before joining to Arthavida Intermediary Limited, Mr. Bandara carried out his duties more than five years period as the Chief Executive officer/ General Manager of Sri Lanka Savings Bank (SLSB) which is mainly catering as a Government Bank for the Development of Micro Finance as well as the Small and Medium Sector (SME) industry in Sri Lanka. After his retirement from SLSB he worked as the Management consultant to one of the leading Vehicle Spare parts importers in Sri Lanka and then he joined as the Chief Executive Officer of Arthavida Intermediary Co. Limited.

Mr Bandara has gained a vast experience & exposure mainly in relation to the field of Micro Financing, project financing, SME sector Financing, Development Finance, Rural credit activities as well as in all kind of Retail credit activates in different kind of Leading Government and the private sector Banks such as National savings Bank, Commercial Bank of Ceylon Ltd and Union Bank of Colombo PLC. His total years of banking experience counts more than thirty four years.

In Sri Lanka savings Bank Mr. Bandara Started SME Lending Business activities and introduced several Innovative products in relation to the SME as well as Micro Finance and Savings Deposits enabling the Bank to increase the market share & make more profit. Likewise in Union Bank he commenced the SME, Agriculture and Micro Finance Department being headed introducing many more credit lines and new products.

He has successfully completed Master of Business Administration (MBA) in Wayamba university of Sri Lanka. And also he has gained several other professional qualifications such as Post Graduate Executive Diploma in Bank Management (IBSL), Post Graduate Executive Diploma in Business Management (Wayamba University), Post Graduate Executive Diploma In Micro Finance in (SLFI),Diploma In Agriculture(SL-SA),Diploma In Credit Management (IBSL) etc.

He also has been privileged to participate many more local and international seminars, conferences & Trainings especially in respect of the areas in Rural Credit, Business & Bank Management., Improving the productivity & the Quality assurance in SME projects etc. and various other disciplines in Japan, Singapore, India and China.

Mr. Bandara's Local and international experience, knowledge & the exposure in Micro Finance and the Network connections would be immensely valued to the LMFPFA.

Sub Committees:

- Membership Committee – Mr. Wasantha Gunawardena, Mr. Victor Ratnayake & Mr. Saman Ranaweera
- Public Relations Committee – Mr. Victor Rathnayake, Mr. Chamika Weerasinghe & Mr. Ransith De Mel
- Training Committee – Mr. Imran Nafeer, Mr. Prasad Seneviratne & Ms. Tharana Ileperuma

Meeting Attendance

Board Member	Regular meetings attended
Mr. Priyantha Dematagoda	10
Mr. Imran Nafeer	03
Mr. Wasantha Gunawardena	04
Ms. Tharana Ileperuma	05
Mr. Gnanasiri Abeywardena	09
Mr. Conrad Ranawake	05
Mr. Victor Ratnayake	09
Mr. Ransith De Mel	05
Mr. Chamika Weerasinghe	08
Mr. Saman Ranaweera	10
Mr. Bandula Hennadige	07
Mr. Prasad Seneviratne	06
Mr. Udaya Bandara	08
Mr. Felician Jayakody	03

Our Members

01 Agro Micro Investments Ltd	26 Muslim Aid Micro Credit (Gte) Ltd
02 Arthavida Intermediary Ltd	27 Nation Lanka Finance PLC
03 Berendina Micro Investment Company Ltd	28 Nomic International Ltd
04 Bimpuh Finance PLC	29 People's Micro-commerce Ltd
05 Candea Credit Ltd	30 People's Capital Investment & Credit (Pvt) Ltd
06 Capital Credit & Investments (Pvt) Ltd	31 Pragathi Sewa Foundation
07 Commercial Credit & Finance PLC	32 Purewin Credit & Investments Ltd
08 DCS Credit & Investment (Pvt) Ltd	33 Rajarata Praja Kendraya
09 Development Facilitators (Pvt) Ltd	34 Reliance Investments Co (Pvt) Ltd
10 Dumbara Micro Credit Company	35 S. N. Micro Credit (Pvt) Ltd
11 ECLOF Lanka (Gte) Ltd	36 SANASA Development Bank PLC
12 Ekabaddha Praja Sanwardhana Kantha Maha Sangamaya	37 Sarvodaya Development Finance Ltd
13 Fintechology Asia Pacific Lanka (Pvt) Ltd	38 Sejaya Micro Credit Ltd
14 Fire Flies Holdings (Pvt) Ltd	39 Sewa Community Credit Ltd
15 Graduate Investment Ltd	40 Silverreen Micro Credit Company Ltd
16 Hambantota WDF	41 South Asia Partnership Sri Lanka
17 HNB Finance PLC	42 Sri Lanka Savings Bank
18 IDEAs Consultancy (Pvt) Ltd	43 SAPCO
19 Janarukula (Gte) Company	44 The Institute for Development of Community Strengths (INDECOS)
20 KiwiFund (Gte) Ltd	45 Uva Govijana Kendraya
21 Lak Jaya Microfinance Ltd	46 Ventura Crystal Investments Ltd
22 Lanka Credit & Business Finance Ltd	47 VisionFund Lanka Ltd
23 Lanka Financial Services for Underserved Settlements	48 Women Enterprise Development Service Centre
24 LOLC Development Finance PLC	49 Y GRO Ltd
25 LOLC Finance PLC	50 YMCA Batticaloa

Review of Activities in 2021/2022

As a representative body of microfinance practitioners, the LMFPFA's main objectives are advocacy and lobbying, creating a conducive environment for microfinance, capacity building, information sharing and international relations. The year 2021/2022 was a very challenging year for the industry and LMFPFA due to a very acute economic crisis in Sri Lanka.

Creating a conducive environment

Virtual Meeting with CEOs of LMFPFA Members

On 14th of October 2021, LMFPFA organized a virtual discussion with CEOs of its member organizations. The objective of this meeting was to identify the issues faced by MFIs related to

- Recovery process and PAR
- Loan Disbursement process
- Administration, Operations., HR and Finance and
- Availability of funding

LMFPFA made several efforts to create funding opportunities to its members during this period. One of them was liaising with Sanasa Development Bank where 03 member organizations were able to obtain bulk loan facilities. LMFPFA also reached out to member finance companies on the possibilities of bulk lending to other MFIs. These requests are being observed on a case by case basis. Furthermore, LMFPFA restarted discussions to reactivate the ETIMOS fund as well as the bulk loan facilities of Sri Lankan Savings Bank with the State Ministry of Microfinance. However the continuation of this discussions were stalled due to the economic crisis.

Seeking Legal Opinion for a Microfinance CRIB

In 2021, LMFPFA started a series of discussions with a foreign Technical Service Provider from Myanmar on the possibilities of establishing a Credit Information System. However it was deemed important to conduct a legal study on the viability of LMFPFA to engage the services of a foreign Technical Service Provider to design a CRIB for members where client data is stored in a cloud. Therefore LMFPFA sought the legal opinion of an expert in this regard. During the discussion it was revealed that there is



a new Data Protection Bill that is being drafted which needs to be studied first. If there are no amendments to this Bill, it can be used as a basis for the implementation of the system.

Facilitation of Members on Low Interest Government Loan scheme to emancipate over indebted micro borrowers

In 2020 the government released a revolving fund to the District Secretaries of the Northern Province and Anuradhapura district in Sri Lanka to assist over indebted micro borrowers to settle their loans borrowed at higher interest rates. This revolving fund can be utilized by the clients of any of the MFIs, to settle outstanding loans up to Rs. 100,000/- at 6% per annum which are disbursed through Cooperative Rural Banks (CRBs) and SANASA societies.

LMFPA convened several online discussions between the Director Planning of the Anuradhapura District Secretariat and members operating in the Anuradhapura district during 2021 in the hope of channeling this fund to member organizations. However, due to issues with guarantors and reluctance of clients themselves, many applications were not processed even after recommendation by the District Secretaries. According to information received from members operating in Anuradhapura, only 8 applicants received their loans out of 1,738 applications.

Discussion on SLBC “Athulpeththa” Programme



Through the initiation of the LMFPFA manager, the association was able to get an opportunity on the radio Programme “Athul-peththa” which was broadcasted on the Sri Lanka Broadcasting Network on 4th December 2021. LMFPFA President Mr. Priyantha Dematagoda was exclusively invited to this programme and was able to address many misconceptions of microfinance that were propagated by the media.

Addressing recent media reports on the visit made by UN Special Rapporteur

Following a visit to Sri Lanka by United Nations Special Rapporteur Mr. Tomoya Obokata, he recently issued an end of the mission statement which highlighted the microfinance industry as a “Contemporary form of Slavery” and that microfinance schemes disproportionately target women living in poverty in rural areas and often lead to high levels of indebtedness. In order to put many of these allegations and misunderstandings to rest, the LMFPFA had the opportunity to meet with



Mr. Tomoya Obokata virtually on 16th December 2021 and present its feedback on the UN End Mission Statement. Mr. Obokata listened intently and emphasized that the statements made in the End Mission statement were not directed at the association or its members, but rather on observations he made during his visit to Sri Lanka. Similar to the flipside of a coin, Mr. Obokata agreed that the feedback of LMFPFA was valid and that due attention would be given when finalizing his final report on Human Rights in Sri Lanka.

Promotion of the Microfinance Helpline

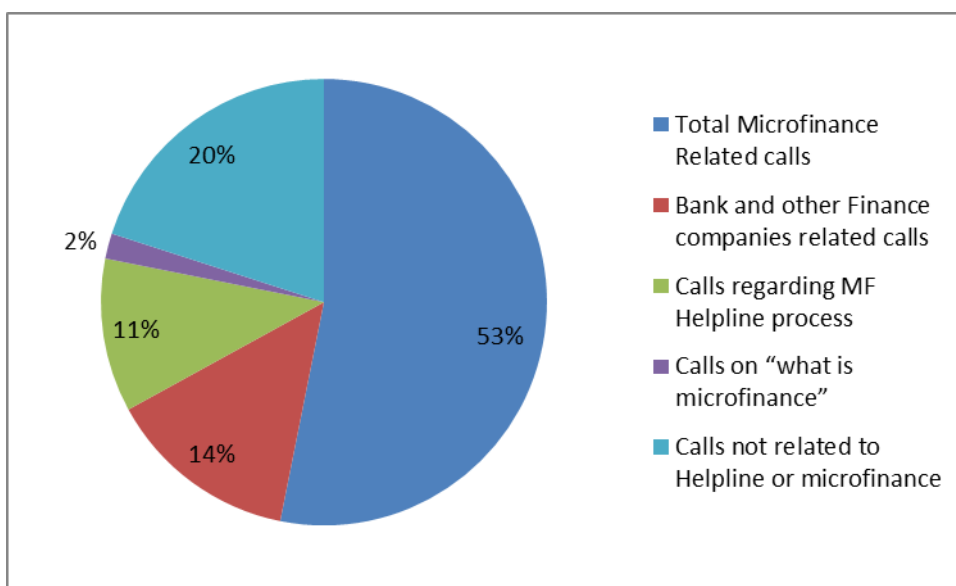


The Microfinance Helpline that was launched last year was established for the purpose of addressing grievances faced by microfinance clients and to persuade the stakeholders to take timely corrective measures for such grievances.

Since the launch of the Microfinance Helpline in August 2021, we received moderate responses from the public. Therefore LMFPFA launched a media campaign with the financial support of Stromme Micro Credit in order to create more awareness on the Helpline. The first stage was Television crawlers on Derana TV and Vasantham TV in October 2021. Thereafter we conducted a poster campaign at the village level in the districts of Hambantota, Batticaloa, Anuradhapura, Polonnaruwa, Trincomalee, Jaffna and Kurunegala. More than 14,000 posters were distributed to GN offices, Samurdhi Banks, Economic Development offices and Divisional Secretariats. The last stage was on Social Media predominantly Facebook that began in January this year.

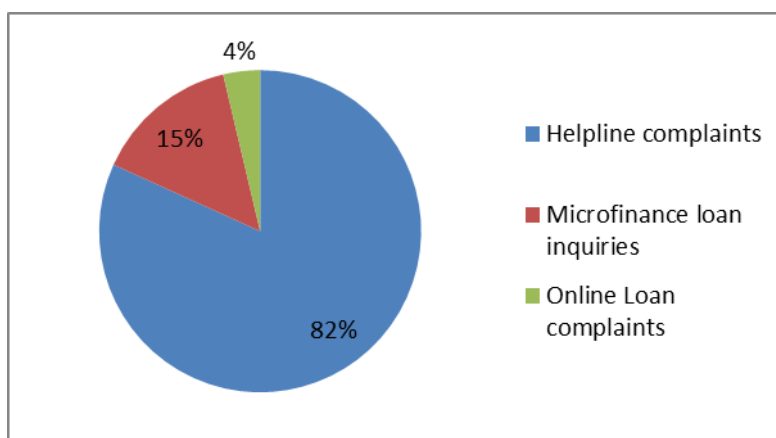
Data Analysis

1	Total Microfinance Related calls	406
2	Bank and other Finance companies related calls	106
3	Calls regarding MF Helpline process	85
4	Calls on “what is microfinance”	14
5	Calls not related to Helpline or microfinance	153

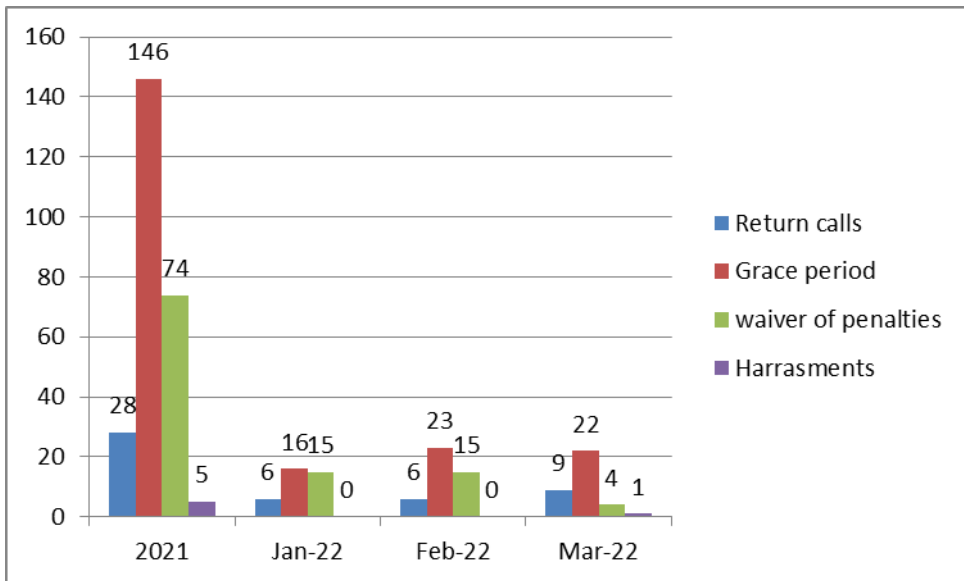


Total Microfinance related calls can be further segregated to:

1	Helpline complaints	332
2	Microfinance loan inquiries	59
3	Online Loan complaints	15

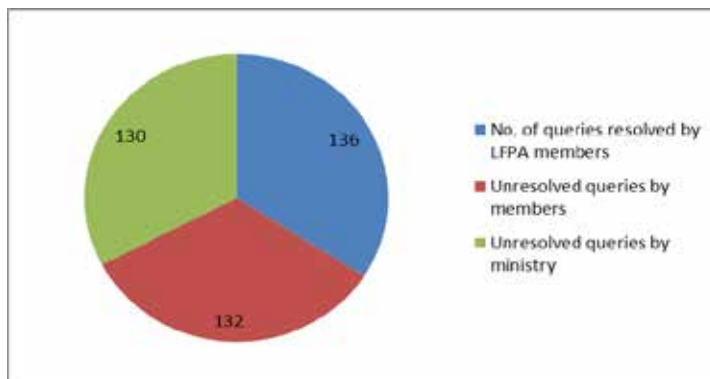


The complaints received on the Helpline from microfinance clients can be further categorized as follows:



It must be said that some calls had complaints on multiple loans obtained from MFIs by clients. Therefore the requests on grace period and waiver of penalties have increased to that effect.

Helpline queries that involved LMFPA members were forwarded to the respective members with the caller recordings for reference for immediate action. Similar process was followed for queries that did not involve LMFPA members where such queries were forwarded to the Microfinance ministry for action. Nearly 50% of the queries involving LMFPA members were resolved during the Helpline operation period.



Throughout the period of inspection, it was evident that the majority of calls from microfinance clients were related to extending their repayment obligations and requests for waiver of late payment penalties. The allegations made by 3rd parties on suicides were baseless as not a single suicide was reported. Only a handful of complaints were received regarding harassments to which swift action was implemented by the MFIs to address the issues.

Capacity Building

LMFPA Online Webinar on Collection Process after COVID 19

The Lanka Microfinance Practitioners' Association (LMFPA) kick started its training series for 2022 with a webinar entitled "Collection Process after COVID 19" on the 1st of February 2022 via ZOOM. The session was moderated by Development Consultant and Hony. Secretary of LMFPA, Mr. Imran Nafeer. The discussion panel was represented by the following persons of respective member organizations:

- Mr. Amal Dissanayake – Operations Manager - Berendina Micro Investment Company
- Mr. Mahinda Tissa – Assistant General Manager – HNB Finance PLC
- Mrs. Shriyani Mangalika – Managing Director – Hambantota Women's Development Federation
- Mr. Ruwan Rathnasinghe – Head of Retail Operations – Sejaya Micro Credit
- Mr. Ransith De Mel – Head of Operations – ECLOF Lanka



The programme was attended by more than 100 participants representing Microfinance Institutions and other stakeholders in the industry and was sponsored by the generosity of Arthavida Intermediary Ltd, Berendina Micro Investment Company, ECLOF Lanka, HNB Finance, Lak Jaya Microfinance, Sejaya Micro Credit and South Asia Partnership. The

discussion took place in the Studio of Perfect Media Network (Pvt) Ltd in Kesbewa.

The first discussion round was on challenges on recoveries and operations post lockdown. The main challenge for MFIs during the pandemic was restrictions on their field staff to reach out to their clientele to provide microfinance services due to the intermittent lockdowns that prevailed in the country. The livelihoods of many microfinance clients were severely affected due to the pandemic and therefore the ability to fulfill their loan obligations to the MFIs was challenged. Many MFIs resort to providing loan moratoriums and other relief facilities to their clients during this time to ease their loan repayment efforts. In addition to this, MFIs also took measures to provide relief packages such as food rations and other amenities for clients who had difficulties in providing basic household necessities. Furthermore MFIs also assisted in providing safety products like face masks, sanitizers to their clients who could not afford them.

The second round was focused on the demand for loans. It was observed that there had been a high de-

mand for consumption loans by microfinance clients as they had lost their livelihoods due to the lockdowns and were desperate for income to maintain their households. The general practice of MFIs is to provide financial services for income generation activities of their clients so that they have the capacity to repay their loans. However, due to the pandemic and the lockdowns, many microfinance clients loss their source of income and thereby their

livelihood and it became a challenge for both them and the MFIs regarding financial sustainability. Provision of consumption loans needed to be handled on a case by case basis so that the client will not be overwhelmed with credit. The long debate regarding multiple loans and over indebtedness was also address here, and the panelists confirmed from their experience that there had been an increase in multiple loans during this time. Many people have also resorted to pawning their jewelry to meet their day to day expenses. On the perspective of the MFIs, catering to a high demand for loans from their clients posed a challenge to the MFIs that were cash strapped due to several months of inactivity that curtailed the regular cash flow. The other challenge for MFIs is being more vigilant on their credit evaluations as clients may give various reasons to obtain some form of credit for their day to day needs instead of income generation activities.



The final discussion round was focused on Individual and collective measures for the betterment of the industry. Here the panelists shared their views on the level of community service that an MFI provides in the industry. A majority of its profits are channeled back to its operations as well as philanthropic activities. Despite this, MFIs pay very high taxes every year. Therefore there must be some mechanism to reward MFIs that engage in Corporate Social Responsibility (CSR) projects by providing them with tax credits. This will encourage the MFI to engage in more similar projects in addition to their daily operations and encourage other MFIs also take similar actions thus creating an environment of socially responsible organizations.

Another important factor that was discussed was the absence of monitoring the credit history of microfinance clients. Gaining access to the Credit Information Bureau (CRIB) even for licensed MFIs is long overdue and the credit evaluation process of clients can be smoothened if this access was granted. The regulation of micro credit and its importance was also addressed by the panelists.

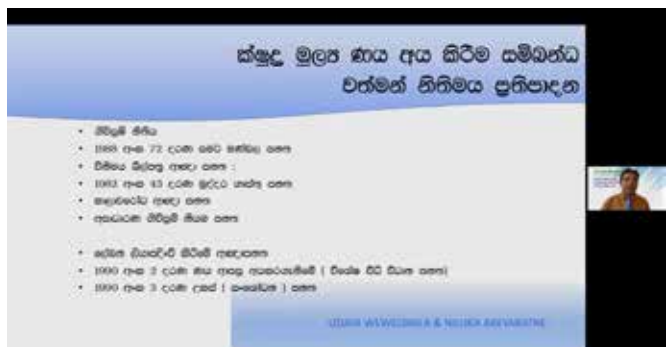
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Another area that needs the attention of the government is the accessibility to bulk lending opportunities for MFIs. Obtaining funding has been a challenge for MFIs as of late, whether from commercial banks or foreign sources. The reactivation of former bulk lending facilities by state banks and other forms of funding opportunities would create the much needed impetus for MFIs in their outreach of the grassroots level.

Another important factor that was discussed was the evolution of the microfinance industry. Over the past 25 years the scope of the industry has changed dramatically. The adoption process of MFIs according to the changing demand of their clients over time is sometimes questionable. Today microfinance has become more commercialized and the focus of uplifting the living standards of low income households has evolved into simply lending and recovering of loans by MFIs. This mission drift needs to be addressed and duly changed to its former glory. The adoption of digital financing in many MFIs is still at its teething stage as organizations are looking for cost effective strategies for their sustainability in the industry. While embracing technology for smoother operations, MFIs should also focus on improving the financial literacy of their clients especially those of younger ages so that they can make sound financial decisions in their lives.

Training Workshop on legal Aspects & Procedures of Loan Process in Microfinance

On 08th March 2022 the LMFPFA organized an online training programme on Legal Aspects & Procedures of Loan Process in Microfinance. The programme was conducted by Attorneys at Law Mr. Udaya Wewelwala and Mrs. Niluka Abeyratne and it was participated by 80 participants representing 11 member organizations. In the microfinance industry the foremost important legal aspects and statutes that are relevant during loan disbursements and recoveries are:



- Law of contract
- Mediation Board Act No. 72 of 1988
- Bills of Exchange Ordinance
- Stamp Duty Act No. 43 of 1982
- Prescription Ordinance
- Unfair Contract Terms Act

Most MFIs tend to take legal action when their clients continuously prolong their loan repayments even after several reminders. The effectiveness of the legal proceedings over loan recoveries however depends on the availability of all documentary evidence that comprise in the loan process and they are:

- the loan agreement
- the guarantor agreement
- promissory notes
- copies of client's NIC
- copies of guarantors' NIC
- Affidavits
- Statements of income and expenditure of client and guarantors
- Certification of Grama Niladhari officer
- Certification of employment (if any) of client
- Copy of domestic electricity bill

During the programme, the resource persons elucidated on the impact of each of the above factors have on any case hearing and participants were also enlightened on the legal proceedings by an MFI on loan recoveries.

Webinar on Personal Data Protection Act No 09 of 2022 of Sri Lanka



On 27th April 2022 LMFPFA organized a webinar for its members on the newly introduced Personal Data Protection Act No. 09 of 2022 in association with the eminent law firm M/s FJ & G De Saram. More than 90 participants took part in this programme.

The Personal Data Protection Act was passed by the Sri Lankan Parliament on 19th of March 2022. The main objective of the Act is to safeguard the interests of private information of individuals by external organizations such as business entities.

The key functions of the Act are:

- Protect Rights of personal data
- Imposes obligations on entities that process and uses of this personal data
- Establishment of an authority to monitor these activities

The Act defines personal data as any information that can identify from an individual. An MFI could be identified as a Controller of the data, who has access to personal data of its clients and employees. Data can be categorized into 3 parts namely consumer data, third party data and employee data.

For MFIs, the Act would be applicable in processing consumer data and employee data. Processing consumer data would be beneficial for MFIs to monitor customers' payment behaviours, collection of repayments and customer profiling whereas human resource data is helpful to upkeep personnel files, recruitment of staff and payroll functions. At the time of the loan contract, MFIs obtain a lot of information from the customer and the entire household. This data is maintained by the MFI and the protection of this data and its usage is covered by this Act.

- According to the Act the MFI has a responsibility to
- Acquire consent from their clients and staff regarding storage of their data
- Have appropriate organizational and technical measures to prevent unauthorized or unlawful processing of the data obtained or loss, destruction or damage to the data.

In terms of maintaining the service of a third party to process the data (such as the service of a CRIB), a proper assessment is required of the third party and a clear written contract with measures, provisions and obligations should be created.

The Act also stipulates the establishment of a Data Protection Authority that will:

- Regulate processing of personal data
- Safeguard the privacy of the data providers
- Provide protection for personal data used in digital transactions and communications

Although the Personal Data Protection Act is passed, a transitional time period is provided before it is being enforced:

- Data protection principles, rights and obligations of the controllers and processors and rights of the data subjects will be brought into operation in 18 to 36 months from 19th March 2022.
- Use of personal data to disseminate unsolicited messages will be brought into operation in 24 to 48 months from 19th March 2022.
- A Data Protection Authority is to be established any time before Parts I (Processing of Personal Data), II (Rights of Data Subjects) and III (Controllers and Processors) are brought into operation.

Information Dissemination

LMFPA News Bulletin

The objective of this bi-monthly publication is to keep LMFPFA members updated on the activities of the association as well giving the opportunity to share significant news and achievements of member organizations with all stakeholders in the industry. The publication was launched with the November/December 2021 issue and so far 03 editions have been published to date.

LMFPFA Archives

The board of LMFPFA 2021/2022 decided on creating an archive of LMFPFA activities, events, and publications. These include photographs and videos of events and training programmes, presentations and handouts of such programmes, photographs and profiles of previous board members and copies of various publications of the association.

Microfinance Review 2020 & 2021

The Microfinance Review Publication 2020 version was delayed due to the COVID 19 pandemic as many member organization were not able to share their statistical information with LMFPFA due to lock downs. Despite these difficulties information was gathered from 37 member organizations and both 2020 and 2021 publications are scheduled to be released this year.

Collaboration with Department of Census & Statistics for future Data Profiling of members

In May 2021 LMFPFA held discussions with the Department of Census and Statistics to collaborate with the LMFPFA in collecting microfinance data to analyze its contribution to the economy of Sri Lanka. This is a great recognition not only for LMFPFA but also its members and the entire microfinance industry. Data profiling of members for the year 2020 commenced in September 2021 and 22 member organizations responded to the survey. The Department of Census is now in the process of analyzing the data which will be shared with the members and stakeholders in the near future.

International Relations

Representation at South Asia - Financial Inclusion Training in Dubai

The South Asia Micro Entrepreneurs' Network (SAMN) organized a 5 day Boot Camp in Dubai from 22nd to 26th May 2022. President of LMFPA Mr. Priyantha Dematagoda was invited as a speaker at the conference and due to the prevailing situation he was the only participant to represent Sri Lanka. This was well attended by 196 participants across South Asia which included Pakistan, India, Bangladesh and Nepal.

This was followed by the Board meeting of the SAMN which was attended by Mr Anura Attapattu as LMFPA representative and Mr Priyantha Dematagoda also attended the meeting as a special invitee.



Auditor's Report & Financial Statements

Independent Auditor's Report

To The Shareholders of Lanka Microfinance Practitioners' Association

Opinion

We have audited the financial statements of Lanka Microfinance Practitioners' Association, which comprise the statement of financial position as at 31st December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31st December 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and medium – Sized Entities (SLFRs for SME)

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards for Small and medium – Sized Entities (SLFRs for SME) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.



Magamage & Co.
Chartered Accountants
Nugegoda
08th April 2022



Lanka Microfinance Practitioner's Association
32, Suriyamal Mawatha, Divulapitiya, Boralesgamuwa

STATEMENT OF COMPEHENSIVE INCOME
FOR THE YEAR ENDED 31st DECEMBER 2021

<u>(All Amounts in Sri Lankan Rupees)</u>			<u>2021</u>	<u>2020</u>
	<u>Notes</u>		<u>Rs. Cts.</u>	<u>Rs. Cts.</u>
General Income	01		1,435,000.00	1,501,250.00
Interest Income	02		155,531.06	291,034.00
Other Income	03		2,917,960.00	842,195.00
Total Income			<u>4,508,491.06</u>	<u>2,634,479.00</u>
Activity Related Expenses	04		1,827,593.00	1,442,252.00
Net income			<u>2,680,898.06</u>	<u>1,192,227.00</u>
Administrative Expenses	05		2,226,392.88	2,796,815.00
Net Surplus/ (Deficit) Before Taxation			<u>454,505.19</u>	<u>(1,604,588.00)</u>
Income Tax Expense	06		-	-
Surplus/ (Deficit) For the Year			<u>454,505.19</u>	<u>(1,604,588.00)</u>



Lanka Microfinance Practitioner's Association
32, Suriyamal Mawatha, Divulapitiya, Boralesgamuwa

STATEMENT OF FINANCIAL POSITION

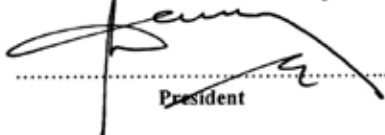
AS AT 31st DECEMBER 2021

(All Amounts in Sri Lankan Rupees)

	<u>Notes</u>	<u>2021</u> <u>Rs. Cts.</u>	<u>2020</u> <u>Rs. Cts.</u>
<u>Assets</u>			
<u>Non Current Assets</u>			
Property, Plant and Equipment	07	70,269.78	17,904.00
Investment in Fixed Deposits	08	3,100,542.72	1,536,690.00
		<u>3,170,812.51</u>	<u>1,554,594.00</u>
<u>Current Assets</u>			
Receivables	09	243,600.00	232,520.00
Deposits and Prepayments	10	100,000.00	525,000.00
WHT Receivable		-	52,541.00
Cash & Cash Equivalent	11	1,282,280.68	1,852,664.00
		<u>1,625,880.68</u>	<u>2,662,725.00</u>
Total Assets		<u>4,796,693.19</u>	<u>4,217,319.00</u>
<u>Equity and Liabilities</u>			
<u>Equity</u>			
Accumulated Fund		4,246,643.19	3,792,138.00
Total Equity		<u>4,246,643.19</u>	<u>3,792,138.00</u>
<u>Non-Current Liabilities</u>			
Retirement Benefit Obligation	12	412,500.00	375,000.00
		<u>412,500.00</u>	<u>375,000.00</u>
<u>Current Liabilities</u>			
Income Tax Payable	13	-	-
Accounts Payable	14	28,000.00	43,500.00
Bank Overdraft	15	109,550.00	6,681.00
		<u>137,550.00</u>	<u>50,181.00</u>
Total Funds and Liabilities		<u>4,796,693.19</u>	<u>4,217,319.00</u>

The Committee is responsible for the preparation and presentation of these financial statements

Signed for and on behalf of the Board of Management


 President


 Treasurer

The accounting policies and notes to the account form an integral part of these financial statements



Lanka Microfinance Practitioner's Association
32, Surivamal Mawatha, Divulapitiya, Boralessgamuwa

ACCUMULATED FUND

(All Amounts in Sri Lankan Rupees)

	<u>2021</u>	<u>2020</u>
	<i>Rs. Cts.</i>	<i>Rs. Cts.</i>
Balance as at 1 st January 2021	3,792,138.00	5,396,726.00
Surplus / (Deficit) for the Year	454,505.19	(1,604,588.00)
Balance as at 31 st December 2021	<u>4,246,643.19</u>	<u>3,792,138.00</u>



Lanka Microfinance Practitioner's Association
32, Suriyamal Mawatha, Divulapitiya, Boralesgamuwa

Statements of Cash Flows

For the Year Ended 31st December

(All Amounts in Sri Lankan Rupees)

	<u>2021</u>	<u>2020</u>
	<u>Rs. Cts.</u>	<u>Rs. Cts.</u>
<u>Cash Flow from Project Activities</u>		
Net Surplus/ (Deficit) before taxation	454,505.19	(1,604,588.00)
<u>Adjustment for Non Cash Items</u>		
Depreciation	28,544.22	25,835.00
Interest Income	(155,531.06)	(291,034.00)
Gratuity provision for the year	37,500.00	37,500.00
Operating Profit before Working Capital Changes	365,018.34	(1,832,287.00)
<u>Working Capital Changes</u>		
Increases /(Decrease) in receivables, deposits and prepayments	466,461.00	199,380.00
Increase/(Decrease) in Accounts Payable	(15,500.00)	(434,110.00)
Cash Flow from / (used in) Operating Activities	815,979.34	(2,067,017.00)
Income tax paid	-	(198,230.00)
Net Cash Flow from / (used in) Operating Activities	815,979.34	(2,265,247.00)
<u>Cash Flow from Investing Activities</u>		
Interest Income	155,531.06	291,034.00
Acquisition of the Fixed Assets	(80,910.00)	-
Investments in Fixed Deposits	(1,563,852.72)	(111,650.00)
Net Cash Flow from / (used in) Investing Activities	(1,489,231.66)	179,384.00
Net Increase/ (Decrease) in Cash & Cash Equivalents	(673,252.32)	(2,085,863.00)
Cash & Cash Equivalents at the Beginning of the Year	1,845,983.00	3,931,846.00
Cash & Cash Equivalents at the End of the Year	1,172,730.68	1,845,983.00
<u>Analysis of Cash and Cash Equivalents at the End of the Year</u>		
Cash & Cash Equivalent	1,282,280.68	1,852,664.00
Bank Overdraft	(109,550.00)	(6,681.00)
	1,172,730.68	1,845,983.00



Lanka Microfinance Practitioners' Association

32, Surivamal Mawatha, Divulapitiya, Boralesgamuwa

Accounting Policies and Explanatory Notes to the Financial Statements
For the Year Ended December 31, 2021

1-Corporate information

1.1 General

Lanka Microfinance Practitioners' Association (previously known as Lanka Microfinance Network) is a Non-Profit Organization

Lanka Microfinance Practitioners Association has been registered under the Companies Act, No. 7 of 2007 on 13 October 2008 as a Company limited by guarantee and incorporated in and domiciled in Sri Lanka. The registered office is located at 32, Suriyamal Mawatha, Divulapitiya, Boralesgamuwa.

1.2 Principal activities and nature of operations

The principal activities of the organization during the period were to promote membership among Micro Finance Institutions (MFIs) locally, advocate for a policy Environment for collective action by MFIs, promote the adoption and installation of internationally accepted performance standard for the MFIs develop and strengthen system for information collection, promote the expansion of the formal financial market as Micro Finance Service, protect and strengthen the capacity of the MFIs, develop an operational an independent performance monitoring system for MFIs and mobilize resources and network with Government, donors, funding agencies, investors and commercial loan providers .

2-Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently

2.1 Basis of preparation

The annual financial statements have been prepared in accordance with Sri Lanka Accounting Standard for Small and Medium Enterprises (SLFRS for SMEs) with effect from 1 December 2017 These Financial Statements are presented in Sri Lankan Rupees (Rs).

The transition to SLFRS for Small and Medium Enterprises has not affected the reported financial position and financial performance of the Company.

2.2 Statement of Compliance

The Statement of financial position, statement of comprehensive income and statement of cash flows together with summary of significant accounting policies and notes to the financial statements of the Lanka Microfinance Practitioners' Association, as at 31st December 2021 and for the year then ended comply with the SLFRS for Smaller Entities laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the Companies Act No.07 of 2007.

These financial statements were authorized for issue by the Board of Management on 5th April , 2022.



Lanka Microfinance Practitioners' Association

32, Suriyamal Mawatha, Divulapitaya, Boralessgamuwa

Accounting Policies and Explanatory Notes to the Financial Statements
For the Year Ended December 31, 2021

2.3 Going Concern

The Board of Management has made an assessment of the Organization's ability to continue as a going concern and they do not intend either to liquidate or to cease operations

2.4 Comparative information

The accounting policies have been consistently applied by the organization and are in consistent with those of previous year. The previous year's figures and phases have been rearranged wherever necessary to conform current year's presentation.

2.5 Assets and bases of their valuation

2.5.1-Property, Plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following annual rates are used for the depreciation of property, plant and equipment

Depreciation of assets begin when it is available for use and the principle annual rates used are as follows.

Assets Category	Rate
Furniture & Fittings	10%
Office Equipment	20%
Computer Equipment	20%
Office Partition	20%

2.5.2-Impairment of assets

At each reporting date, property, plant and equipment is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset(or group of related assets)is estimated and compared with its carrying amount. If estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined has no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.



Lanka Microfinance Practitioners' Association

32, Suriyamal Mawatha, Divulapitiva, Boralesgamuwa

Accounting Policies and Explanatory Notes to the Financial Statements
For the Year Ended December 31, 2021

2.5.3- Financial assets

Financial assets that are investments in fixed deposits and carried at amortized cost. These investments are normally held as long term since the entity does not expect to dispose them in the near future.

2.5.4- Receivables

Receivables are measured at amortized cost using effective interest method. At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is an objective evidence that the amounts are not recoverable. If so an impairment loss is recognized immediately in the statement of comprehensive income.

2.5.5- Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly, liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash & cash equivalent consists of cash in hand deposits in banks net of outstanding bank overdrafts. Investments with short term maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents

2.6- Liabilities and provision

2.6.1- Liabilities

Liabilities stated under current liabilities in the balance sheet are those expected to fall due within one year from the balance sheet date. Items stated as long term liabilities are those expected to fall due at point of time after one year from the date of the financial position.

2.6.2- Provisions

Provisions are recognized when the Organization has a present obligation (legal and constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be estimated reliably. The expenses relating to any provision is presented in profit or loss. Provisions are not recognized for future operating losses. If the effect of the time value of money is material, provision is discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2.6.3- Retirement benefit obligation

a)- Defined benefit plan – Gratuity

Provision has been made for retirement gratuities in conformity with Gratuity Act No.12 of 1983 in accordance with the sec 28 of SLFRS for SMES. The liability is not externally funded nor it is actuarially funded.

Gratuity provision has been valued in conformity with sec 28 of the Sri Lanka accounting standard for small and medium size entities, by multiplying half months' salary by the number of years of service.



Lanka Microfinance Practitioners' Association

32, Suriyamal Mawatha, Divulapitiya, Boralesgamuwa

Accounting Policies and Explanatory Notes to the Financial Statements

For the Year Ended December 31, 2021

b)-Defined contribution plans – EPF & ETF

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Organization contributes 12% and 3% of gross emoluments of employees' to the Provident Fund and to the Employees' Trust Fund.

2.6.4- Taxation

a)- Current taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue

The provision for income tax is based on the elements of income and expenditure as reported in the financial statement and computed in accordance with the provisions of the inland Revenue Act No 24 of 2017.

2.7-Funds

2.7.1-Unrestricted funds

Unrestricted funds are those that are available for use by the Organization at the discretion of the Board, in furtherance of the general objective of the organization and which are not designated for any specific purpose.

2.7.2-Restricted funds

Restricted funds are the funds where grants are received for use in an identified project or activity; such funds are held in a fund account and transferred to the statement of comprehensive income to match with expenses incurred in respect of that identified project. Unutilized funds are held in their respective fund account and included under accumulated fund in the statement of financial position until such time as they are required. Funds collected through a fund raising activity for any specific or defined purpose are also included under this category. The activities for which these restricted funds may be and are being used are identified in the notes to the financial statements.

2.7.3-Designated funds

Unrestricted funds are designated by the board to a specific purpose identified as designated funds. The activities for which these funds may be used are identified based on the life of the assets.



Lanka Microfinance Practitioners' Association

32, Suriyamal Mawatha, Divulapitima, Boralessgamuwa

Accounting Policies and Explanatory Notes to the Financial Statements
For the Year Ended December 31, 2021

2.8-Grants and subsidies

Grants and subsidies related to assets are generally deferred in the statement of financial position credited to the statement of comprehensive income over the useful life of the assets.

2.9-Income Statement

2.9.1-Revenue recognition

a)-Income-Restricted funds

Income realized from restricted funds is recognized in the statement of comprehensive income only when there is certainty that all of conditions for accept of the funds have been complied with and the relevant expenditure that it is expected to compensate has been incurred and charged to the statement of comprehensive income. Unutilized funds are carried forward as such in the statement of financial position. All other income is recognized when the organization is legally entitled to use of such funds and amount can be quantified. This would include income receivable through fund raising activities.

b)-Subscription income

Subscription income is recognized on cash basis at the point of receiving money to the bank from members and confirmation received from the member.

Management committee has decided to change its subscription income recognition policy from accrued basis to the cash basis with effect from 1st January 2020

c)-Others

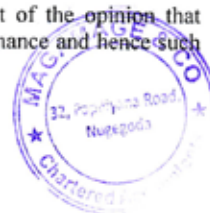
Other income is recognized on the accrual basis

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.9.2-Expenditure recognition

Expenses in carrying out the projects and other activities of the Organization are recognized in the statement of comprehensive income during the period in which they are incurred. Other expenses incurred in the administration and running the Organization and in restoring and maintaining the property, plant and equipment to perform at expected levels are accounted for on an accrual basis and charged to the statement of comprehensive income.

For the purpose of presentation of the income statement the Board of Management of the opinion that function of expenses method presents fairly the elements of the Organization's performance and hence such presentation method is adopted.



Lanka Microfinance Practitioners' Association

32, Suriyamal Mawatha, Divulapitiya, Boralesgamuwa

Accounting Policies and Explanatory Notes to the Financial Statements
For the Year Ended December 31, 2021

3-Events after reporting period

3.1-Events occurring after the reporting period

All material events occurring after the reporting date have been considered and where necessary Adjustments to or disclosures have been made in the respective notes to the accounts.

3.2-Contingencies and unrecognized contractual commitments

Contingencies are possible assets or obligations that arise from past event and would be confirmed only the occurrence or non-occurrence of uncertain future events, which are beyond the organization's control



Lanka Microfinance Practitioner's Association
32, Suriyamal Mawatha, Divulapitima, Boralesgamuwa

NOTES TO THE ACCOUNTS

For the Year Ended 31st December

(All Amounts in Sri Lankan Rupees)

		<u>2021</u>	<u>2020</u>
		<i>Rs. Cts.</i>	<i>Rs. Cts.</i>
01	<u>General Income</u>		
	Membership Fees	1,435,000.00	1,441,250.00
	Membership Registration	-	60,000.00
1.1		<u>1,435,000.00</u>	<u>1,501,250.00</u>
1.1	Management committee has decided to change its subscription income recognition policy from accrued basis to the cash basis with effect from 1 st January 2020		
02	<u>Interest Income</u>		
	Interest on Fixed Deposits and Money Market a/c	155,531.06	291,034.00
		<u>155,531.06</u>	<u>291,034.00</u>
03	<u>Other Income</u>		
	Book Sales	6,000.00	9,000.00
	Training Income	184,050.00	-
	Website advertising	-	4,000.00
	Membership Fees(SAMN)	481,010.00	178,675.00
	Administration Fee Reimbursement(SAMN)	243,600.00	227,520.00
	Miscellaneous Income	303,300.00	30,000.00
	Sponsorship Income	1,700,000.00	355,000.00
	Exposure Programme Income	-	20,000.00
	Writeback of the Accrued Expenses	-	18,000.00
		<u>2,917,960.00</u>	<u>842,195.00</u>
04	<u>Activity Related Expenses</u>		
	AGM Expenses	113,805.00	104,900.00
	Workshop Expenses	98,841.00	2,770.00
	Miscellaneous Expenses	168,697.00	123,000.00
	Public Relation Expenses	1,446,250.00	1,211,582.00
		<u>1,827,593.00</u>	<u>1,442,252.00</u>



Lanka Microfinance Practitioner's Association**32, Surivamal Mawatha, Divulapitiva, Boralesgamuwa****NOTES TO THE ACCOUNTS****For the Year Ended 31st December***(All Amounts in Sri Lankan Rupees)*

	<u>2021</u>	<u>2020</u>
	<i>Rs. Cts.</i>	<i>Rs. Cts.</i>
05 Administrative Expenses		
Secretary Fees for Conference (SAMN)	264,010.00	227,520.00
Salaries	900,000.00	1,010,000.00
Employee Provident Fund	108,000.00	121,200.00
Employee Trust Fund	27,000.00	30,300.00
MF Helpline Operator expense	160,600.00	-
Gratuity	37,500.00	37,500.00
Travelling and Others	2,114.00	25,425.00
Auditor's Remuneration	28,000.00	31,000.00
Tax Fee	-	15,300.00
Secretarial Fee	75,282.25	44,100.00
Rent	346,000.00	601,500.00
Office Maintenance	31,225.00	17,550.00
Postage & Courier	9,255.00	19,955.00
Printing and Stationery	11,135.00	10,978.00
Depreciation	28,544.22	25,835.00
Internet Chargers	28,785.00	23,822.00
Sundry Expenses	14,891.00	25,309.00
Computer Maintenance	13,350.00	30,900.00
Website Maintenance	12,500.00	42,650.00
Mobile Allowance	18,000.00	20,750.00
Electricity	552.24	1,284.00
Telephone	7,810.00	24,292.00
Bank Charges (SAMN)	3,500.00	3,545.00
Bank Charges (LMFPA)	8,162.25	11,200.00
Membership Fee Receivable-Written Off	-	341,900.00
Tax Receivable-Written Off	52,540.92	-
Travelling Allowances	36,000.00	47,000.00
Water	1,636.00	6,000.00
	<u>2,226,392.88</u>	<u>2,796,815.00</u>



Lanka Microfinance Practitioner's Association
32, Suriyamal Mawatha, Divulapitiva, Boralesgamuwa

NOTES TO THE ACCOUNTS

For the Year Ended 31st December

(All Amounts in Sri Lankan Rupees)

07 PROPERTY, PLANT & EQUIPMENT

<u>Cost</u>	<u>Balance as at</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance as at</u>
	<u>1st January</u>	<u>During the</u>	<u>During the</u>	<u>31st December</u>
	<u>2021</u>	<u>Year</u>	<u>Year</u>	<u>2021</u>
Computer Equipment	599,211.00	-	-	599,211.00
Office Equipment	684,563.00	80,910.00	-	765,473.00
Furniture and Fittings	171,824.00	-	-	171,824.00
Office Partition	107,425.00	-	-	107,425.00
	<u>1,563,023.00</u>	<u>80,910.00</u>	<u>-</u>	<u>1,643,933.00</u>

<u>Accumulated Depreciation</u>		<u>Balance as at</u>	<u>Depreciation</u>	<u>Disposal</u>	<u>Balance as at</u>
		<u>01st January</u>	<u>for the Year</u>	<u>Depreciation</u>	<u>31st December</u>
		<u>2021</u>			<u>2021</u>
Computer Equipment	20%	599,211.00	-	-	599,211.00
Office Equipment	20%	684,563.00	10,640.22	-	695,203.22
Furniture and Fittings	10%	171,824.00	-	-	171,824.00
Office Partition	20%	89,521.00	17,904.00	-	107,425.00
		<u>1,545,119.00</u>	<u>28,544.22</u>	<u>-</u>	<u>1,573,663.22</u>

Net Book Value	<u>17,904.00</u>	<u>70,269.78</u>
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Lanka Microfinance Practitioner's Association
32, Surivamal Mawatha, Divulapitiva, Boralesgamuwa

NOTES TO THE ACCOUNTS

For the Year Ended 31st December

(All Amounts in Sri Lankan Rupees)

	<u>2021</u>	<u>2020</u>
	<i>Rs. Cts.</i>	<i>Rs. Cts.</i>
08 <u>Investments in Fixed Deposits</u>		
Deposits with Banks	1,595,312.76	1,536,690.00
Treasury bills	1,505,229.96	-
	<u>3,100,542.72</u>	<u>1,536,690.00</u>
09 <u>Receivables</u>		
Administration fee Receivable	243,600.00	227,520.00
Fund Receivable	-	5,000.00
	<u>243,600.00</u>	<u>232,520.00</u>
10 <u>Deposits and Prepayments</u>		
Rent Deposits	100,000.00	525,000.00
	<u>100,000.00</u>	<u>525,000.00</u>
11 <u>Cash and Cash Equivalents</u>		
Commercial Bank-Money Market Account-1190023870	681,081.78	1,696,065.00
Sampath Bank-Current Account-009410006291	593,698.90	136,599.00
Cash in Hand	7,500.00	20,000.00
	<u>1,282,280.68</u>	<u>1,852,664.00</u>
12 <u>Retirement Benefit Obligation</u>		
Balance as at the Beginning of the Year	375,000.00	337,500.00
Provisions for the Year	37,500.00	37,500.00
Balance as at End of the Year	<u>412,500.00</u>	<u>375,000.00</u>
13 <u>Income Tax Refund / (Liability)</u>		
Balance at the Beginning of the Year	-	198,230.00
Paid during the year	-	(198,230.00)
Provision for The Year	-	-
Balance at the End of the Year	<u>-</u>	<u>-</u>



Lanka Microfinance Practitioner's Association
32, Suriyamal Mawatha, Divulapitiya, Boralessgamuwa

NOTES TO THE ACCOUNTS

For the Year Ended 31st December

(All Amounts in Sri Lankan Rupees)

	<u>2021</u>	<u>2020</u>
	<i>Rs. Cts.</i>	<i>Rs. Cts.</i>
14 <u>Accounts Payable</u>		
Audit Fee Payable	28,000.00	43,500.00
Accrued Expenses	-	-
	<u>28,000.00</u>	<u>43,500.00</u>
15 <u>Bank Overdraft</u>		
Commercial Bank	109,550.00	6,681.00
	<u>109,550.00</u>	<u>6,681.00</u>
16 <u>Commitments and Contingencies</u>		
There were no commitments and contingencies existing as at the reporting date		
17 <u>Events After the Reporting Date</u>		
No circumstances have arisen, since the balance sheet date, which would require adjustments to, or disclosure, in the financial statements		
18 <u>Members Interest in Contracts</u>		
None of the members are either directly or indirectly interested in any existing or proposed contracts with the organization		
19 <u>Related Party Transactions</u>		
There have been no related party transactions to be disclosed to the financial statements		



Lanka Microfinance Practitioner's Association**32, Surivamal Mawatha, Divulapitiya, Boralesgamuwa****Tax Computation****For The Year Of Assessment 2021/22***(All Amounts Are In Sri Lankan Rupees)**Notes**Rs. Cts.*

Profit before Tax as per Accounts		454,505.19
Less: Investment Income		(155,531.06)
Add: Specific Disallowances		
Depreciation	28,544.22	
Provision for Gratuity	37,500.00	66,044.22
		365,018.34
Less: Specifically Permitted Deductions		
Gratuity Paid	-	
Capital Allowance	(39,098.40)	(39,098.40)
Income From Business		325,919.94
Less: Tax Loss		(325,919.94)
Assessable Income From Business		-
Investment Income		155,531.06
Less: Exempt Investment Income		
Less: Expenditure Incurred In The Production Of Investment Income		
Less: Tax Loss		(155,531.06)
Assessable Income From Investments		-
Other Income		-
Assessable Income From Other		-
Total Assessable Income (Business, Investment, Other)		-
Less: Qualified Payments		
Taxable Income		
<u>Tax Liability for the Year</u>	%	
Income Tax at 14%	14%	-
Income Tax at 24%	24%	-
Total Tax Payable		-
Less: Tax Credits		
Withholding Tax Credits		
Self-Assessment Income Tax Payments		
Balance Tax Payable/ (Refund Due)		-



Lanka Microfinance Practitioner's Association**32, Suriyamal Mawatha, Divulapitiya, Boralesgamuwa****NOTES TO THE TAX COMPUTATION****For The Year Of Assessment 21/22***(All Amounts Are In Sri Lankan Rupees)***Claimable Business Loss****Rs.**

Brought Forward from 2020/2021	1,595,691.00
Business Loss Incurred the Year 2021/2022	-
Total Loss Incurred from Business	<u>1,595,691.00</u>
Claimed against Assesable Income from Business 2021/2022	(325,919.94)
Claimed against Assesable Income from Investment 2021/2022	<u>(155,531.06)</u>
Total Claimed against Total Assesable Income	<u>(481,451.00)</u>
Business Losses Carried Forward to 2022/ 2023	<u>1,114,240.00</u>



Lanka Microfinance Practitioner's Association
32, Suriyamal Mawatha, Divulapitiya, Boralesgamuwa

NOTES TO THE TAX COMPUTATION

For The Year Of Assessment 21/22

(All Amounts Are In Sri Lankan Rupees)

Assets Purchased after April 1, 2018

<u>Asset</u>	<u>Years</u>	<u>Cost</u>	<u>Claimed up to</u>	<u>Charges for the</u>	<u>Claimed up</u>	<u>To be claimed</u>
			<u>01.01.21</u>	<u>Year</u>	<u>to 31.12.21</u>	
		<u>Rs. Cts.</u>	<u>Rs. Cts.</u>	<u>Rs. Cts.</u>	<u>Rs. Cts.</u>	<u>Rs. Cts.</u>
<u>Assets Purchased in 18/19</u>						
<u>Office Equipment</u>						
Multimedia Projector	5	78,900.00	47,340.00	15,780.00	63,120.00	15,780.00
Scanner	5	25,832.00	15,499.20	5,166.40	20,665.60	5,166.40
Electric Kettle and Tea Set	5	9,850.00	5,910.00	1,970.00	7,880.00	1,970.00
		<u>114,582.00</u>	<u>68,749.20</u>	<u>22,916.40</u>	<u>91,665.60</u>	<u>22,916.40</u>

Assets purchased in 20/21

<u>Office Equipment</u>						
Air conditioner	5	80,910.00	-	16,182.00	16,182.00	64,728.00
		<u>80,910.00</u>	<u>-</u>	<u>16,182.00</u>	<u>16,182.00</u>	<u>64,728.00</u>
Total Capital Allowance		<u>195,492.00</u>	<u>68,749.20</u>	<u>39,098.40</u>	<u>107,847.60</u>	<u>87,644.40</u>





Lanka Microfinance
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