



# Lanka Microfinance Practitioners' Association



**ANNUAL REPORT**  
**2022/2023**

## **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 18th Annual Report of the LMFPA to the members and all the stakeholders of the microfinance industry.

It has been a tough year for the microfinance industry as well as every other industry in Sri Lanka due to the economic crisis. While new funding opportunities for the industry remained bleak due to the country's credit ratings, the local MFIs had to resort to alternative strategies to ensure their operational sustainability. And unlike in previous years, the association too had to go through hardships due to limited income generation activities.

One of the main positives during the year was that we could expect the enactment of the proposed Microfinance and Credit Regulatory Authority Act in the near future. During the association's recent meeting with the State Minister of Finance, it was revealed that the proposed Microfinance Act is expected to be enacted soon after the proposed Central Bank Act which is a requirement by the International Monetary Fund (IMF).

We had limited scope in continuing the capacity building programs due to the prevailing situation. However the committee was able to conduct a series of online webinars that were very beneficial to the membership. Special thanks should go to VisionFund Lanka for providing the ZOOM platform for LMFPA to host the webinar series.

I take this opportunity to thank the dynamic committee members, staff and all the stakeholders who continued to help keep the association strong during troubled time.

**Anura Atapattu**

**Hony President – 2022/2023**



## Corporate Information

**Address:** 32, Suriyamal Mawatha, Divulapitiya, Boralesgamuwa

**Tel:** + 94 11 4369612

**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. Anura Atapattu**  
Hony. President

Mr. Anura Atapattu is the Managing Director of Berendina Micro Investment Company (BMIC). He is also the Chairman of two other organizations in the Berendina group namely Berendina Development Services (Gte) Limited (BDS) and Berendina Employment Centre (Gte) Ltd (BEC). He was also served as the Chief Executive Officer – Sarvodaya Rural Enterprises Development Services (REDS) and the Deputy Managing Director of Sarvodaya Economic Enterprises Development Services (Guarantee) Ltd (SEEDS). He had been in a Board member of SEEDS, BDS, BEC, BMIC, and LMFPFA for many years. He has been the founding Chairman of Development Facilitators Limited a consulting, training and research provider for Microfinance, MSME and other development spheres in Sri Lanka and abroad. He is a consultant in profession and has undertaken many assignments nationally and internationally and has represented Sri Lanka development sector in many local international conferences, seminars and events. He holds a B. Sc. (Agric), Post-graduate Diploma in Economic Development and a Masters in Business Administration (MBA) - University of Lincoln – UK. His local and international professional experience, exposure and networking is of great value to LMFPFA.



**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. Udaya Bandara**  
Hony. Vice President

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.



**Mr. Wasantha  
Gunawardhane**  
Hony. Treasurer

Mr. Wasantha Gunawardhane is the Chief 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 thirty one 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 cooperatives focused on Business Development & Animal Husbandry. Meantime being a chairman of cooperative 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. Mr. Wasantha is a certified trainer of Microfinance distance learning and has a Diploma in Business Management from the National Institute of Business Management (NIBM).

Mr. Wasantha has represented the Board of Directors for over 7 years and served as the Hony. Vice President of LMFP in 2013/2014 and also as a Director in 2014/2015 and 2016/2017. At the present he serves as the Hony. Treasurer.



**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 17 years she has experience in Accounting, Auditing, Finance Management, Human resource Management and Administration.

She is a CIMA qualified pass finalist and 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.



**Mrs. Shriyani  
Mangalika**  
Hony. Asst. Secretary

Mrs. Shriyani Mangalika currently serves as the Managing Director of the Hambantota Women's Development Federation (WDF). She has previously also served as Assistant Manager, Audit Executive, Special Projects Manager and General Manager of WDF.





**Mr. Chamika Weerasinghe**  
Director

Mr. Chamika Weerasinghe has over 22 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 Banking and 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. Saman Ranaweera**  
Director

Mr. Saman Ranaweera is the Chief Manager – Business Operations at Ventura Crystal Investments Ltd. He has over 29 years' of experience in the Microfinance sector with more than 24 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 (ADBI) 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 LMFP & 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. G. K. K. Gamage**  
Director

Mr. Gamini Krishantha Kiringoda Gamage is an experienced Central Banker with 24 years of experience in Directory roles in various departments in Central Bank of Sri Lanka. Mr. Gamage has had a wide range of exposure in numerous fields of on-site and off-site supervision of licensed commercial and specialized banks as a senior examiner of the Bank Supervision Department and Information System Auditor of the Bank Supervision Department. He has worked in the Currency Department as the Deputy Director in-charge of operational, Policy and Administration of Currency in Central Bank. In addition to his experience at the Central Bank, he has served 10 years as a Staff Officer and Manager of People's Bank, specialized in retail banking, international banking and overlooking the Department of Information Technology. He has an M.Sc. in International Economics from the University of Illinois in USA, a Post Graduate Diploma in Information Technology from University of Colombo and a Diploma in Information System Audit from the Institute of Chartered Accountants of Sri Lanka. He is currently the Chief Executive Officer of Lak Jaya Microfinance.



**Mr. Charith Jagoda**  
Director

Mr. Charith Jagoda is the Deputy General Manager – Microfinance at LOLC Finance Plc. He counts close to 25 years of experience in the financial services industry with hands on experience in commercial banking and microfinance.

Charith started his career in financial services at Hatton National Bank, where he served for 10 years prior to joining LOLC.

He has had extensive training and exposure in microfinance internationally and has undergone training on Strategic Leadership and Inclusive Finance at the Harvard Business School.



**Mr. Risanth Francis**  
Director

Mr. Francis Risanth is the Chief Operating Officer of Vision Fund Lanka Limited, which is an international Microfinance Organization a subsidiary company of World Vision Lanka established in order to carry out Microfinance activities in the country.

He has two years of experience on relief, development sector, commenced his career in the MF industry in year 2007 as a Branch Manager for Hatton Branch, and served in many position such as Risk and Compliance and Business Development etc.

Mr. Risanth holds a Bsc Degree in Business Administration from University of Jayewardenepura and obtained a Master Degree in Business Studies from University of Colombo.



**Mr. Nirmalan  
Nayagam**  
Director

Mr. Nirmalan Nayagam is currently the Chief Executive Officer of Sejaya Microcredit Limited. Prior to this, he has been in the microfinance industry for about 15 years, first as the Chief Financial Officer at VisionFund Lanka and as a Regional Finance Director at VisionFund International, covering both Asia and Eastern Europe regions. He holds a qualification from the Chartered Institute of Management Accountants, UK.



**Mr. Kitsiri Jayasinghe**  
Director

Mr. Kitsiri Jayasinghe started working in the business field in 1990 and has started various new business activities throughout his career.

He is the founder of Darshana Agencies and Motors, Japan Civilian Imports Pvt Ltd and DCS Credit and Investments and also a director of DCS International, Japan. For 32 years, he has started and expanded his business establishments and branches in the areas of Anuradhapura, Rambewa, Padaviya, Mannar, Medavachchi and gained a wealth of experience.

As a Managing Director in several organizations, he has strong work experience in financial management, supply chain as well as Management, General Administration, and Human Resource Management. He also has knowledge and experience in all activities including implementation of systems, processors and process controls etc.



**Mr. Hemal  
Lokugeegana**  
Director

Mr. Lokugeegana has more than 24 years of business and management sector experience, out of which 20 years in banking industry in senior management positions in the fields of Microfinance, Credit Management, Regional Business Management, Training, Business Banking, Risk Management, SME Development, Human Resource Management and Development and social capital and savings mobilization. His senior management experience in the banking industry at SDB Bank spans more than 20 years, with a total of more than 14 years in corporate management positions.

Mr. Lokugeegana holds a bachelor's Degree in Business Management with second class Hons from University of Kelaniya, Sri Lanka and a Master of Business Management from Rajarata University of Sri Lanka.

He is a Fellow Member of Institute of Bankers of Sri Lanka ,a Member of Institute of Management of Sri Lanka ,a Chartered Member of Institute of Personnel Management of Sri Lanka ,a Member of Association of Accounts Technicians of Sri Lanka, Accredited Director –Security Exchange Commission & Chartered Accountants of Sri Lanka , a Member of Association of Professional Bankers and a holder of a Diploma in Bank Integrated Risk Management and have Completed 3 stages of Institute of Chartered Accountants of Sri Lanka.

## Sub Committees:

- Membership Committee – Mr. Saman Ranaweera, Mr. Nirmalan Nayagam & Ms. Shriyani Mangalika
- Public Relations Committee –Mr. Chamika Weerasinghe, Mr. Ransith De Mel & Mr. Rizanth Francis
- Training Committee – Mr. Gnanasiri Abeywardhana, Ms. Tharanga Ileperuma & Mr. Gamini Gamage
- Archives Committee – Mr. Wasantha Guawardena, Mr. Gnanasiri Abeywardena & Mr. Chamika Weerasinghe

## Meeting Attendance

Board Member	Regular meetings attended
Mr. Anura Atapattu	09
Mr. Udaya Bandara	09
Mr. Wasantha Gunawardena	07
Ms. Tharana Ileperuma	05
Mr. Gnanasiri Abeywardena	08
Mrs. Shriyani Mangalika	01
Mr. Nirmalan Nayagam	08
Mr. Ransith De Mel	09
Mr. Chamika Weerasinghe	09
Mr. Saman Ranaweera	10
Mr. Rizanth Francis	04
Mr. Kithsiri Jayasinghe	01
Mr. Charith Jagoda	02
Mr. Gamini Gamage	04
Mr. Hemal Lokugeegana	01



## Our Members

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

## Review of Activities in 2022/2023

As a representative body of microfinance practitioners, the LMFPFA's main objectives are advocacy and lobbying, creating a conducive environment for microfinance, capacity building and information sharing. The year 2022/2023 was a very challenging year for the industry and LMFPFA due to a very acute economic crisis in Sri Lanka.

### Discussions with State Minister on the proposed new Microfinance Act



On 30<sup>th</sup> May 2023, LMFPFA had the opportunity to meet with State Finance Minister Shehan Semasinghe at the Finance Ministry in Colombo. The objective of this discussion was to get an update on the proposed Microfinance and Credit Regulatory Authority Act. Also in attendance were representatives from the Central Bank of Sri Lanka and representatives of the Legal department of the Finance Ministry. The Legal Department shared the latest draft with LMFPFA that had received observations of the Legal Draftsman and the Attorney General. According to the State Minister, the proposed Microfinance Act will be implemented only after the new Central Bank Act is enacted. LMFPFA will be closely monitoring the future developments in the regard.

## LMFPA meets with officials of JICA



The LMFPFA had the opportunity of meeting Mr. Yamada Tetsuya, Chief Representative of the Japan International Corporation Agency (JICA) on the 11th of October 2022 at the JICA Head Office in Colombo. Representing LMFPFA Mr. Anura Atapattu (President), Mr. Udaya Bandara (Vice President), Mr. Wasantha Gunawardena (Treasurer) and Mr. Yasitha Munasinghe were present. The objective of the discussion was to identify the opportunities for MFIs to collaborate with ongoing JICA technical assistance projects in Sri Lanka. LMFPFA was able to identify several projects that JICA is engaged in that has relevance to the Microfinance Industry such as a Dairy project in the Northern province, Supply chain projects in Nuwara Eliya, Matale, Anuradhapura, Hambantota, Badulla and Moneragala districts and a Gender Project in Ampara and Moneragala districts. JICA later informed LMFPFA that they require more preparations before going for the actual implementations of the training programmes and it require consultations with Department of Agriculture, Department of Animal Production and Health and other direct stakeholders from counterpart / government side as they are the responsible counterparts for the implementation of the two project directly with the farmers /beneficiaries.

## LMFPA meets with Department of Census & Statistics

Back in 2021, the Department of Census and Statistics (DCS) collaborated with the LMFPA to collect and analyze microfinance data, identify its short term and long term trends and its contribution to the economy. 21 member organizations provided data according the format that was shared by the DCS, and the department was expected to analyze the data together with other data collected from non-member stakeholders in the industry.



Nevertheless, the collection of data from the microfinance industry posed a tough challenge for the DCS in order to interpret an accurate landscape of the industry and therefore LMFPA convened a meeting with the DCS officials on 12th December 2022 to identify the challenges that were faced and discussed on the methods to overcome same.

It was mutually agreed by both organizations that a joint workshop should be organized inviting different stakeholders of the industry and create awareness on the importance of the collection of statistical data and to seek their collaboration towards this project. LMFPA will be closely working with the DCS to organize such a programme in the near future.

## Discussion with Human Rights Commission

LMFPA was invited to the Human Rights Commission (HRC) on 27th January 2023 to discuss on the issues that were identified by the Commission during their regional field visits. Some concerns that were raised by the HRC are as follows:

- A copy of the loan agreement not been given to clients. According to the HRC, at least an offer letter should be given to the borrower at the time of loan disbursement.
- Loan agreements are signed in English. While the terms and conditions may have been communicated to the client in their local language, the signed loan agreement should also be in the local language of the client.
- In some instances no receipts are issued during repayments therefore a printed receipt should be issued for all payments made by clients. If SMS confirmation is sent to clients, or thermal paper receipt is issued at the time of accepting payments, an account statement should be issued to clients in every 6 months at least.
- House visits by recovery officers are intimidating and therefore recoveries should take place at a village centres. If home visits are done for default loans, it should be during the day time only.



The President of LMFPFA was present at this meeting and on behalf of the members of LMFPFA he explained that most member MFI policy is to sign loan agreements in the client's local language rather than in English. Some MFIs have adopted an SMS facility whereby the client receives an SMS alert every time a loan repayment is being made. MFIs also have the practice of issuing a loan card to their clients that details the terms and conditions of the loan as well as repayment history. On a positive note, the HRC acknowledged the service of microfinance institutions that reach out to communities that would not have been served by the formal banking sector.

Following this discussion, LMFPFA was invited to the HRC again on 10th April 2023 for a joint discussion with the Sri Lankan Insurance Corporation (SLIC). The objective of this discussion was to find a workable solution towards designing an insurance product against business failures of MFI clients. Currently the main type of insurance operating in the MF industry is the credit life insurance i.e. decreasing term insurance policy where the outstanding capital of the loan is paid to the MFI in the event of the death and/or permanent disability of the borrower. In some instances the full loan amount is also settled.

According to SLIC, in the event where the borrower's spouse is the main income earner, the insurance product goes as a joint policy between husband and wife. The main hindrance to creating a sustainable insurance product for business failure is the difficulty in assessing the cause of business failure. There are some business protection policies such as fire protection. Currently there are some micro insurance products for dairy farmers and agriculture by a few insurance companies.

LMFPFA President explained that several MFIs have already been operating their own internal fund to cater to economic shocks of their clients and it has been a successful practice over the years. It was suggested that it would be better to use the government mechanism (eg. Divisional Secretariats) to access the business failure of micro borrowers to make micro insurance claims. SLIC suggested that the Insurance Regulatory Commission (IRCSL) could recommend a certain percentage on the insurance companies' income to be allocated to create a fund that can be used for the benefit of micro borrowers in the event of business failure. A bigger percentage can be drawn from state owned insurance companies such as People's insurance, National Insurance Trust Fund (NITF), Agriculture Insurance Board. It was also stated the best organization to implement this type of initiative is the National Insurance Trust Fund. The HRC stated that it will convene future discussions regarding micro insurance in coordination with the Insurance Regulatory Commission and NITF in the near future.

## Other Discussions



Discussion with Digital Alternative Lenders' Association regarding issues on Online Lending – April 2023



Discussion with BBC radio regarding issues in the Sri Lankan Microfinance Industry – March 2023

## Revision of Poverty Probability Index (PPI) Scorecard

The Poverty Probability Index (PPI) is a poverty measurement tool that is being used by many Microfinance Institutions worldwide. The PPI is statistically sound, yet simple to use; the answers to 10 questions about a household's characteristics and asset ownership are scored to compute the likelihood that the household is living below the poverty line. With this tool, MFIs can identify the clients who are most likely to be poor, integrating objective poverty data into their assessment and strategic decision making.

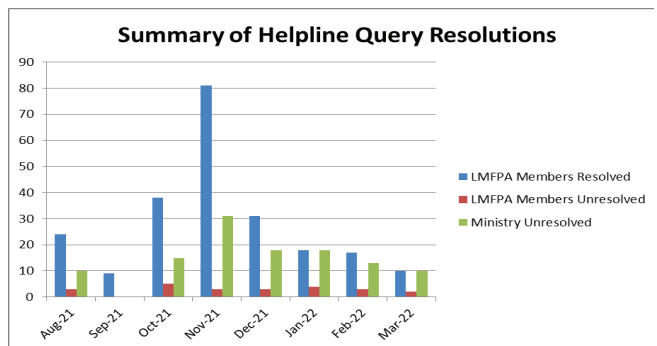
The Sri Lankan PPI scorecard was developed by Dr. Mark Schreiner PhD, a Senior Scholar with the Centre for Social Development of Washington University in St. Louis. He pioneered credit risk scoring in microfinance and developed the PPI. The last time the scorecard was updated was in 2013. The scorecard is developed using the data from the Household Income & Expenditure Survey (HIES) conducted by the Department of Census & Statistics of Sri Lanka.

Since the Data file carries a hefty price tag, efforts were made to find a donor to purchase the HIES Data file from the Department of Census & Statistics and revise the PPI scorecard through Dr. Mark Schreiner. Alternatively LMFPFA will request the existing members who are using the PPI to share the purchasing cost of the data file and proceed to revise the scorecard thereafter.

## Follow up on Microfinance Helpline

The Microfinance Helpline Initiative was launched in 2021 for the purpose of addressing grievances faced by microfinance clients and to persuade the stakeholders to take timely corrective measures for such grievances. A summary of the Helpline Query resolutions is as follows:

A total of 228 queries were resolved by the respective member MFIs. Only 23 queries remained unresolved during the period August 2021 to March 2022. Therefore further follow ups were conducted to check the status of the unresolved issues. It was then revealed that those queries too had been addressed by member MFIs but not communicated to the LMFPFA regarding their status.



## Update on Fraudulent Staff Database

The LMFPFA Fraudulent Employee Database has now grown to 270 entries. During the last financial year, there had been a total of 184 inquiries but with no matches with the database. Members have contributed to the database with 86 entries of their former employees. LMFPFA hopes to increase the number of member organizations contributing to this database in the coming months.

## Update on the LMFPA Code of Conduct

Following the meeting LMFPA had with the Human Rights Commission in January 2023, the board decided to review the LMFPA Code of Conduct regarding the language on loan agreements and the membership committee was assigned for this task. Through its observation, the membership committee noticed that under maintaining transparency in the Code of Conduct, the signing of the loan agreement should indicate “in the client’s language preference”. The implementation of this amendment is to be made at the next Annual General Meeting in 2023.

## SAMN International Conference - UK

After the last Regional Conference which was held in Colombo in 2018, the South Asia Micro Entrepreneurs’ Network (SAMN) was not able to organize a conference due to the COVID 19 pandemic. Nevertheless in July 2023, the SAMN International Conference was held in London, UK. However, due to the adverse economic situation in the country, there weren’t any participating organizations from Sri Lanka to the conference this year. Only the LMFPA President and a representative from Future Life Investments represented Sri Lanka at the conference via ZOOM technology and their participation was facilitated by LMFPA.

## Facilitation for Programme on Data Protection Act by Centre for Banking Studies

Following the proposal forwarded by the LMFPA, the Centre for Banking Studies (CBS) organized a one day programme on the Personal Data Protection Act and its impact on the financial industry on 26th July 2023. The Personal Data Protection Act was established to safeguard personal data while fostering the growth of the digital economy in Sri Lanka, ensuring adequate protection for individuals recognized as data subjects. The implementation of personal data protection laws is instrumental in shaping digital strategies for institutions. Within this context, this programme was organized by CBS to raise awareness and provide insights into the framework outlined by the Act. LMFPA facilitated in this initiative by nominating 8 member representatives to the programme.

## Professional Microfinance Certificate Programme of LMFPA

The LMFPA is currently holding discussions with its resource person panel on developing an Online Microfinance Certificate Programme. The objective of this certificate programme is to create a knowledgeable workforce for the Sri Lankan microfinance industry. The course is targeted at new recruits of Microfinance Institutions as well as undergraduate students who aspire a career in the microfinance industry. The course is expected to cover the following areas over the span of 10 online sessions.

- Microfinance Principles
- Legal aspects of Microfinance
- Product Development
- Financial analysis
- Social Performance Management

The launch of this programme is expected to take place in September 2023.

## Webinar on “The Fate of Microfinance during Economic Crisis”

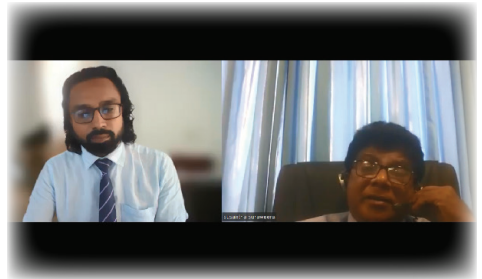
The economy of Sri Lanka is at its lowest ebb since it was declared bankrupt by the government in early 2022. Many industries in the country are struggling for sustainability since the recent past. The microfinance industry and its stakeholders too are facing the brunt of the economic crisis and therefore it is important to learn from the experiences among fellow stakeholders. With this in view, the Lanka Microfinance Practitioners' Association (LMFPA) organized an online webinar titled “The Fate of Microfinance during Economic Crisis” on the 26th of September 2022. More than 70 participants took part in the webinar representing 12 member organizations.

The panelists for the webinar were:

- Mr. Tharanga Wijayakoon – Senior Assistant Director of Central Bank of Sri Lanka
- Mr. Susantha Suraweera – Chief Operating Officer, Lak Jaya Microfinance Ltd
- Mr. Lakshman Eraj – Head of Microfinance, HNB Finance PLC
- Mr. Sanjev Perera – Chief Executive Officer, VisionFund Lanka Ltd

The session was moderated by Leading Development Finance Consultant Mr. Imran Nafeer.

The webinar was held in 03 rounds. The first round was focused on the present economic crisis where there was high inflation of prices in commercial goods, interest rate hikes and the fall in the purchasing power of the people. According to Mr. Suraweera a lot of clients of his MFI declined to take up business loans during the second quarter of 2022 due to the uncertainty of their business's sustainability. This has caused a drop in the demand for loans by 50%. However the demand for consumption loans was on the rise. Therefore it was important for the MFI to follow strict credit evaluations (purpose of loan, capacity to repay etc.) prior to disbursements. Priority on loan disbursement was also given to customers that have a good credit history and have completed their previous loan cycles. Mr. Sanjev Perera shared the experience of VisionFund where many clients were unable to meet their repayment obligations due to adverse economic conditions in their households, however this has improved from the month of September.



Mr. Lakshman Eraj elucidated that the increase in poverty levels does create opportunities for MFIs in providing financial services to households to engage in income generation activities to boost their income rather than consumption. In a situation where the whole country needs to increase its local



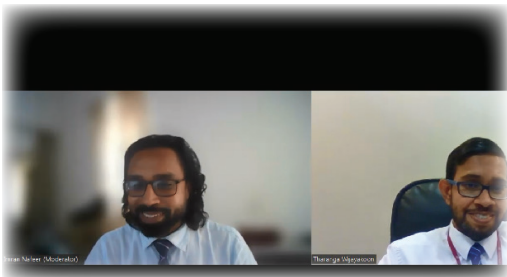
productivity to generate income, the microfinance industry can work as a catalyst in encouraging low income households to start small manufacturing businesses to cater to the demand of the local market. It is also important that the MFI acts responsibly to serve a greater social cause in rebuilding the economy.

As a regulator, Mr. Tharanga Wijayakoon of Central Bank explained that it was important to increase the interest rates to control the circulation of currency in the country. This was in bid to curb the high inflation rate that rose to more than 70%. The deterioration of the Rupee against the dollar, printing and circulation of local currency, depletion of foreign reserves were all contributing factors to the current economic crisis. Therefore the Central Bank is now taking strict measures on damage control. He further stated that the Monetary Policy transmission takes about six months to take real effect.

The second round focused on the challenges that the MFIs needed to overcome since the Easter Bomb attacks, COVID 9 pandemic and the economic crisis. Mr. Sanjev Perera of VisionFund explained how they gave their clients discounts during recoveries, removal of loan moratorium fees of clients with hardships, establishment of a special recoveries unit that focused on recovering on loan capitals while absorbing interest



and collaboration with telecommunication companies such as Dialog to recover loan repayments via EZ Cash, a system where the clients can pay their loan installments via using their mobile phones. Clients also have the option of making their loan repayments through post offices. According to Mr. Suraweera, a careful study was conducted by Lak Jaya Microfinance to identify new local businesses in the tourism industry and recommend to their clients according to their skill level and interest. Mr. Lakshman Eraj explained that HNB Finance also focused on microfinance loan recoveries through mobile platforms and provided loan moratoriums and reschedules for their regular clients. For an institution that has a wide array of portfolios, there has been an increase on pawning services as well as savings on Fixed Deposits and term deposits. According to Mr. Tharanga Wijayakoon, the policy decisions of the Central Bank in the short run is to reduce the rate of inflation in the country while medium and long term goals are focused on



increasing the production in the economy. In this regard, the Regional Development Department of the Central Bank has implemented some initiatives to improve the agricultural sector as well as providing financial assistance for value chain development (pilot phase).

One of the areas in the final discussion round focused on the strategies of MFIs in mitigating credit risks and operational risks. In Lak Jaya microfinance this is strictly followed from the stage of selecting the client until the loan recovery is completed. Furthermore they have also developed a comprehensive handbook for every department of the MFI (Administration, Human Resources, Management Information System, Field Operations etc) This method has helped the MFI to reduce risks by 90%. Another area of concern that was discussed was the job security in the microfinance

industry amidst the economic crisis. MFIs such as HNB Finance have taken the strategy for over one and a half years in training their sales staff for cross selling financial services besides microfinance products. This not only helps retain their staff but also empowers them with additional skills and knowledge on a variety of financial services other than microfinance. The discussion also addressed the risk of microfinance clients falling back on money lenders to access credit since many financial institutions have curtailed lending. MFIs such as VisionFund have addressed this issue by keeping their interest rates competitive to retain their customers by reducing their operational costs. In addition to this, increasing the loan tenure, increasing the communication with clients to better understand their needs as well as increasing their financial literacy, improving the operational efficiency through digitalization are some other methods that have been initiated to retain their client base.

Lastly the reconsideration of a new regulatory framework for the microfinance industry was explained by Mr. Tharanga Wijayakoon of the Central Bank. The proposed Micro Credit Regulatory Authority Act aims at regulating micro credit institutions giving emphasis to client protection principles. The task of the legal draftsman in compiling the Act is nearing completion and the new regulation is expected to be released in 2023.

## Webinar on “Positive Life & Well Being”

In view of motivating the staff of member organizations, the LMFPFA organized a webinar themed on “Positive Life & Well Being” or “නිරවුල් මනසක් තුළින් යහපත් රැකියා දිවියක්” on the 15th of November 2022 via ZOOM. More than 100 participants took part in this webinar representing 14 member organizations. The training was conducted by Mr. Rex Pitiyage, renowned Human Skill Development trainer and Motivational Speaker in Sri Lanka.



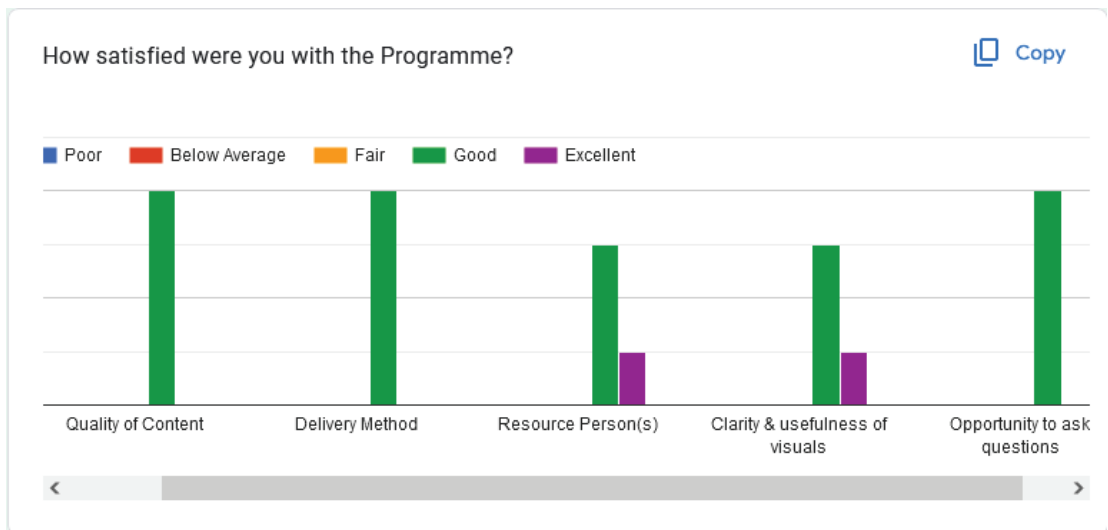
The webinar focused on the importance of increasing one's happiness Chemicals on a daily basis and they are Dopamine, Oxytocin, Serotonin and Endorphins. The webinar also identified common stress symptoms and their factors and the participants were able to experience through practical exercises on various Neurolinguistic programming techniques to overcome stress.

## LMFPA Training Webinar Series 2023

The continuation of capacity building programmes for the LMFPA membership was organized on a monthly basis in 2023 in both Sinhala and Tamil languages. From January to June 2023 the following capacity building webinars were organized:

- Customer Service in Microfinance/Financial Service – Tamil
- Legal Aspects in the Micro Loan Process – Sinhala
- Financial Analysis for sustainability & Profitability - Sinhala
- Customer Relationship Management – Sinhala & Tamil
- Institutional Development during Economic Crisis – Sinhala

A total of 288 member representatives benefitted from these training webinars and LMFPA received positive feedback from the participants as seen from the chart below. Special thanks should go to VisionFund Lanka who supported LMFPA by providing the ZOOM platform to host the webinar series.



## LMFPA News Bulletin

The bi-monthly publication continues to update LMFPA members 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.

## Microfinance Review 2021

Despite some delays in receiving data, the Microfinance Review Publication 2021 was published by February 2023. 37 member organizations took part in the data profiling project and we like to thank our members for their active support. Data collection for the year commenced in May and the 2022 report is expected to be completed by September 2023.

## Auditor's Report & Financial Statements

### MAGAMAGE & Co. CHARTERED ACCOUNTANTS

Tusitha S. Magamage (B.Sc., F.C.A.)

#### 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 31<sup>st</sup> December 2022, 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 31<sup>st</sup> December 2022, 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  
14<sup>th</sup> July 2023





**STATEMENT OF COMPEHENSIVE INCOME**  
**FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

(All Amounts in Sri Lankan Rupees)

	Notes	2022 Rs. Cts.	2021 Rs. Cts.
General Income	01	1,489,000.00	1,435,000.00
Interest Income	02	507,577.72	155,531.06
Other Income	03	684,100.00	2,674,360.00
<b>Total Income</b>		<b>2,680,677.72</b>	<b>4,264,891.06</b>
Activity Related Expenses	04	348,816.36	1,827,593.00
<b>Net income</b>		<b>2,331,861.36</b>	<b>2,437,298.06</b>
Administrative Expenses	05	2,582,476.19	2,226,392.88
<b>Net Surplus/ (Deficit) Before Taxation</b>		<b>(250,614.83)</b>	<b>210,905.19</b>
Income Tax Expense	06	-	-
<b>Surplus/ (Deficit) For the Year</b>		<b>(250,614.83)</b>	<b>210,905.19</b>





**STATEMENT OF FINANCIAL POSITION****AS AT 31<sup>st</sup> DECEMBER 2022**

(All Amounts in Sri Lankan Rupees)

	Notes	2022 Rs. Cts.	2021 Rs. Cts.
<b>Assets</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	07	54,087.78	70,269.78
Investment in Fixed Deposits	08	3,648,333.33	3,100,542.72
		<u>3,702,421.11</u>	<u>3,170,812.51</u>
<b>Current Assets</b>			
Receivables	09	443,700.00	243,600.00
Deposits and Prepayments	10	100,000.00	100,000.00
Cash & Cash Equivalent	11	668,480.93	1,282,280.68
		<u>1,212,180.93</u>	<u>1,625,880.68</u>
<b>Total Assets</b>		<u><b>4,914,602.04</b></u>	<u><b>4,796,693.19</b></u>
<b>Equity and Liabilities</b>			
Accumulated Fund		3,799,938.75	4,246,643.19
<b>Total Equity</b>		<u>3,799,938.75</u>	<u>4,246,643.19</u>
<b>Non-Current Liabilities</b>			
Retirement Benefit Obligation	12	450,000.00	412,500.00
		<u>450,000.00</u>	<u>412,500.00</u>
<b>Current Liabilities</b>			
Income Tax Payable	13	-	-
Accounts Payable	14	655,803.40	28,000.00
Bank Overdraft	15	8,859.89	109,550.00
		<u>664,663.29</u>	<u>137,550.00</u>
<b>Total Funds and Liabilities</b>		<u><b>4,914,602.04</b></u>	<u><b>4,796,693.19</b></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



**ACCUMULATED FUND****(All Amounts in Sri Lankan Rupees)**

	<b><u>2022</u></b>	<b><u>2021</u></b>
	<b><u>Rs. Cts.</u></b>	<b><u>Rs. Cts.</u></b>
<b>Balance as at 1<sup>st</sup> January 2022</b>	4,246,643.19	3,792,138.00
Surplus / (Deficit) for the Year	(250,614.83)	210,905.19
Prior Year Adjustment	(196,089.60)	243,600.00
<b>Balance as at 31<sup>st</sup> December 2022</b>	<b><u>3,799,938.75</u></b>	<b><u>4,246,643.19</u></b>



**Statements of Cash Flows****For the Year Ended 31<sup>st</sup> December**

(All Amounts in Sri Lankan Rupees)

	<b><u>2022</u></b>	<b><u>2021</u></b>
	<b><u>Rs. Cts.</u></b>	<b><u>Rs. Cts.</u></b>
<b><u>Cash Flow from Project Activities</u></b>		
Net Surplus/ (Deficit) before taxation	(250,614.83)	454,505.19
<b><u>Adjustment for Non Cash Items</u></b>		
Depreciation	16,182.00	28,544.22
Interest Income	(507,577.72)	(155,531.06)
Prior Year Adjustment	(196,089.60)	-
Gratuity provision for the year	37,500.00	37,500.00
Operating Profit before Working Capital Changes	(900,600.15)	365,018.34
<b><u>Working Capital Changes</u></b>		
Increases/(Decrease) in receivables, deposits and prepayments	(200,100.00)	466,461.00
Increase/(Decrease) in Accounts Payable	627,803.40	(15,500.00)
Cash Flow from / (used in) Operating Activities	(472,896.75)	815,979.34
Income tax paid	-	-
Net Cash Flow from / (used in) Operating Activities	(472,896.75)	815,979.34
<b><u>Cash Flow from Investing Activities</u></b>		
Interest Income	507,577.72	155,531.06
Acquisition of the Fixed Assets	-	(80,910.00)
Investments in Fixed Deposits	(547,790.61)	(1,563,852.72)
Net Cash Flow from / (used in) Investing Activities	(40,212.89)	(1,489,231.66)
Net Increase/ (Decrease) in Cash & Cash Equivalents	(513,109.64)	(673,252.32)
Cash & Cash Equivalents at the Beginning of the Year	1,172,730.68	1,845,983.00
Cash & Cash Equivalents at the End of the Year	<b>659,621.04</b>	<b>1,172,730.68</b>
<b><u>Analysis of Cash and Cash Equivalents at the End of the Year</u></b>		
Cash & Cash Equivalent	668,480.93	1,282,280.68
Bank Overdraft	(8,859.89)	(109,550.00)
	<b>659,621.04</b>	<b>1,172,730.68</b>



**Accounting Policies and Explanatory Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

**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, Suriyامل Mawatha, Divulapitiya, Boralesguwa.

**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 31<sup>st</sup> December 2022 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 10<sup>th</sup> July, 2023





**Accounting Policies and Explanatory Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

**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.

<b>Assets Category</b>	<b>Rate</b>
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.



**Accounting Policies and Explanatory Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

**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





**Accounting Policies and Explanatory Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

**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.



**Accounting Policies and Explanatory Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

**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 compiled 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 1<sup>st</sup> January 2020

**c)-Others**

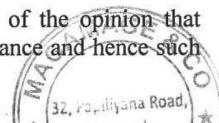
Other income is recognized on the accrual basis

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.



**Accounting Policies and Explanatory Notes to the Financial Statements**  
**the Year Ended December 31, 2022**

**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 on occurrence or non-occurrence of uncertain future events, which are beyond the organization's control



**NOTES TO THE ACCOUNTS****For the Year Ended 31<sup>st</sup> December***(All Amounts in Sri Lankan Rupees)*

	<b>2022</b>		<b>2021</b>	
	<i>Rs.</i>	<i>Cts.</i>	<i>Rs.</i>	<i>Cts.</i>
<b>01 General Income</b>				
Membership Fees	1,439,000.00		1,435,000.00	
Membership Registration	50,000.00		-	
<b>1.1</b>	<b>1,489,000.00</b>		<b>1,435,000.00</b>	
<b>1.1</b> Management committee has decided to change its subscription income recognition policy from accrued basis to the cash basis with effect from 1 <sup>st</sup> January 2020				
<b>02 Interest Income</b>				
Interest on Fixed Deposits and Money Market a/c	507,577.72		155,531.06	
	<b>507,577.72</b>		<b>155,531.06</b>	
<b>03 Other Income</b>				
Book Sales	6,000.00		6,000.00	
Training Income	154,000.00		184,050.00	
Membership Fees (SAMN)	-		481,010.00	
Administration Fee Reimbursement(SAMN)	439,200.00		243,600.00	
Miscellaneous Income	14,900.00		59,700.00	
Sponsorship Income	70,000.00		1,700,000.00	
	<b>684,100.00</b>		<b>2,674,360.00</b>	
<b>04 Activity Related Expenses</b>				
AGM Expenses	-		113,805.00	
Workshop Expenses	41,800.00		98,841.00	
Miscellaneous Expenses	184,275.00		168,697.00	
Public Relation Expenses	122,741.36		1,446,250.00	
	<b>348,816.36</b>		<b>1,827,593.00</b>	



**NOTES TO THE ACCOUNTS****For the Year Ended 31<sup>st</sup> December***(All Amounts in Sri Lankan Rupees)*

	<b>2022</b>		<b>2021</b>	
	<i>Rs.</i>	<i>Cts.</i>	<i>Rs.</i>	<i>Cts.</i>
<b>05 Administrative Expenses</b>				
Salaries	900,000.00		900,000.00	
Employee Provident Fund	108,000.00		108,000.00	
Employee Trust Fund	27,000.00		27,000.00	
Gratuity	37,500.00		37,500.00	
Travelling and Others	25,818.00		2,114.00	
Audit FEE	30,800.00		28,000.00	
Secretarial Fee	44,181.89		75,282.25	
Rent	348,000.00		346,000.00	
MF Helpline Operator Expense	166,700.00		160,600.00	
Office Maintenance	21,400.00		31,225.00	
Postage & Courier	15,220.00		9,255.00	
Printing and Stationery	14,225.00		11,135.00	
Depreciation	16,182.00		28,544.22	
Internet Chargers	27,609.00		28,785.00	
Sundry Expenses	17,644.00		14,891.00	
Computer Maintenance	11,775.00		13,350.00	
Website Maintenance	19,210.00		12,500.00	
Mobile Allowance	18,000.00		18,000.00	
Electricity	1,529.00		552.24	
Telephone	15,383.00		7,810.00	
Bank Charges (SAMN)	3,500.00		3,500.00	
Bank Charges (LMFPA)	10,493.90		8,162.25	
Tax Receivable-Written Off	-		52,540.92	
Travelling Allowances	76,000.00		36,000.00	
Water	1,302.00		1,636.00	
Membership fee(SAMN)	185,803.40		-	
Secretary Fees for Conference (SAMN)	439,200.00		264,010.00	
	<b>2,582,476.19</b>		<b>2,226,392.88</b>	





**NOTES TO THE ACCOUNTS****For the Year Ended 31<sup>st</sup> 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>1<sup>st</sup> January</u>	<u>During the</u>	<u>During the</u>	<u>31<sup>st</sup> December</u>
		<u>2022</u>	<u>Year</u>	<u>Year</u>	<u>2022</u>
Computer Equipment		599,211.00	-	-	599,211.00
Office Equipment		765,473.00	-	-	765,473.00
Furniture and Fittings		171,824.00	-	-	171,824.00
Office Partition		107,425.00	-	-	107,425.00
		<u>1,643,933.00</u>	<u>-</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>01<sup>st</sup> January</u>	<u>for the Year</u>	<u>Depreciation</u>	<u>31<sup>st</sup> December</u>
		<u>2022</u>			<u>2022</u>
Computer Equipment	20%	599,211.00	-	-	599,211.00
Office Equipment	20%	695,203.22	16,182.00	-	711,385.22
Furniture and Fittings	10%	171,824.00	-	-	171,824.00
Office Partition	20%	107,425.00	-	-	107,425.00
		<u>1,573,663.22</u>	<u>16,182.00</u>	<u>-</u>	<u>1,589,845.22</u>
<b>Net Book Value</b>		<u><u>70,269.78</u></u>			<u><u>54,087.78</u></u>



**NOTES TO THE ACCOUNTS****For the Year Ended 31<sup>st</sup> December***(All Amounts in Sri Lankan Rupees)*

	<b>2022</b>		<b>2021</b>	
	<i>Rs.</i>	<i>Cts.</i>	<i>Rs.</i>	<i>Cts.</i>
<b>08 Investments in Fixed Deposits</b>				
Deposits with Banks	3,648,333.33		1,595,312.76	
Treasury bills	-		1,505,229.96	
	<b>3,648,333.33</b>		<b>3,100,542.72</b>	
<b>09 Receivables</b>				
Administration fee Receivable	439,200.00		243,600.00	
Fund Receivable	4,500.00		-	
	<b>443,700.00</b>		<b>243,600.00</b>	
<b>10 Deposits and Prepayments</b>				
Rent Deposits	100,000.00		100,000.00	
	<b>100,000.00</b>		<b>100,000.00</b>	
<b>11 Cash and Cash Equivalents</b>				
Commercial Bank-Money Market Account-1190023870	415,201.40		681,081.78	
HNB - Savings Account -112020222484	25,420.63		-	
Sampath Bank-Current Account-009410006291	220,358.90		593,698.90	
Cash in Hand	7,500.00		7,500.00	
	<b>668,480.93</b>		<b>1,282,280.68</b>	
<b>12 Retirement Benefit Obligation</b>				
Balance as at the Beginning of the Year	412,500.00		375,000.00	
Provisions for the Year	37,500.00		37,500.00	
Balance as at End of the Year	<b>450,000.00</b>		<b>412,500.00</b>	
<b>13 Income Tax Refund / (Liability)</b>				
Balance at the Beginning of the Year	-		-	
Paid during the year	-		-	
Provision for The Year	-		-	
Balance at the End of the Year	<b>-</b>		<b>-</b>	



**NOTES TO THE ACCOUNTS****For the Year Ended 31<sup>st</sup> December****(All Amounts in Sri Lankan Rupees)**

	<b><u>2022</u></b>	<b><u>2021</u></b>
	<b><u>Rs. Cts.</u></b>	<b><u>Rs. Cts.</u></b>
<b>14 <u>Accounts Payable</u></b>		
Audit Fee Payable	30,800.00	28,000.00
Membership fee payable (SAMN)	185,803.40	-
Secretary Fees Payable for Conference (SAMN)	439,200.00	-
	<b><u>655,803.40</u></b>	<b><u>28,000.00</u></b>
<b>15 <u>Bank Overdraft</u></b>		
Commercial Bank Current Account No: 1200019410	8,859.89	109,550.00
	<b><u>8,859.89</u></b>	<b><u>109,550.00</u></b>
<b>16 <u>Commitments and Contingencies</u></b>		
There were no commitments and contingencies existing as at the reporting date		
<b>17 <u>Events After the Reporting Date</u></b>		
No circumstances have arisen, since the balance sheet date, which would require adjustments to, or disclosure, in the financial statements		
<b>18 <u>Members Interest in Contracts</u></b>		
None of the members are either directly or indirectly interested in any existing or proposed contracts with the organization		
<b>19 <u>Related Party Transactions</u></b>		
There have been no related party transactions to be disclosed to the financial statements		



**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	1,114,240.00
Business Loss Incurred the Year 2021/2022	741,638.95
Total Loss Incured from Business	<u>1,855,878.95</u>
Claimed against Assesable Income from Business 2021/2022	-
Claimed against Assesable Income from Investment 2021/2022	<u>(507,577.72)</u>
Total Claimed against Total Asseasable Income	<u>(507,577.72)</u>
Business Losses Carried Forward to 2022/ 2023	<u><u>1,348,301.23</u></u>



**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	1,114,240.00
Business Loss Incurred the Year 2021/2022	741,638.95
Total Loss Incured from Business	<u>1,855,878.95</u>
Claimed against Assesable Income from Business 2021/2022	-
Claimed against Assesable Income from Investment 2021/2022	<u>(507,577.72)</u>
Total Claimed against Total Asseasable Income	<u>(507,577.72)</u>
Business Losses Carried Forward to 2022/ 2023	<u><u>1,348,301.23</u></u>





**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>
		Rs. Cts.	01.01.22 Rs. Cts.	Year Rs. Cts.	to 31.12.22 Rs. Cts.	Rs. Cts.
<b><u>Assets Purchased in 18/19</u></b>						
<b><u>Office Equipment</u></b>						
Multimedia Projector	5	78,900.00	63,120.00	15,780.00	78,900.00	-
Scanner	5	25,832.00	20,665.60	5,166.40	25,832.00	-
Electric Kettle and Tea Set	5	9,850.00	7,880.00	1,970.00	9,850.00	-
		<u>114,582.00</u>	<u>91,665.60</u>	<u>20,946.40</u>	<u>114,582.00</u>	<u>-</u>
<b><u>Assets purchased in 20/21</u></b>						
<b><u>Office Equipment</u></b>						
Air conditioner	5	80,910.00	16,182.00	16,182.00	32,364.00	48,546.00
		<u>80,910.00</u>	<u>16,182.00</u>	<u>16,182.00</u>	<u>32,364.00</u>	<u>48,546.00</u>
Total Capital Allowance		<u>195,492.00</u>	<u>107,847.60</u>	<u>37,128.40</u>	<u>146,946.00</u>	<u>48,546.00</u>







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